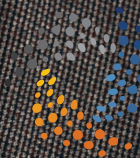
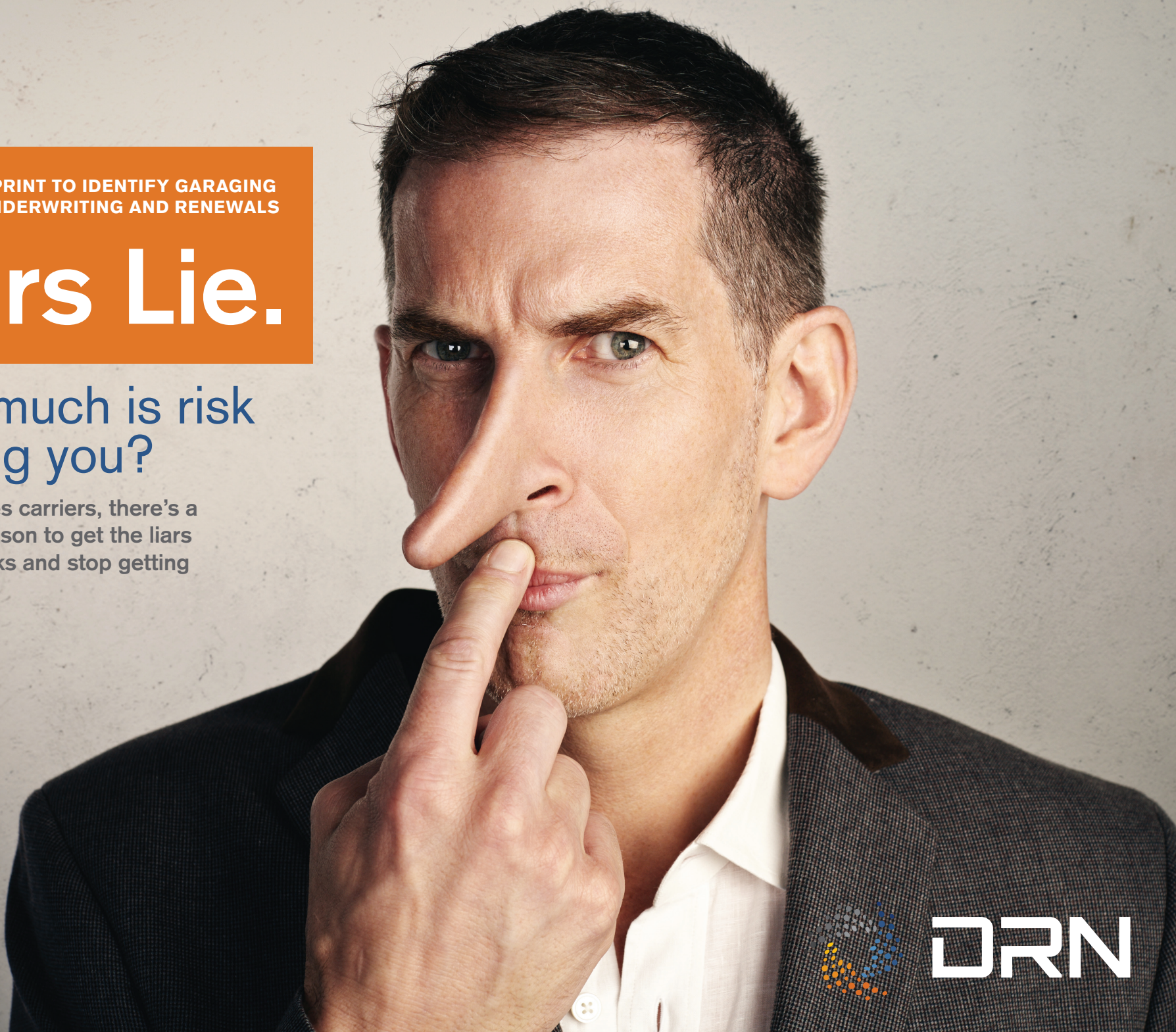


DRN'S BLUEPRINT TO IDENTIFY GARAGING  
FRAUD AT UNDERWRITING AND RENEWALS

# Liars Lie.

## How much is risk costing you?

Personal lines carriers, there's a  
\$2 billion reason to get the liars  
off your books and stop getting  
ripped off.



