

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

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12<sup>th</sup> 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?

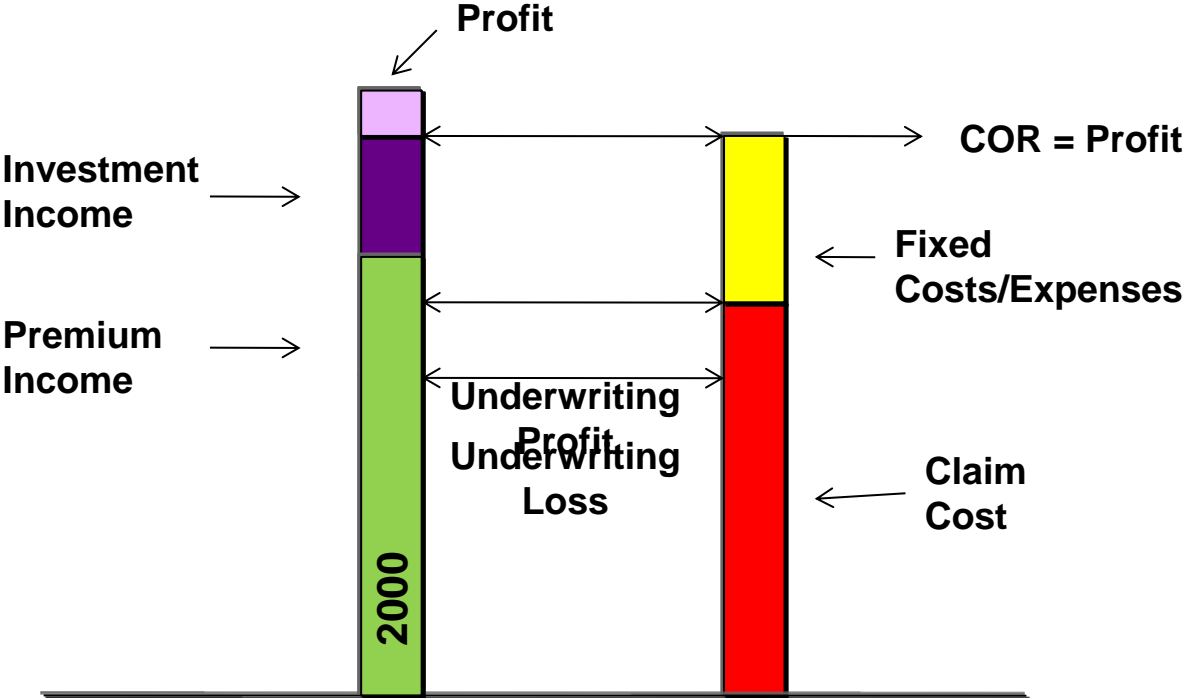
**2000**

**No Regulation**

**Equity markets extremely buoyant**

**No need to worry about making an underwriting profit – Achieving COR**

# Combined Operating Profit



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

**2000**

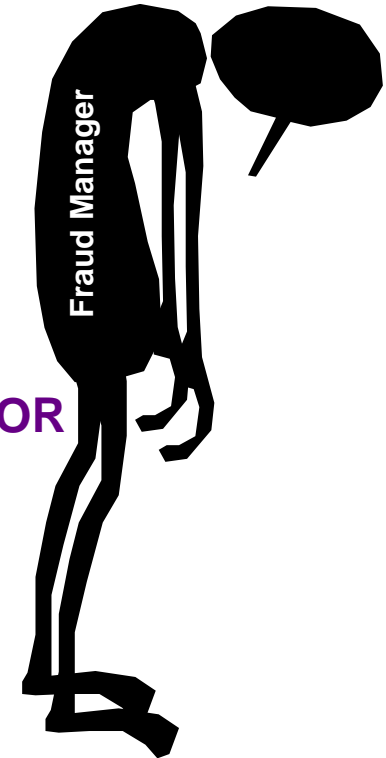
**No Regulation**

**Equity markets extremely buoyant**

**No need to worry about making an underwriting profit – Achieving COR**

**No industry understanding or Appetite for Tackling Fraud**

**No law enforcement interest**



# 2003 – A Shift in Attitude

*Regulation*

**UK  
Financial  
Services  
Authority**



**Focus on 'Customer Care'**

*"Cannot simply ignore Fraud and pass cost on to innocent customer"*

*Reputation*



**Insurers with Weak Controls Will be targeted**

**Rapid Downturn in Equity Markets Put Pressure on Insurers Profitability**

**Managing Fraud Risk**



# UK Insurance Fraud – The Facts in 2015

General Insurance Fraud cost the UK market

