

ADJUDICATOR BULLETIN

FALL 2005

Northwood & Associates Inc.
INVESTIGATION SERVICES

www.northwood-pi.com



Northwood & Associates Inc. is a licensed, insured and bonded private investigation company, based in Toronto, Canada, serving clients worldwide since 1988.

The Adjudicator Bulletin, our first issue, is directed to our valued Life Insurance clients.

In this Issue we will cover:

- The potential downfalls of adjudicators relying on Foreign Affairs Canada to confirm the legitimacy of a death abroad.
- A case study that highlights for adjudicators the benefit of laying criminal / civil charges against the Insured / Beneficiary after insurance fraud is evident.
- The importance of updating your Foreign Death Questionnaires.

Death Claims, both contestable and non-contestable, is one of our specialties. In our experience, an alarming percentage of foreign death claims are either fraudulent or contain discrepancies. A thorough investigation can enable clients to either deny the claim, or negotiate a substantially smaller settlement. **All claims investigated by our team in the following countries were found to be fraudulent:**

- Cambodia
- Egypt
- Ghana
- Haiti
- India
- Jamaica
- Kenya
- Pakistan
- Philippines
- South Africa
- Uganda

UNCOVERING FRAUD IN THE FIELD – ABROAD

How serious is the insurance fraud problem?

It has been estimated that criminal revenues relating to insurance fraud reach \$1.5 billion annually in Canada alone. Studies have also shown that 10%-15% of all insurance claims were considered to be potentially fraudulent.

The ease of obtaining legitimate documents, i.e. death certificate, police reports, and hospital reports, to be used for fraudulent purposes is pronounced in some foreign countries. One method to determine whether or not these legitimate documents were obtained fraudulently is to conduct enquiries at the source.

A number of adjudicators are relying on information secured through Foreign Affairs Canada to assist them when adjudicating a claim. This can be problematic as Foreign Affairs Canada does not assist in police or private investigations.

The mandate of the Consulate Case Managers, 12 of which are based in Ottawa, is "to facilitate communications between police forces and the families of Canadian Citizens killed abroad."

Staff with Canadian Embassies or Canadian Consulates are able, in some cases, to verify whether a death certificate is legitimate. However, they are not able to determine if the death certificate was obtained legally or used for fraudulent reasons.

To conclude, Embassy and Consulate staff do not assist with private investigations. As a result, it is important to verify

the legitimacy of a document at the source by retaining a trained investigator.

To determine the necessity of investigating at the source, our investigators first utilize contacts in various countries throughout the world.

While these contacts are able to conduct routine enquiries, they are typically not experienced enough to conduct in-depth interviews.

After our contacts have undertaken basic research, the information is reviewed and if necessary an investigator from our corporate office is sent to the country in question to conduct the more detailed interviews. In this manner all secondary issues are covered and should the case proceed to court, a Northwood & Associates investigator testifies. The client is not burdened with the costs of transporting witnesses from the foreign country.

To date, in all cases when it was necessary for our investigative staff to travel out of country, the claim was found to be fraudulent.

CASE STUDY – JAMAICA

The following case study illustrates for clients the benefits of laying criminal / civil charges against an individual who attempts insurance fraud.

On January 10, 2000, the Insured, a male aged 34, allegedly died in Jamaica as a result of a cycling accident. The Beneficiary was his common law spouse. Various evidence was submitted to support the Proof of Death, for example:

- Witness Statement
- Police Report

- Post Mortem Exam
- Funeral Home Receipt
- Burial Registration Form
- Death Registration Form

The Beneficiary was interviewed. She advised that the Insured travelled to Jamaica to visit family; however, could not support the travel itinerary with proof of travel documents. She advised that there were no other insurance policies.

Subsequent investigation found that there were three other policies with a total value of \$565,000. Additional investigation could not confirm that the Insured ever existed. Discrepancies were found in the Witness Statement and Order for Burial Form.