DRN



# A \$2 Billion “Victimless Crime”

It's no secret that carriers face fraud at every turn. And here's the dirty little secret these fraud perpetrators believe: insurance fraud is a victimless crime. No harm? No foul? On the contrary, we all pay for fraud. Yet, according to the Coalition for Insurance Fraud, “Year after year, research by the Coalition against fraud and other organizations has shown that consumer attitudes toward fraud are in a downward spiral of growing tolerance. The percent of people who say it is acceptable to commit fraud seems to steadily grow.”

Garaging fraud in particular seems to be a commonly accepted behavior. And as a financial burden, the industry estimates that insurance premiums are one percent higher than they would be without garaging fraud.

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For carriers, every one percent of a rating error left uncorrected causes a 20% profit loss. As a result, garaging fraud adds up to more than \$2 billion in annual premium leakage.



# Lies, An Indicator of Future Fraud?

Should carriers pursue garaging fraud? We think they should, and here's why: liars lie. If policy holders are OK with committing garaging fraud, what else are they OK with? Chances are, if someone is willing to lie about where they live, use a PO box or second address, or a friend's address, to avoid paying the correct premium for the risk, they will lie about other things as well. Lies like: existing damage was the result of a recent car accident, the car was stolen even though it was recovered at my boyfriend's apartment, my injury is very severe, or I was only visiting New York from Florida when my car was stolen.

Attitudes about fraud are changing, yet too many people still have a Robin Hood complex when it comes to insurance carriers. A recent Insurance Research Council survey found that 18 percent of respondents believe it is acceptable to make up for premiums paid in the past. Back to the theory that liars lie.

Carriers are beginning to take the position that liars lie, and these liars are inherently higher risks. These carriers don't want liars on their books.



# 5 Reasons Rates are So High

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Carriers continue to lose billions due to fraud, and as a result, rates go up for everybody. And, our studies show that carriers should expand their view to look at garaging issues – intentional or not – that lead to loss.

## Unintentional Fraudsters

### 1 | Snow Birds

These could be the 750,000 people who take up temporary residence in Florida every year at the peak of the season, or the more than 600,000 residents that leave Florida in the summer for cooler climates. And it's not just Florida; they move to the West and South West also.

### 2 | College Students

Over 2.5 million students in the U.S. are returning sophomores that live out of state. Freshmen are usually prohibited from having cars on campus until their sophomore year. The vast majority of these students are not picked up by carriers.

### 3 | Moving

Carriers often change the billing address, but fail to verify and change the garaging address. And with over 7.5 million people moving out of state annually, this number is worth investigating.

## "Shame on You" Fraudsters

### 4 | Agents

Carriers report that they do occasionally find agent issues, usually at claims when there are an inordinate number of claims from the agent's book that have garaging issues.

### 5 | Consumers

These are the people that knowingly commit garaging fraud and maybe even brag about it. For these people it's an "open secret," a way to save some money. And often, these are not high-risk drivers.



# Are Bad Risks Ruining it for Everybody?

Price rules, and that means that carriers face even more pressure as people increasingly shop for price. That brings us to those liars again – they evade proper risk assessment by lying and benefit from inappropriately heavily discounted policies. And if the liars were driven from portfolios, that would clear the way for the good risks to enjoy lower premiums. It seems easy enough: reward good risks, drive the bad risks out, and enjoy growth and profitability. Yet some carriers still believe these liars are profitable risks – *even with the heavy discount* – and they are loath to chase the premium away.