**£2.6 billion**

**£1.32 billion detected**  
**132,000 Claims**

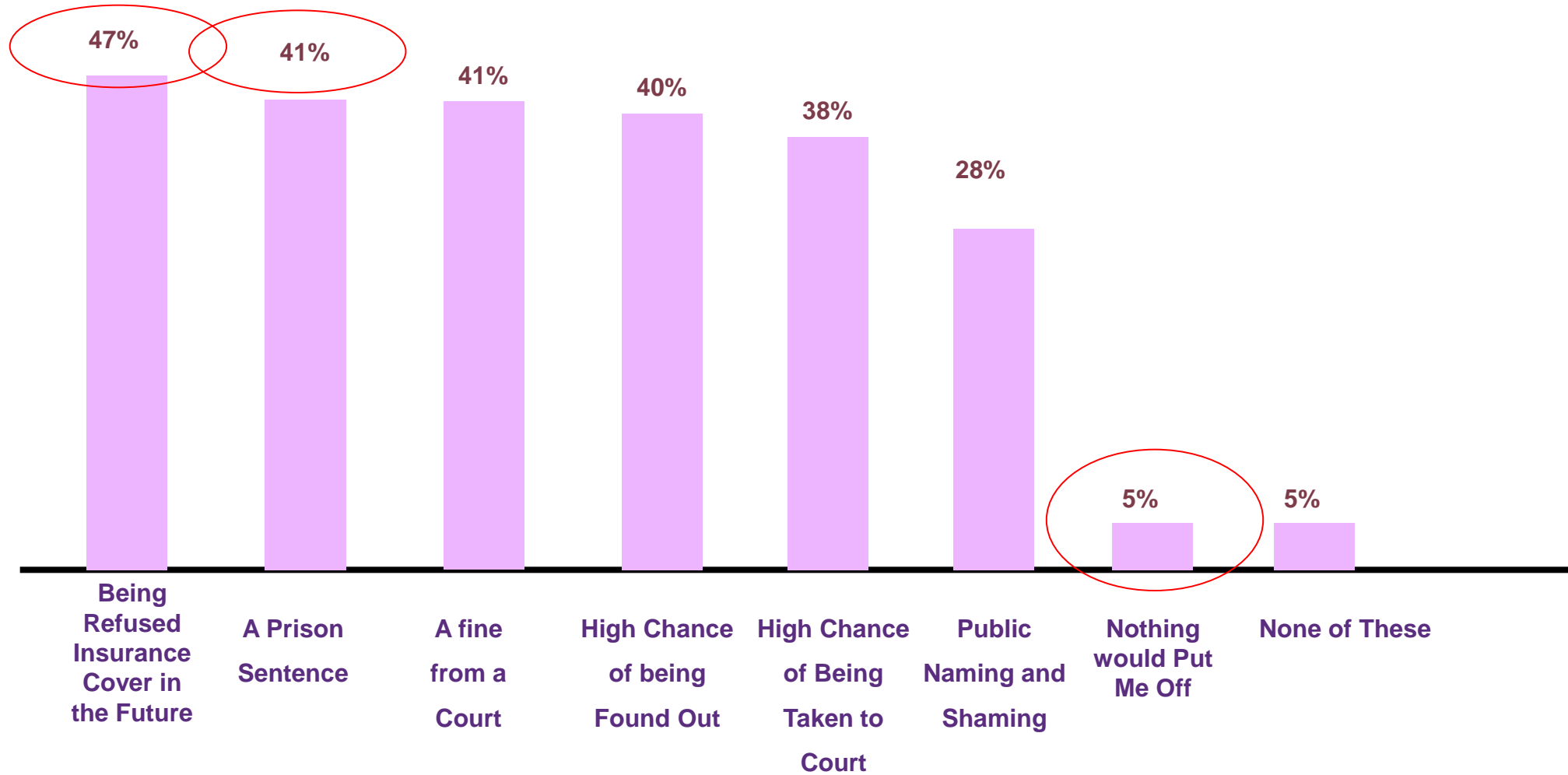
2004 Industry  
Benchmarking  
Began

13% of Claims  
10% of Claims Cost

**£1.3 Billion Undetected**

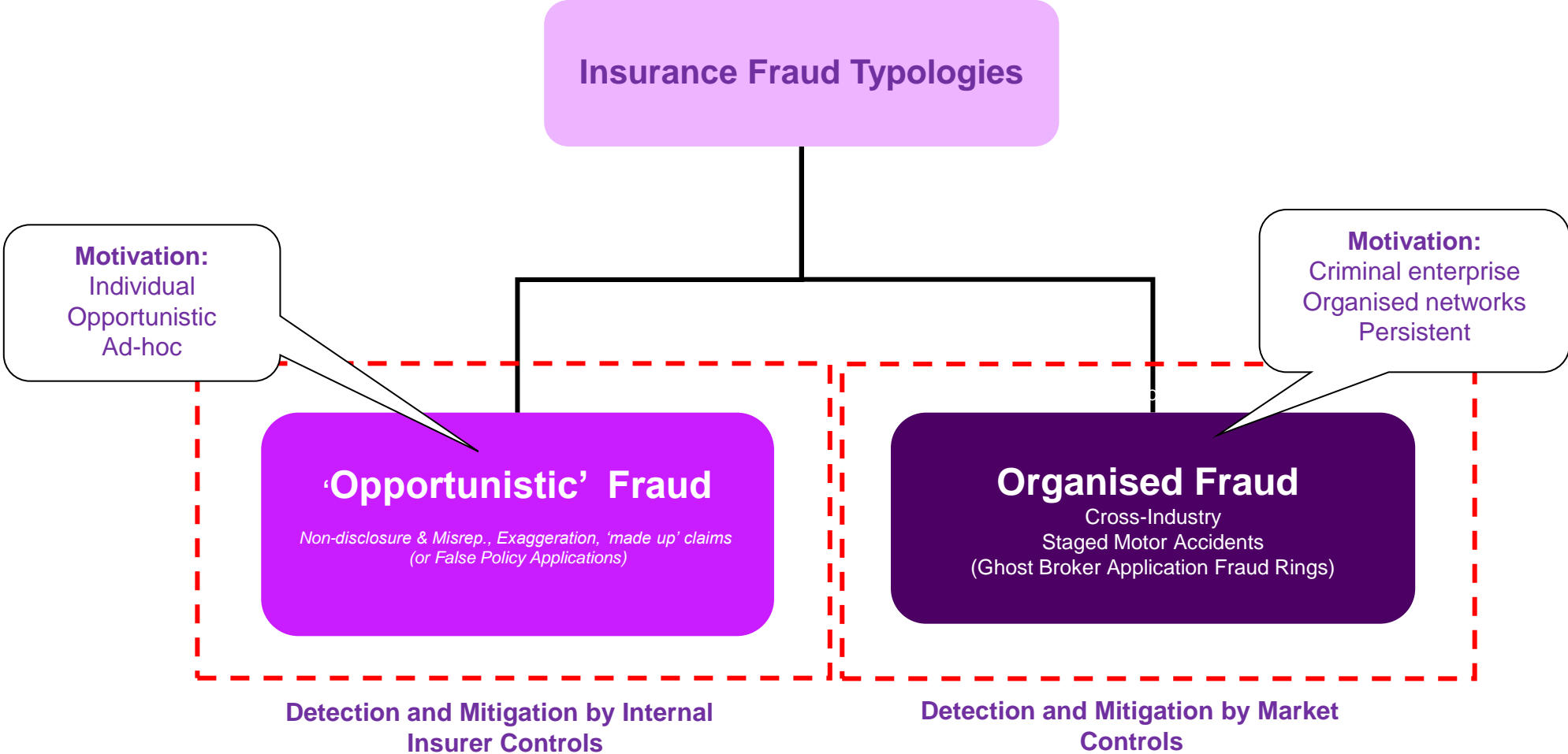


# WHAT WOULD PUT OFF INSURANCE FRAUDSTERS?





# General Insurance FRAUD – Broad Classification



# What Does A Fraudster Look Like?

## Fictitious or Staged claim

Perceived as more criminal and pre-meditated



A spiral-bound notebook with a yellow pencil on the left side. The page contains a list of characteristics and a small photograph of a man wearing sunglasses. A red diagonal watermark reading "Offender Profile" is overlaid on the photograph.

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



A small, square photograph of a man with a shaved head, wearing dark sunglasses and a dark jacket. A red diagonal watermark reading "Offender Profile" is overlaid on the photo.

## Exaggerated claim

Perceived as less criminal and more opportunistic



A spiral-bound notebook with a yellow pencil on the left side. The page contains a list of characteristics. A red diagonal watermark reading "Offender Profile" is overlaid on the page.

- Male, married
- Mortgagee
- No police record
- Quality newspaper reader
- Full-time employment

# SPOTTING THE FRAUDSTERS!



# Government attention – 2011!!

**BBC** Sign in

News Sport Weather iPlayer TV Ra

# NEWS

Home UK World Business Politics Tech Science Health Education Enterta

UK England N. Ireland

## Jack Straw c insurance in

27 June 2011 | UK

### Money Super Market.com

HOME MONEY **INSURANCE** TRAVEL ENERGY MOBILE PHONES MOREMONEY BROADBAND NEWS & COMMUNITY HOW WE WORK

Blog » News » Car insurance fraud adds £50 to your policy

## Car insurance fraud adds £50 to your policy

@ EMAIL FACEBOOK LINKEDIN TWITTER GOOGLE+

Kevin Pratt, May 30 2014 at 12:03 pm

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About The Author  
Kevin Pratt  
More about Kevin

