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# FALSE PRETENSE

Any company engaged in the business of buying and selling; renting or leasing; or taking on trade, automobiles or equipment, is exposed to False Pretense losses.

A False Pretense claim arises when someone causes you to voluntarily part with ownership of property by trick, scheme or false pretense, or when the property is acquired from a seller who did not have the legal title or the right to transfer title.

Losses can arise from a variety of situations, however the most common losses arise out of not conducting a lien check. A lien check is the search done by vehicle identification number (VIN) or serial number within government databases that show whether or not the item has a loan or other financial interest registered against it.

Lien checks should be performed on all vehicles or equipment acquired on a retail or wholesale basis. This includes vehicles or equipment received in trade or purchased at wholesale auctions.

## WHAT CAN YOU DO?

You can protect yourself and your business from loss by adding "False Pretense Coverage" to your insurance policy. You must also practice due diligence by incorporating these processes into your daily business:

- 1) Perform proper completion of lien checks on all purchases or trade-ins. There are many companies who will provide this type of service to you, for example [www.lienquest.com](http://www.lienquest.com) and [www.carproof.com](http://www.carproof.com). Governments keep databases of liens for all types of property. Contact your provincial government Personal Property Registry. For a small fee

you can easily find any liens against applicable property.

- 2) Establish a written policy and procedure for completing lien checks.
- 3) It is important to correctly enter all information. Double-check the VIN, as this is a primary reason for improper lien checks.
- 4) Proper completion and verification of credit cards (signatures, impressions of the card, etc.) Credit card transactions should not be completed over the phone, especially for large purchases.
- 5) Extreme caution should be used when taking in a vehicle from the United States. It is very difficult to check for liens in the U.S.
- 6) Do not accept payment for the property in any form other than cash, certified cheque, money order, credit card, debit card, bank draft or traded-in property whose value exceeds that of the property you have voluntarily parted with.

## Partners In Prevention

At Federated Insurance, we believe Loss Prevention is a critical component of your Risk Management Program. Your Risk Services Coordinator, together with our Loss Prevention Team, is available to assist you in this area. Working together to reduce your loss exposures protects your bottom line! For more information,



**Knowing your business matters.**

contact your Risk Services Coordinator, our Loss Prevention Department at 1-800-665-1934, or visit our website at [www.federated.ca](http://www.federated.ca)

Federated Insurance provides this Loss Prevention Bulletin as a service to our policyholders and their business advisors. The information provided is intended to be general in nature, and may not apply in your province. The advice of independent legal or other business advisors should be obtained in developing forms and procedures for your business. The recommendations in this bulletin are designed to reduce the risk of loss, but should not be construed as eliminating any risk or loss.