## Get the Crooks Off Your Books Does this scenario look familiar?

**Insure a liar:** You lose the premium, so you've already lost money.

**Insure your good risks at a higher rate:** Make your good risks pay more to make up for the liars.

**Good risks shop for better rates:** You lose the good risks and you're left with the bad risks on your books. You lose more money.

# The Alternative to Telematics

Rising prices will create more liars, and those liars will mean more risk. Carriers ready to get the crooks off their books are looking for alternatives to telematics. One of those alternatives is DRN's vehicle location data. It's NOT opt-in like telematics, and here's how it works.

## Nationwide Vehicle Sightings are Captured

License Plate Recognition (LPR)

Optical Character Recognition

Plate Image

Vehicle Image

**You Get Vehicle Data:**

Plate: ABC 123
Date: 11-18-2015
Longitude: -97.3437XXXXXX
Latitude: 32.726XXXXXX

DPPA permissible use required. Not FCRA/Cannot deny Insurance or Claims. It is Tips and Leads.

Unknown Location: XXX-XXX 8th Ave, Fort Worth, TX 76104, USA



# Nationwide Coverage



75%

Coverage  
Nationwide

4+

Billion  
Data Sightings

100+  
Million

Added per Month

Sightings help to answer the question: Is there a pattern of the insured's vehicle parked at a location other than the reported address?

# Carriers Put Vehicle Location Sightings to the Test



Carriers are waking up to the value of vehicle location data, and it's tests like these that prove it. We start with the carriers' VINs. We upload the VINs and convert them to plates; then we run a search on those plates to determine the number of sightings. When you look at the sightings, it makes sense that the states with the largest number of customers are also the states with the most sightings – up to 58% for Texas. Next, we'll break down these sightings even more.

Carrier VINs	DRN Plated	Sighted Plates	Sightings Coverage
299,764	291,850	157,599	54%

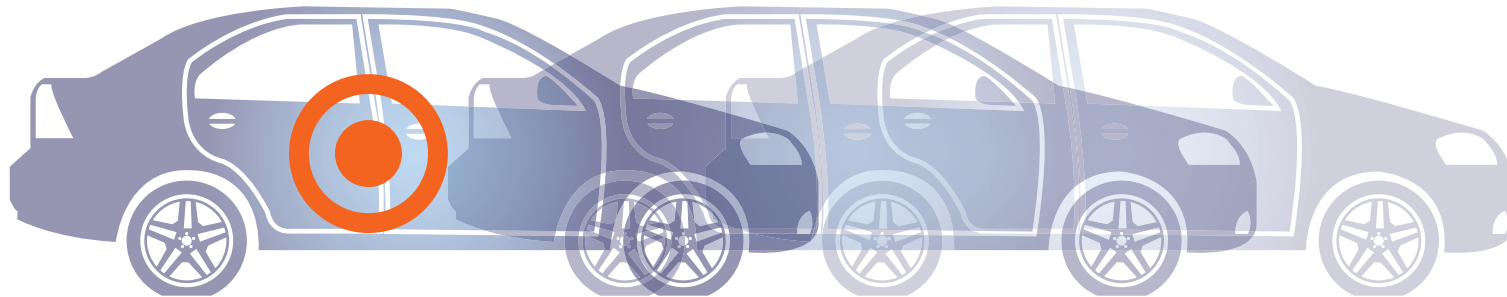
## Coverage by State:

State	Plated	Sighted	Coverage
TX	153,708	89,151	58%
FL	38,262	17,218	45%
CA	23,429	13,120	56%
NY	23,012	12,887	56%
Other	53,439	25,223	47%
Total	291,850	157,599	54%



# Rate Evasion Appears Likely

Once we have the vehicle sightings, we apply filters using industry rating tables. Here, we tested for all locations and for any sightings where the premium differential was greater than \$99 and the vehicle sighting was over 200 miles from the garaging address. The results suggest a four-year leakage of \$229,896.