**CHEAP CAR INSURANCE QUOTES**  
Click here >

- Mr Straw desc personal injur
- The Labour M constituents w



# 2006 Formation of the Insurance Fraud Bureau



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

FIGHTING  
ORGANISED  
INSURANCE  
FRAUD

**PROTECTING HONEST CUSTOMERS**

# Long Term Industry Fraud Strategy



 **Association of British Insurers**

**FINANCIAL CRIME  
COMMITTEE**

 **2006**  
**Insurance Fraud  
Bureau**

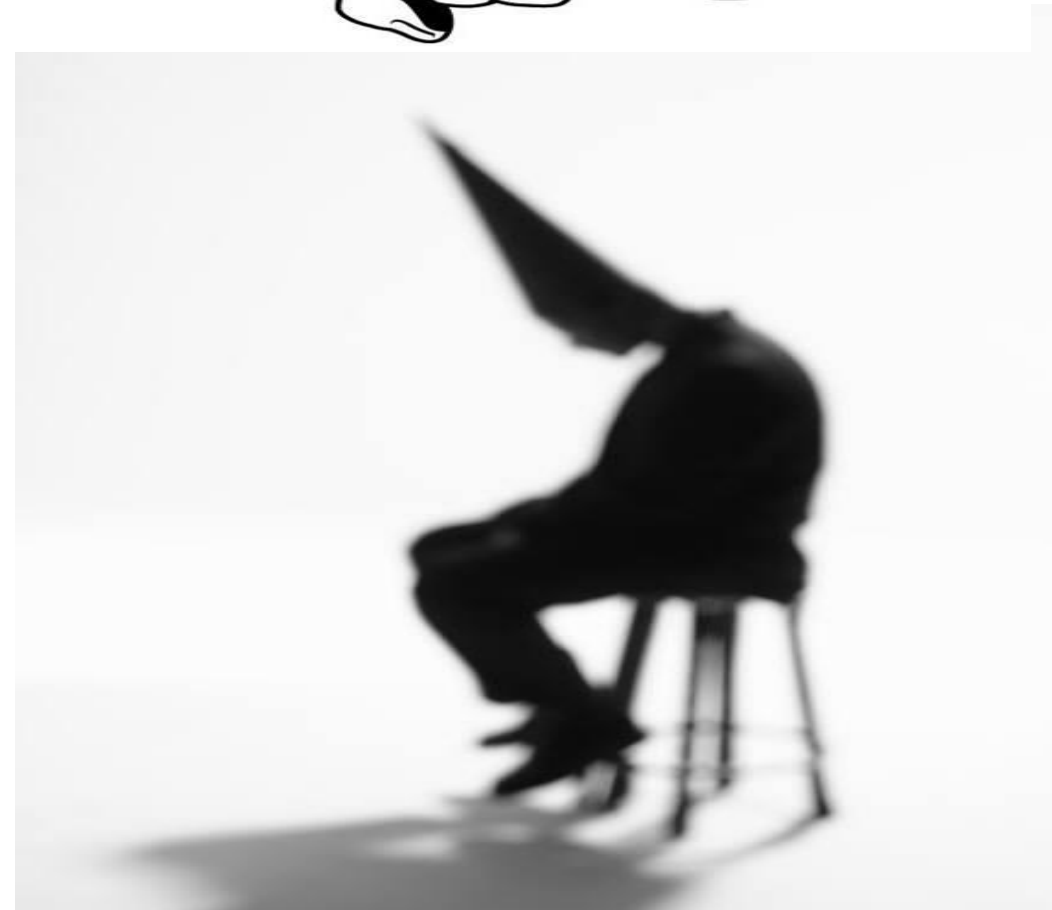


