

The Police-Insurance Connection

Kevin Haggerty, Aaron Doyle and Richard Ericson look at the symbiotic relationship between police and the insurance industry.

Policing is becoming increasingly bound up with the hidden world of insurance. This connection features a fascinating interplay between the public and private, and between the rise of new, often technologically-driven, future-oriented forms of criminal justice and the persistence of age-old, dramatic, reactive approaches to crime and punishment.

Ordinary people tend to know very little of the secret realm of insurance, even though insurance governs our lives in a number of ways that may not immediately be apparent (Baker and Simon 2002; Ericson, Doyle and Barry 2003). The term 'insurance' conjures to mind an arcane system where unseen actuaries dispassionately reduce death and disaster to neat sets of numbers to manage and distribute risk. The police, in contrast, cast a massive public shadow and have deep symbolic resonance related to a public focus on their most dramatic efforts to capture criminals and see them punished. Despite these contrasting images, there is actually a surprisingly intimate connection between policing and the insurance industry. This connection takes several forms, including the rise of databases and other communications technologies that wire the two institutions together, and the fact that insurance fraud investigation units are pervaded by ex-police. More broadly, we see the advent of new, insurance-like models for how the justice system deals with crime.

Much of the data gathered by police is now determined by, and passed on to, a web of other public and private agencies, like insurers.

To appreciate these connections, one must first grasp how centrally contemporary policing now involves data gathering and communication. While police occasionally investigate spectacular crimes and capture notorious criminals, what the public may not understand is that the reality of everyday police work is much more mundane. As documented in *Policing the Risk Society* (Ericson and Haggerty 1997), today police spend much of their time simply collecting and processing data on routine incidents. Of course, some of this mass of information is needed for old-fashioned police work, to bring suspects to justice in the courts. Yet much of the data gathered by police is now determined by, and passed on to, a web of other public and private agencies, like insurers. Insurers and other agencies use these data to monitor and manage different populations outside the justice system.

In contrast, the centrality and reliability of numbers and data in the world of insurance may be overstated. A recent study reveals just how much insurers often make decisions about risk in the absence of reliable statistics, and shows that the level of certainty provided by the numbers is frequently overstated within the industry (Ericson and Doyle 2004). Even so, the insurance industry must do its best to use aggregate numbers to construct risk profiles, calculate insurance rates, and convey to the public an image of decisions based on mathematical certainty, and the police regularly provide the

insurance industry with the information they need to do this.

For motor vehicle accidents, or crimes such as burglary or auto theft, the police serve the insurance industry by authenticating information, completing forms documenting and verifying details so the insurer can manage claims from its customers. This process sometimes works on a cost recovery model, with insurance companies paying police organizations for such information. Computerization has hard-wired some of the informational connections between police and insurance, so that police-generated data now often moves electronically and invisibly to insurers. The details of such information exchanges are typically worked out at the higher levels of the police bureaucracy, meaning that line officers are often unaware of who is using the information they collect, or for what purposes.

A key focus of the connection is fraud. Insurance relationships create 'moral hazard' in that they present opportunities and incentives for fraud (Ericson, Doyle and Barry 2003). In the 1970s the insurance industry started massively expanding their own special investigative units (SIUs) targeted at insurance fraud. These units operate as a form of private police, and most of the investigators are former police officers. These former police are desirable not only for their expertise in interrogating suspects and cultivating informants, but also because their informal contacts with current police colleagues allow them to access private information about citizens that

would otherwise be unavailable.

While police provide insurers with claims information, insurers in turn establish databases and other formal communications systems to help police investigations. For example, the industry developed the National Auto Theft Bureau in the United States in the 1970s. This is a clearing house for auto theft information. Police organizations are often legally compelled to submit reports of stolen cars to this agency that are then compiled into a large database. Operated by a private organization, but dependent on police-generated knowledge, this database is then offered back to the police as an investigation tool. Of course, successful police investigations cut industry costs.

The police-insurance connection can involve more than just information sharing. In Canada, a provincial government auto insurer funded what one insurance official called 'leveraged enforcement personnel', that is, they funded extra public police time to crack down on impaired drivers with the aim of reducing claims costs (Ericson, Doyle and Barry 2003).

Relationships with the police are also employed by insurers for older-style symbolic purposes, to promote deterrence through industry anti-fraud campaigns. For example, a Canadian provincial government auto insurer worried that it had a large amount of fraudulent 'hit and run' claims in what were really single vehicle accidents. To duck blame and penalties, claimants



would lie and claim that another driver who fled the scene caused the damage, instead of taking responsibility themselves. To deter this type of fraud, the insurer entered into a partnership with the city police department. The hit-and-run claims centre was built in the same building as police headquarters, conveying to claimants that such claims would be intensively scrutinized by police. Police became highly visible members of the claims teams. When claimants dialed the hit-and-run claims line, they immediately heard a message indicating that police would be involved in the investigation, and outlining the criminal penalties for fraud. The insurer's staff reported "we got about 30 per cent hang ups...so that was a few million bucks we got [saved] right away" (Ericson, Doyle and Barry 2003). Police assumed a supporting and symbolic role in a process of private justice by the insurer.

Finally, at a more general level, there is an increasing tendency in the criminal justice system to approach crime in a way that follows the insurance model (Reichman 1986). David Garland has termed this the 'criminology of the self.' It contrasts with the historical tendency to approach crime as a deeply felt moral violation that the system treats reactively. Instead, the 'criminology of the self,' like insurance, focuses on anticipating and calmly controlling future risks, rather than punishing past crimes. Crimes are seen as negative eventualities to be prospectively guarded against or eliminated through a combination of expert advice and anti-crime technologies, much in the way that most of us manage the risk of a car accident. Insurers themselves become involved in such crime prevention activities. For example, one small agency operator described how he connected with local police and security firms through membership in Neighbourhood Watch. This gave him knowledge of 'questionable clientele' in his market, as well as crime prevention knowledge that helped him persuade customers to buy more locks and alarm systems and take other security measures (Ericson, Doyle and Barry 2003).

Exemplifying the practice of 'criminology of the self,' police

have embraced environmental design and target hardening to reduce the probability of crime. In the process, the police increasingly act as expert advisors for others on managing the risk of crime. One of the more prominent solutions they recommend is the purchase of private insurance. In such a model, police even become advertisers for the insurance industry (O'Malley 1991). ■

Kevin Haggerty is Professor of Criminology at the University of Alberta, Edmonton. **Aaron Doyle** is Professor of Sociology at Carleton University, Ottawa. **Richard Ericson** is Professor of Criminology at the University of Toronto.

References

- Baker, T. and Simon, J. (Eds.) (2002). *Embracing Risk: The Changing Culture of Insurance and Responsibility*. Chicago: University of Chicago Press.
- Ericson, R.V., and Doyle, A. (2004) *Uncertain Business: Risk, Insurance, and the Limits of Knowledge*. Toronto: University of Toronto
- Ericson, R.V., Doyle, A. and Barry, D. (2003) *Insurance as Governance*. Toronto: University of Toronto Press.
- Ericson, R.V., and Haggerty, K.D. (1997) *Policing the Risk Society*. Toronto: University of Toronto Press, and Oxford: Oxford University Press.
- O'Malley, P. (1991) "Legal Networks and Domestic Security." *Studies in Law, Politics and Society* 11:171-190.
- Reichman, N. (1986) "Managing Crime Risks: Toward an Insurance Based Model of Social Control." *Research in Law, Deviance and Social Control* 8:151-172.