Location	Filter	Vehicles	Annual Premium Leakage	Avg. Leakage per Policy	Four-Year Leakage
All	> \$99 and > 200 mi	62	\$57,474	\$927	\$229,896

# Possible Rate Evasion - Multi-Sighting

Now we applied different filters for premium differentials from \$100 to over \$500 and identified sightings outside the garaging address. This time we saw \$2,156,101 in possible annual rate evasion.

Premium Differential	Vehicles	Annual Premium Leakage	Avg. Leakage per Policy	Four-Year Leakage
\$500+	908	\$693,356	\$764	\$2,773,424
\$300 to \$499	1,079	\$368,637	\$342	\$1,474,548
\$100 to \$299	6,873	\$1,094,109	\$159	\$4,376,436
Total	8,860	\$2,156,101	\$243	\$8,624,404



**\$2,156,101**



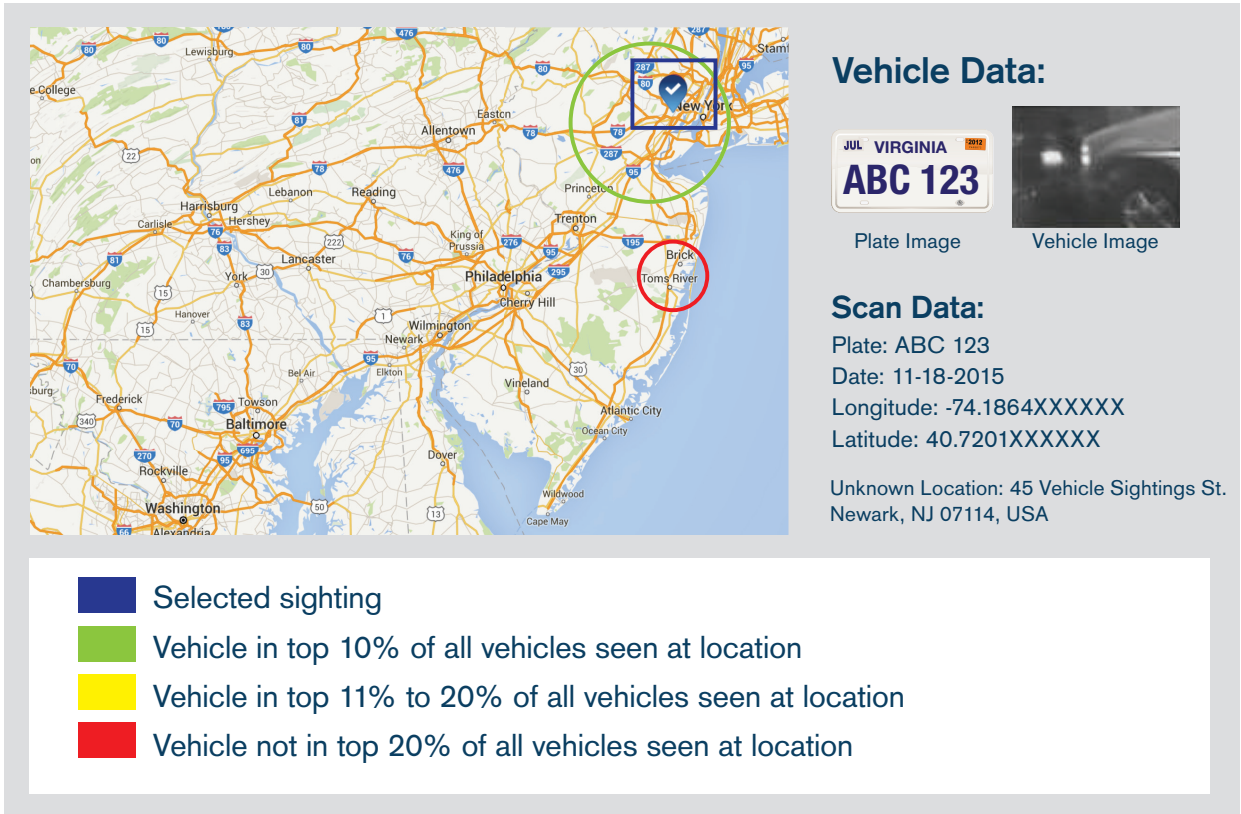
# Carrier 1

Vehicle Sightings Data  
Customer lists Garaging  
Address of Roanoke, VA, and  
is paying a **\$574 premium**.