**NETREVEAL<sup>®</sup>**  
**Cheatline - 0800 328 2550**

 **2012**  
**Insurance Fraud  
Enforcement Department**  
**IFED**

  **2014**  
**Insurance Fraud Register**  
**IFR**

**SHAME  
YOU  
YOU**

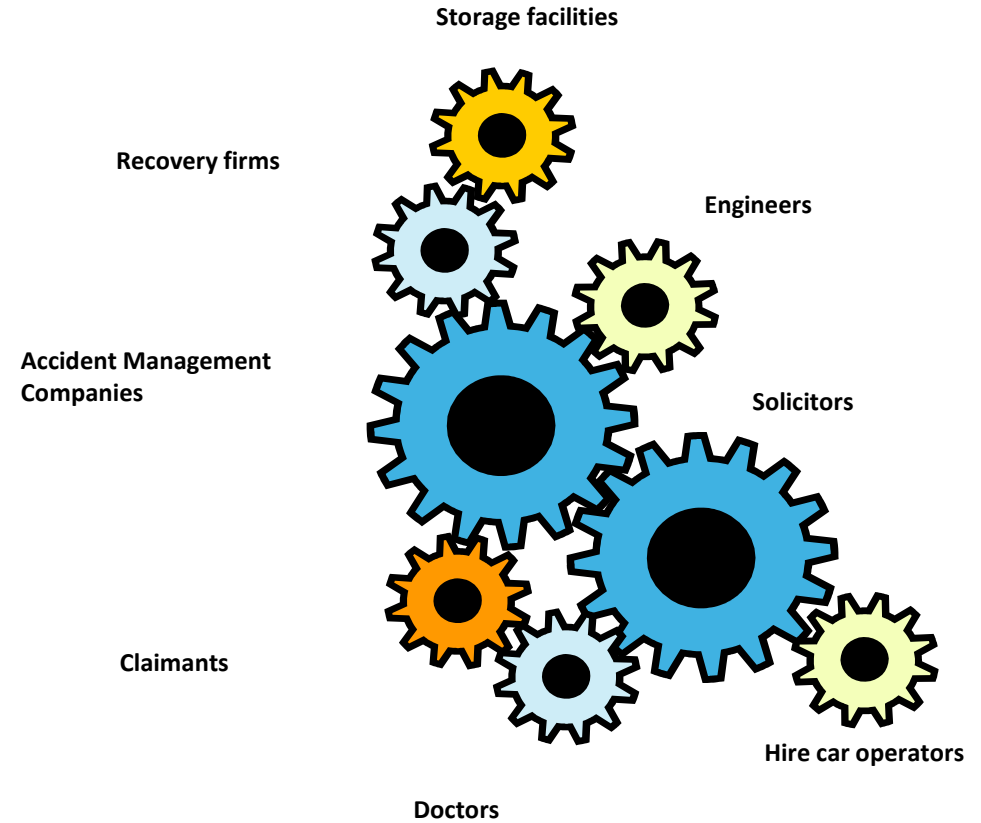
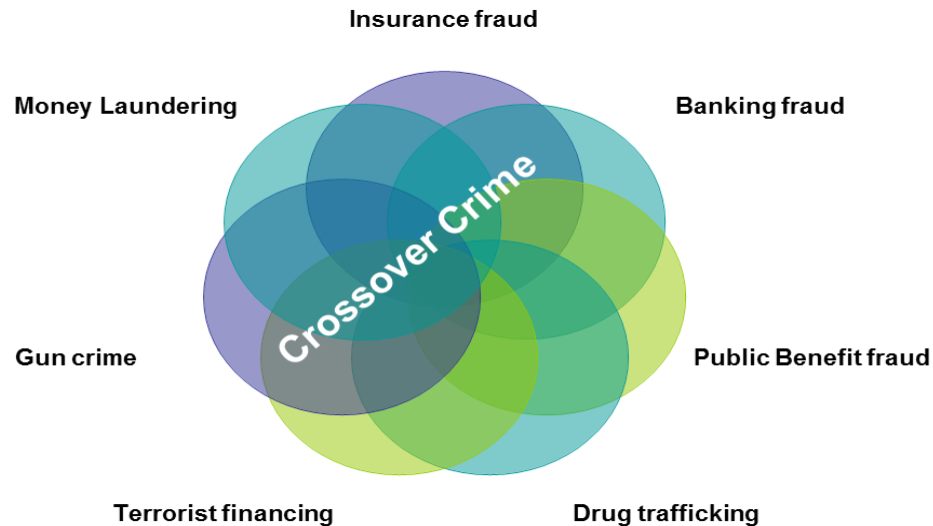


# IFB Targets



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

The Gangs Involved are , in the Main, Very Sophisticated Professional Criminals



## Fraud Technology Providers



An IBM® Company



**BAE SYSTEMS**



Hadoop ????



