The Power of the Collective – Tackling Insurance Fraud in the UK Market

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12th October 2016
Agenda

Background from a UK Perspective

Motivation For Insurers - The Cost of Fraud & Bottom Line Benefit

Fraud Management from a UK Industry Perspective

RSA Fraud Strategy – a Quantum Leap?

The Technologies available & the pitfalls

Threat Assessment – Major Risks

The Future
What did the UK General Insurance Market look like 16 Years Ago?

2000

No Regulation

Equity markets extremely buoyant

No need to worry about making an underwriting profit – Achieving COR
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No industry understanding or Appetite for Tackling Fraud

No law enforcement interest
2003 – A Shift in Attitude

UK Financial Services Authority

Focus on ‘Customer Care’
“Cannot simply ignore Fraud and pass cost on to innocent customer”

Insurers with Weak Controls Will be Targeted

Rapid Downturn in Equity Markets Put Pressure on Insurers Profitability

Managing Fraud Risk

Financial

Regulation

Reputation

Fraud Manager

Heavy Sanctions
UK Insurance Fraud – The Facts in 2015

General Insurance Fraud cost the UK market

£2.6 billion

£1.32 billion detected
132,000 Claims

2004 Industry Benchmarking Began

13% of Claims
10% of Claims Cost

£1.3 Billion Undetected
WHAT WOULD PUT OFF INSURANCE FRAUDSTERS?

- Being Refused Insurance Cover in the Future: 47%
- A Prison Sentence: 41%
- A fine from a Court: 41%
- High Chance of being Found Out: 40%
- High Chance of Being Taken to Court: 38%
- Public Naming and Shaming: 28%
- Nothing would Put Me Off: 5%
- None of These: 5%
General Insurance FRAUD – Broad Classification

Insurance Fraud Typologies

Motivation: Individual Opportunistic Ad-hoc

‘Opportunistic’ Fraud
Non-disclosure & Misrep., Exaggeration, ‘made up’ claims (or False Policy Applications)

Detection and Mitigation by Internal Insurer Controls

Motivation: Criminal enterprise Organised networks Persistent

Organised Fraud
Cross-Industry Staged Motor Accidents (Ghost Broker Application Fraud Rings)

Detection and Mitigation by Market Controls
What Does A Fraudster Look Like?

**Fictitious or Staged claim**
Perceived as more criminal and pre-meditated

- Male, single
- 15-34 age group
- Known to police
- Uneducated
- Unemployed

**Exaggerated claim**
Perceived as less criminal and more opportunistic

- Male, married
- Mortgagee
- No police record
- Quality newspaper reader
- Full-time employment
SPOTTING THE FRAUDSTERS!

Customer Obsession
Jack Straw calls for insurance intervention

Mr Straw described personal injury as a racket.

The Labour MP for Blackburn says he is acting on the concerns of constituents who face rising premiums.
2006 Formation of the Insurance Fraud Bureau

To Provide a Tactical Response to Cross-Industry Organised Insurance Fraud

PROTECTING HONEST CUSTOMERS
Long Term Industry Fraud Strategy

Association of British Insurers

FINANCIAL CRIME COMMITTEE

Insurance Fraud Bureau

2006

NETREVEAL®
Cheatline - 0800 328 2550

Insurance Fraud Enforcement Department

IFED

2012

Insurance Fraud Register

IFR

2014
IFB Targets

Staged & Induced Motor Accidents - single biggest cross-industry fraud risk

The Gangs Involved are, in the Main, Very Sophisticated Professional Criminals
Why do we need technology to combat Insurance Fraud?

We have to move with the times because fraudsters do…
So what do these systems do?
1. Risk Profiling
3. SOCIAL NETWORKING TECHNOLOGY

DETICA NETREVEAL®

Links ‘entities’ across apparently unrelated social networks;

- name
- address
- claims/policies
- mobile phone number
- credit card number
- bank account
- email address
- etc.

Using Predictive Modeling and Social Network Analysis Detica Evaluates the claim and the network to which the claim attaches
Combined Predictive Modelling & Social Network Analysis

'Network' and Claim Risk Assessment Across All Main Classes
2000 – 2008 The Typical UK Approach to Fraud

- Insurance Products
- Claim Fraud Management
- Claim Fraud Identification
- Specialist Claim Fraud Handling
- Specialist Fraud Investigation
- Training & Awareness
- Red Flags

Claims

FRAUD Processes

Leakage

A Clear & Significant ROI
2008 – A More Strategic Approach to Fraud

- Insurance Products
- Claim Fraud Management
- Training & Awareness
- Red Flags
- Technology

- Technology
- Operating Model
- Processes
- FRAUD
- Analysis

Specialist Claim Fraud Handling
Specialist Fraud Investigation
Claim Fraud Identification

Processes

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FRAUD

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Processes

Technology

FRAUD

Analysis

We Need to Reflect & Respond to what we know of Public Opinion

Developing a Long Term Industry Fraud Strategy

Market Based

Needs to be More Than Just a Focus on Claims Fraud Detection

But What?

We Need to Reflect & Respond to what we know of Public Opinion

A Deterrent Opportunity!

‘Opportunistic’ Fraud
Non-disclosure & Misrep., Exaggeration, ‘made up’ claims

Organised Fraud
Cross-Industry
Staged Motor Accidents
(Ghost Broker Application Fraud Rings)

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It Has the Potential to get Worse!

• Who does this any more?

• In the ‘Digital Age’ people will/do expect end-to-end on-line fulfilment of their insurance Application and Claim journey

• This will be exploited by the ‘new breed’ of Fraudster!!

• We MUST embrace a layered Technical defence to this risk – or we will be left behind!!!
Application Fraud

- Highly Competitive Market
- Rising Cost of Motor Insurance
- New on-line Sales/Aggregator Market
- Automatic Number Plate Recognition & Motor Insurance Database

ROUTE

CAUSE

- KYC Procedures
- Validation of Key data
- Plastic Card or Bank Account/Mandate controls
- Fraud Focus on Product / Proposition Development

“Ghost Brokers”
On-Line Advertisement for Car Insurance – Genuine or Not?
First Car Direct - Ghost Broker

First Car Direct Insurance

www.firstcardirect-insurance.com

International House,
George Curl Way,
Southampton
SO18 2RZ

Switchboard – 0845 299 6050
Direct Quote Line – 02380 970 702
Claims Line – 0845 843 5384
Compliance Manager – Nick Barker nick.barker@firstcardirect-insurance.com

Sales
Peter Logan
David Wood
Zach Goldsmith

Accounts
Drew Kington
Petra Bajak

Admin
Simon Carter
Alex Simpson

Claims
Peter Nolan
Ali Smith

Underwriter – Risk Insurance and Reinsurance Solutions
FSA Reg 473456

CITY OF LONDON POLICE
First Car Direct Office – ‘Ghost Broker’

First Car Direct Insurance

www.firstcardirect-insurance.com

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Underwriter – Risk Insurance and Reinsurance Solutions
FSA Reg 479456
We Need a More Holistic Approach to Fraud Pricing

Risk Appetite

Customer Evaluation

Validation KYC

Underwriting Marketing Sales & Service

Pricing

Analysis

FRAUD Processes

Technology

Operating Model

Insurance Products

Claim Fraud Identification

Specialist Claim Fraud Handling

Specialist Fraud Investigation

Claim Fraud Management

Cannot Rely on a Purely Claims Detection Based Strategy
THANK YOU FOR LISTENING