**Yet:** There are **no sightings**  
of their vehicle outside of  
New Jersey.

There were **130+ sightings**  
from December 2014 to  
February 2016, for **\$1,967**  
in **annual premium leakage**  
and **\$2,450 premium**  
**leakage** to date.

## Over 450 Miles from Garaging Address



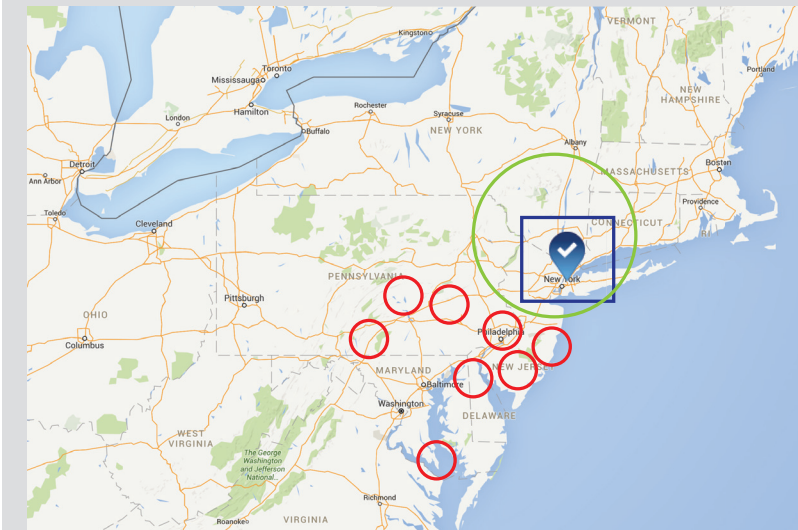
## Carrier 2





Vehicle Sightings Data  
Customer lists Garaging  
Address of Greenville, SC, and  
is paying a **\$602 premium**.

**Yet:** There is a residence  
discovered in the Bronx, NY.

There were **180+ sightings**  
in New York from May 2013  
to February 2016, for  
**\$2,030** in **annual premium**  
**leakage** and **\$5,750**  
**premium leakage** to date.

## Over 750 Miles from Garaging Address



-  Selected sighting
-  Vehicle in top 10% of all vehicles seen at location
-  Vehicle in top 11% to 20% of all vehicles seen at location
-  Vehicle not in top 20% of all vehicles seen at location