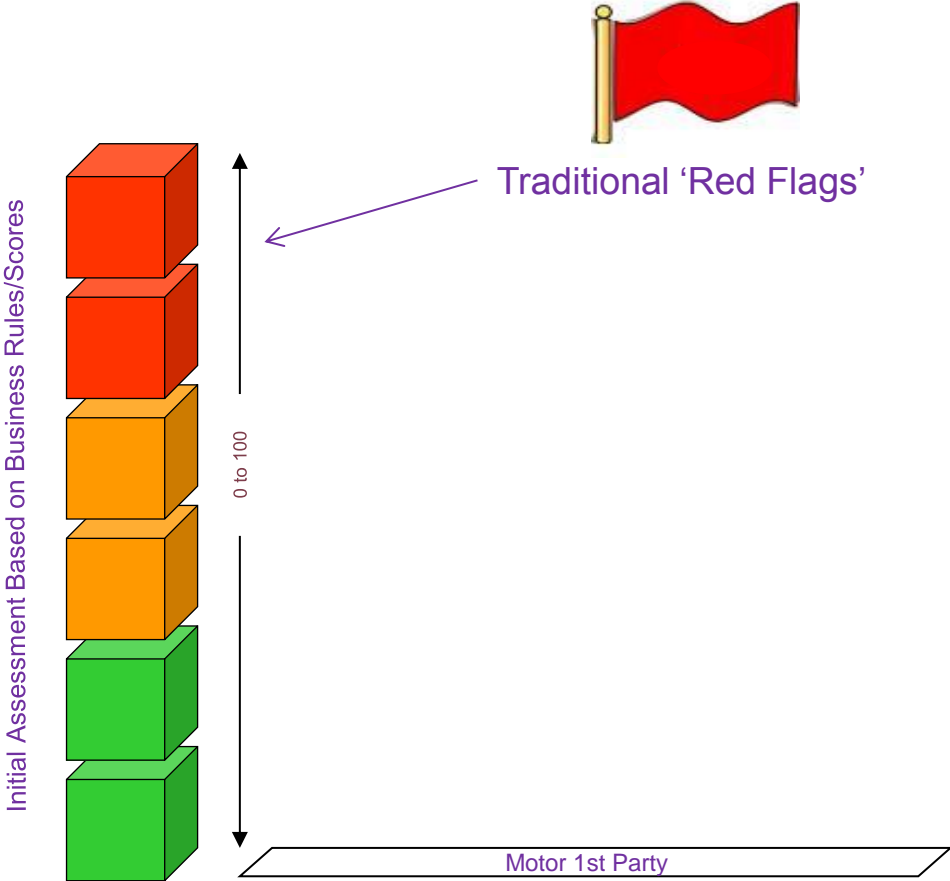
## Why do we need technology to combat Insurance Fraud?



We have to move with the times because fraudsters do....

So what do these systems do?