One Insurer had a local firm conduct an investigation in Jamaica and, as a result, felt that the claim was legitimate. They subsequently paid the policy.

An Investigator from Northwood & Associates was retained to conduct an investigation on-site in Jamaica and subsequently determined that the Death Registration Forms, Post Mortem Examination Records and Funeral Home Receipt were obtained legitimately; however, for fraudulent intentions. From interviewing the Police Officer, Clerks and Officials attached to the Jamaican government, discrepancies were found in the Police Report and the Death Registration Form. Based on this, it was apparent that the Insured had not died.

Returning to Canada additional investigation was conducted and it was found that the Insured was indeed a fictitious identity created by the spouse and the Beneficiary. Both individuals had a number of different identities. The spouse was presenting himself as the Insured.

Northwood & Associates brought the fraud to the attention of the Metro Toronto Police Fraud Unit. The Police subsequently determined that the identity of the Insured had been created to procure the insurance policies with the intention of conducting fraud and were able to issue warrants for arrest of both the Beneficiary and her spouse / Insured.

In January 2002, the spouse / Insured was arrested entering Canada from the U.S. He was wanted for bank fraud in Erie, Pennsylvania and Buffalo, New York and consequently was sentenced by the U.S. authorities on May 21, 2002 to a prison term.

Representatives of the Metro Toronto Police Fraud Unit felt that, upon completing his sentence, he would be handed over to the Niagara Detachment of the OPP and would face the charges relating to the insurance fraud. Unfortunately, upon his release from prison in the U.S., he was deported to the country of his birth - England. However, on May 11, 2004, he was once again arrested attempting to enter Canada on a forged Passport.

Investigators from our office testified at the Preliminary Hearing for the Beneficiary in October/November 2004.

In June 2005, all charges against the Beneficiary were withdrawn as a result of a guilty plea from the co-accused, the spouse / Insured. He received a prison sentence of three years to be served in a penitentiary.

DON'T BE A TARGET FOR INSURANCE FRAUD

Over \$10 million in fraudulent claims in 2005 were uncovered in investigations conducted by Northwood & Associates.

Insurers can reduce the risk of being a target of fraud by aggressively pursuing fraudulent claims and pursuing legal action against those involved through both criminal and civil courts.

Police have to establish whether or not a fraud has been attempted, or committed in Canada. If it is found that the evidence to support the fraud is on foreign soil, the police will not travel to that country due to costs. In this particular case study, as the Insured had created a fraudulent identity on Canadian soil for the purposes of conducting insurance fraud, the police were able to conduct their own investigation.

We believe that Insurers should attempt to have the police lay criminal charges in the event of fraudulent claims and/or seek retribution through the Civil Courts.

FOREIGN DEATH QUESTIONNAIRE

Adjudicator's face an increasing number of foreign and contestable death claims and the documentation required when assessing these claim varies. The Foreign Death Questionnaire (FDQ) sent to beneficiaries requesting documentation should be more detailed as critical items are sometimes missed. This form is of primary importance when assessing a claim. Often it is the first source of information and is integral in securing as much detail on the death at the outset of the claim. We frequently uncover discrepancies when attempting to confirm information contained on a FDQ and comparing details against other documentation.

It is, therefore, important that a FDQ is as detailed as possible. By updating your FDQ, you can reduce insurance costs on claims.

We perform audits and due diligence checks of outgoing documentation / questionnaires to beneficiaries.

To conclude, an important fact to remember is that criminal revenues relating to insurance fraud is estimated at \$1.5 billion annually in Canada alone and increasing.

Services & Feedback

Services: Members of our management team are regular speakers at seminars relating to various aspects of insurance fraud and have introduced procedures aimed at preventing and detecting such fraud. We would welcome the opportunity to speak at your organization at "lunch and learns" or through mini-seminars.

Feedback: We welcome your comments and feedback on the Adjudicator Bulletin. Please email us at: research@northwood-pi.com

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