### Vehicle Data:

JUL SOUTH CAROLINA 2012  
**XYZ 789**

Plate Image



### Scan Data:

Plate: XYZ 789

Date: 06-13-2015

Longitude: -73.91.148XXXXXX

Latitude: 40.824XXXXXX

Workplace Location: 86 E. Garaging  
Fraud Blvd., Bronx, NY, 10451, USA



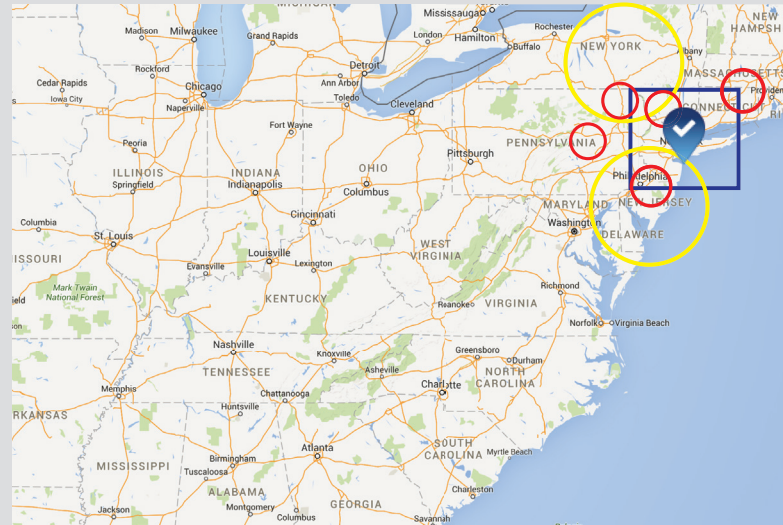
## Carrier 3

### Vehicle Sightings Data

Customer lists Garaging Address of Baytown, TX, and is paying a **\$813 annual premium**.

**Yet:** There are **150+** sightings in New York from June 2010 to June 2015, for **\$1,085** in **annual premium leakage** and **\$5,500 premium leakage** to date.

## Over 1,600 Miles from Garaging Address



### Vehicle Data:



Plate Image



Vehicle Image

### Scan Data:

Plate: DEF 345





Date: 10-21-2015

Longitude: -73.94XXXXXX

Latitude: 40.64XXXXXX

Workplace Location:

3501 Premium Loss Way  
Brooklyn, NY 11203

-  Selected sighting
-  Vehicle in top 10% of all vehicles seen at location
-  Vehicle in top 11% to 20% of all vehicles seen at location
-  Vehicle not in top 20% of all vehicles seen at location