1. Risk Profiling



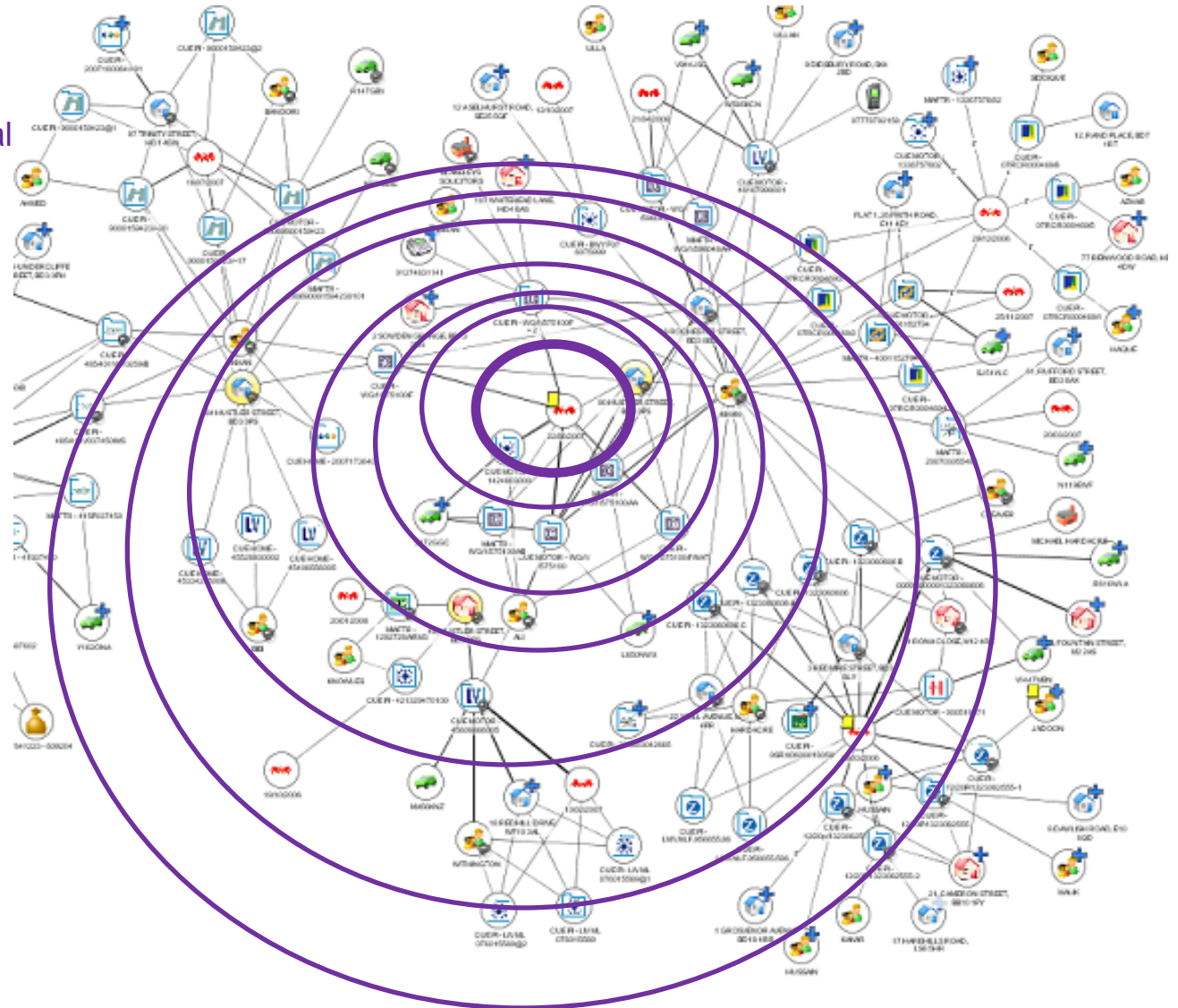
# 3. SOCIAL NETWORKING TECHNOLOGY

## DETICA NETREVEAL<sup>®</sup>

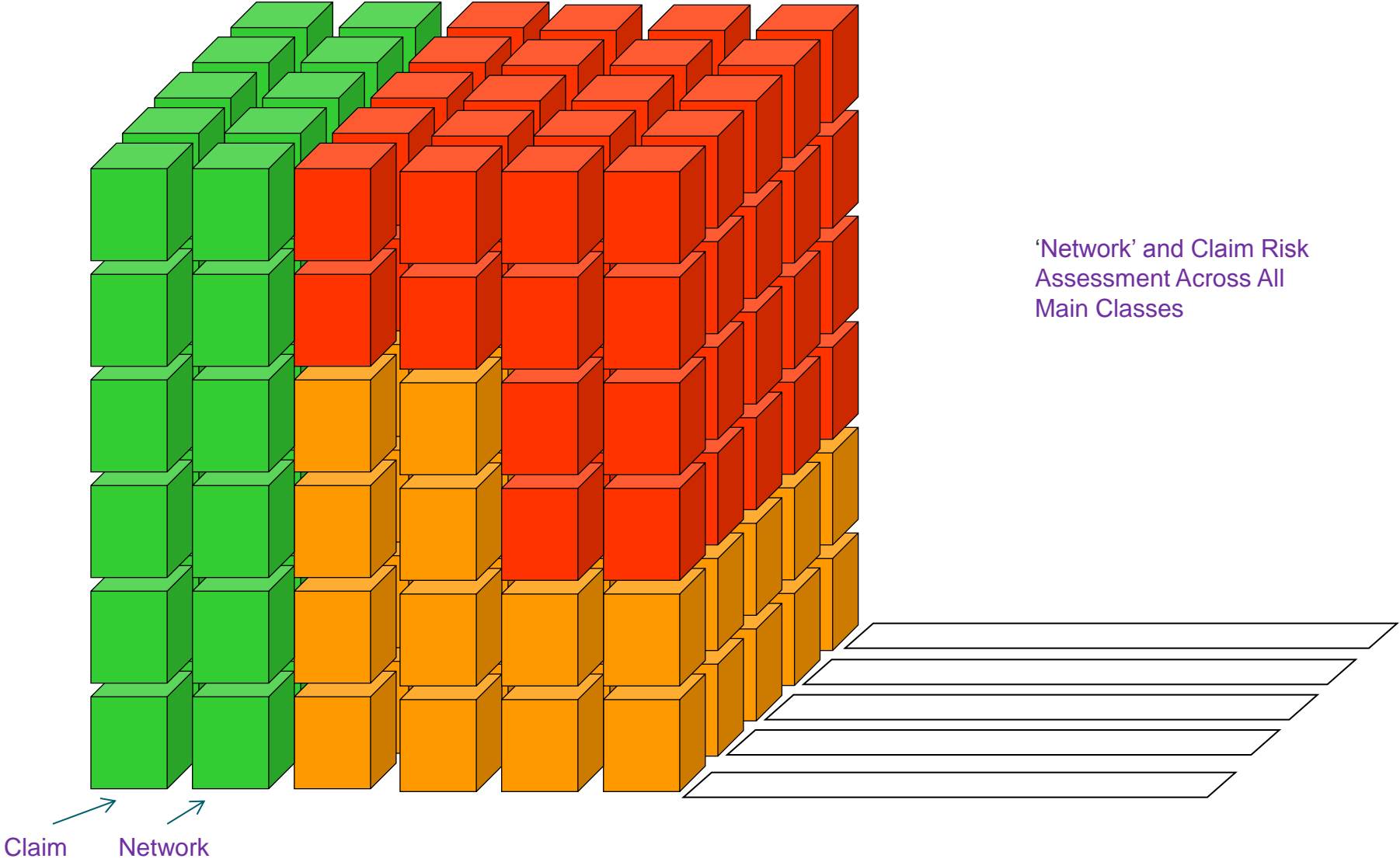
Links 'entities' across apparently unrelated social networks;

