

# Putting fraudulent claims to the test.

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*The Insurance Crime Prevention Bureau (ICPB) recently announced the addition of polygraph services to its anti-fraud arsenal. Nelson Scharger, who organised the polygraph services division of the Metropolitan Toronto Police Force, will join ICPB on a pilot project basis in March. Jean-Claude Cloutier, ICPB president, says Bureau members have requested polygraph services in the past, and calls the testing "an effective weapon against insurance fraud."*

*At the request of Quebec's Inspector General of Financial Institutions (IGFI), the Insurance Bureau of Canada has studied industry polygraph practices. Concluding that the polygraph is helpful when used with discretion in settling claims, IBC (in cooperation with the Insurance Crime Prevention Bureau) has devised guidelines that can be adapted to their own needs by individual IBC member companies. Comments and questions may be addressed to standards and practices analyst Louis Morriveau, at IBC's Montreal office: (514) 288-1563, extension 210. A shorter, edited version of the English translation is presented here.*

## **The investigation**

Polygraph use should not become automatic the moment a claim seems suspicious. It must be reserved for those cases which have been thoroughly investigated but where serious questions still remain as to the legitimacy of the claim. The evidence from the investigation must be solid enough for the insurer to deny the claim. Next, an in-depth investigation must subsequently be done. Preferably, the file should be entrusted to a Special Investigation Unit or ICPB investigator. The investigation must have exhausted all conventional avenues of investigation, and a fraudulent claim must still be suspected.

## **To test or not to test?**

Each insurer should name a ranking official, such as the senior claim officer, to be responsible for making the decision whether or not to offer the insured the option of taking a polygraph test. This official would also act as resource person for all polygraph-related issues. He or she would review the file and approve or deny a polygraph test according to various factors. The last-resort decision for a polygraph test is to be made by the insurer exclusively. The file must already be complete and thorough, and the claim must be sufficiently large to warrant the cost of a polygraph test. Finally, the test must result in closure of the file.

## **The offer to test**

When a decision has been made to offer a polygraph test, the insurer must tell the insured the reasons why the claim is about to be denied. The insurer should explain that a voluntary polygraph test may help to

settle the dispute without litigation, saving time and money for both insurer and claimant.

The claimant's unequivocal, free and informed consent should be obtained in writing after he or she has been advised, without coercion or surprise, of the consequences of accepting or refusing. Before the test, insurer and claimant should agree as to the amount of the loss.

## **Before the test**

The insurer will select a recognized, qualified polygraph operator to administer the test.

- The operator must review the investigation file.
- A test consent form must be signed by the test subject.
- The test subject must be advised that he or she is free to leave at any time.

## **During the test**

Questions and answers during the test must be recorded electronically. The location of the test must be reasonably comfortable for the insured and be free of excessive noises or other distractions. The test subject must be in good health. Pregnant women, people under 18, or people under the influence of medication, drugs or alcohol mustn't take the test.

## **After the test**

When the test has been completed, and the polygraph charts studied, the polygraph operator will give the test result to the insurer. The result may suggest that the insured is not telling the truth or may indicate that the insured is, indeed, telling the truth. Or the results may be inconclusive. But whatever the results, the insured must be told about them and of the likely consequences. Test result should not be disclosed to anyone not involved.

If the results favour the claimant, the insurer should, except under special circumstances, settle the claim promptly. If the results favour the insurer, the claimant should be confronted (possibly leading the insured to confess and/or renounce the claim).

## **Conclusion**

IBC is committed to good relations between its member company insurers and their policyholders. It is important that policyholders be satisfied that insurers' practices are fair. IBC believes that a polygraph test is an appropriate measure for discouraging insurance fraud curtailing its related costs. However insurers are cautioned not to act on a claim file solely the basis of a polygraph test result that suggests that a claimant is lying. The rights of the test subject must be respected at all times.