# Carrier 4

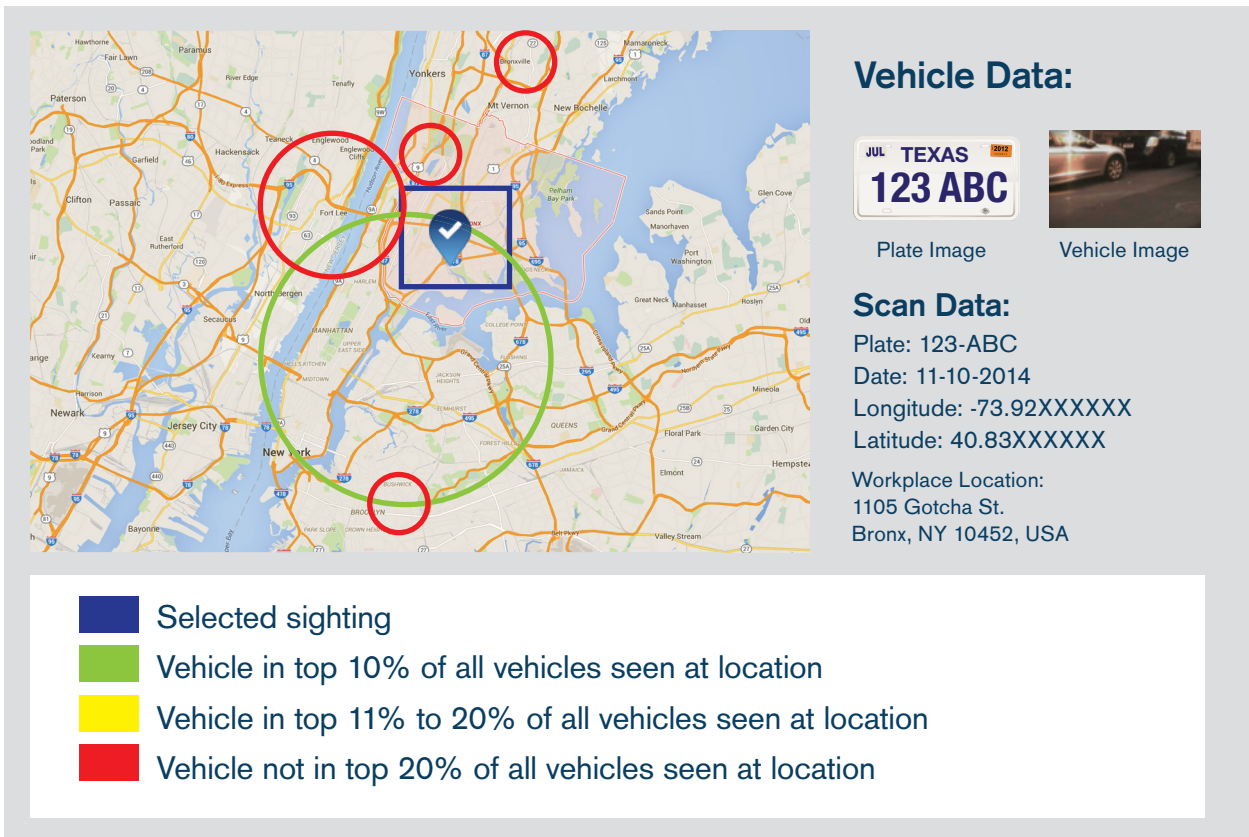
## Vehicle Sightings Data

Customer Lists Garaging Address of Wallingford, CT, and is paying **\$845 annual premium**.

**Yet:** There are **196+** sightings in New York from August 2011 to July 2016, for **\$1,787 in annual premium leakage** and **\$8,935 premium leakage to date**.

It is common to find fraud and high premium leakage from Connecticut and New Jersey to New York and the five boroughs, or upstate New York to the five boroughs. We also see rural and shoreline New Jersey to Newark and Patterson, NJ, county to county in Florida, and suburb and rural to city in California, Virginia and Washington DC. In these scenarios mileage differential may be low, yet the premium differential is often high, like this example.

## Under 80 Miles from Garaging Address



# 12 Million Reasons to Use Vehicle Location Data

These studies showed a shocking four-year leakage of over \$12 million, suggesting policyholders regularly lie to carriers. Our studies show a continued uptick in garaging fraud, from 5% in some cases to as high as 45% of a book. Now, think about that vehicle location data again. Policyholders don't even have to opt in – we are all essentially opted in because we are required to have license plates clearly visible on our vehicles. Data access is subject to the Drivers Privacy Protection Act (DPPA) permissible use. Let's use that vehicle location data to "score" the policyholder's address against the vehicle location data and tell you whether you need to investigate further for garaging fraud. Let's give you the evidence you need – a line of defense against anti-selection, rate inadequacy and loss mitigation. Let's give you the insights you need to stop getting ripped off.

Sighting Distance	Vehicles	Annual Premium Leakage	Four-Year Leakage
Over 200 miles	62	\$54,474	\$229,896
Under 200 miles	12,706	\$3,134,703	\$12,538,812
Total Premium Leakage	12,768	\$3,189,177	\$12,768,708
Return on Premium Leakage	8,860	11X	43X



## Additional Benefits Include:

ID Liars and High-Risk Policies  
Correctly Rate Policies  
Non-Renew to Avoid Loss





# A Game Changer for Insurance Carriers

DRN fuels revenue growth and streamlines work processes for the top names in auto lending and insurance. Our exclusive vehicle location data and analytics provide alternative data that help our customer know more, faster. These customers rely on our DRNsights to reach their customers, locate their assets, prioritize collections activity, manage risk, uncover fraud, and identify rate evasion.

Commercial and personal lines carriers use our solutions at underwriting, renewals and claims to help them investigate and identify:

- Garaging Fraud
- Radius Class Fraud
- Pre-Existing Damage
- Commercial Use of a Private Vehicle
- Final Build of a Truck
- Workers Comp/Bodily Injury/Disability
- Staged Accidents
- Phantom Vehicles
- Fraudulent Theft
- Alibis
- Criminal Theft Rings
- Arson
- PIP
- Occupancy Fraud

Ready to stop getting ripped off? Sign up for our [Webinar](#).