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

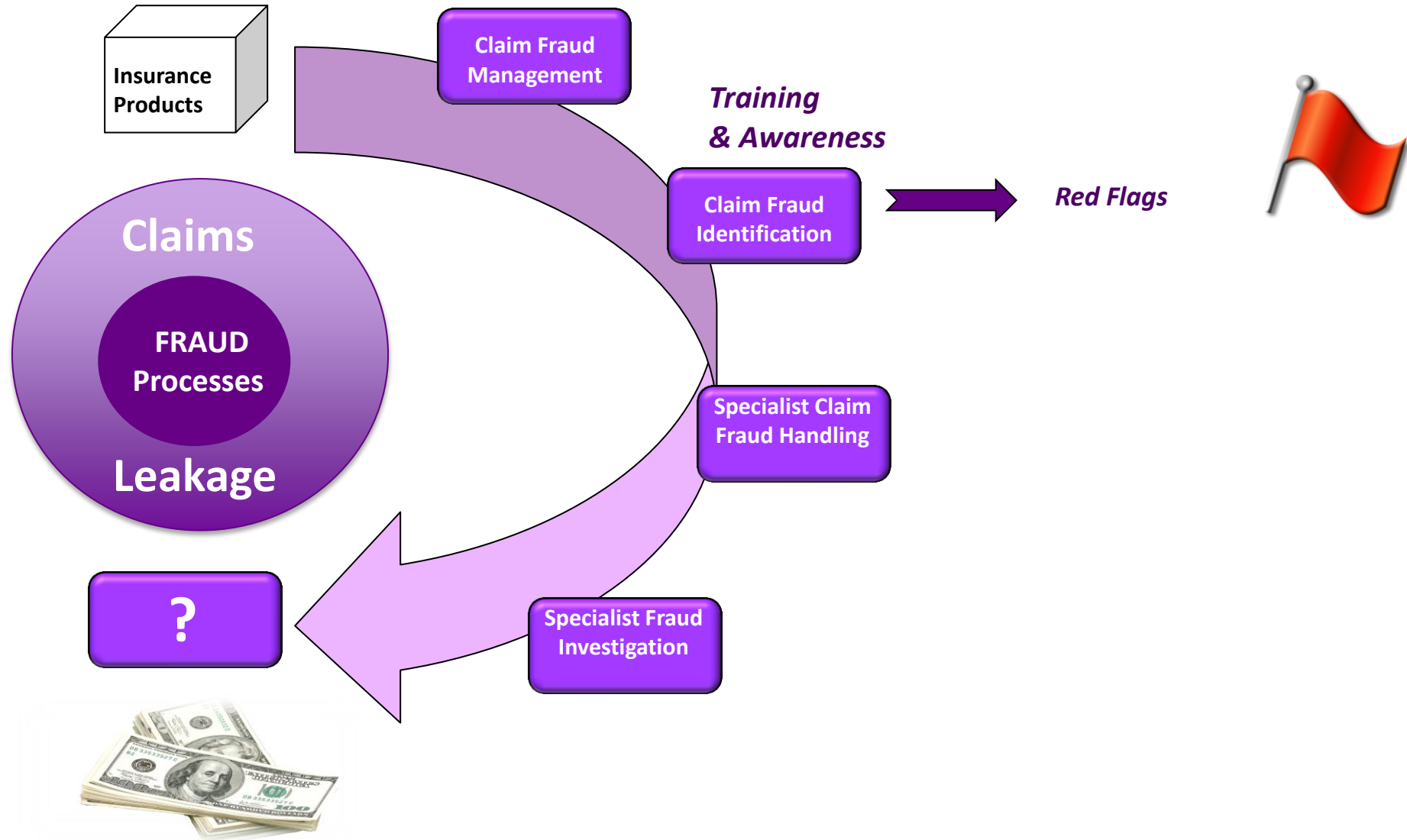
Using Predictive Modeling and Social Network Analysis Detica Evaluates the claim and the network to which the claim attaches



# Combined Predictive Modelling & Social Network Analysis



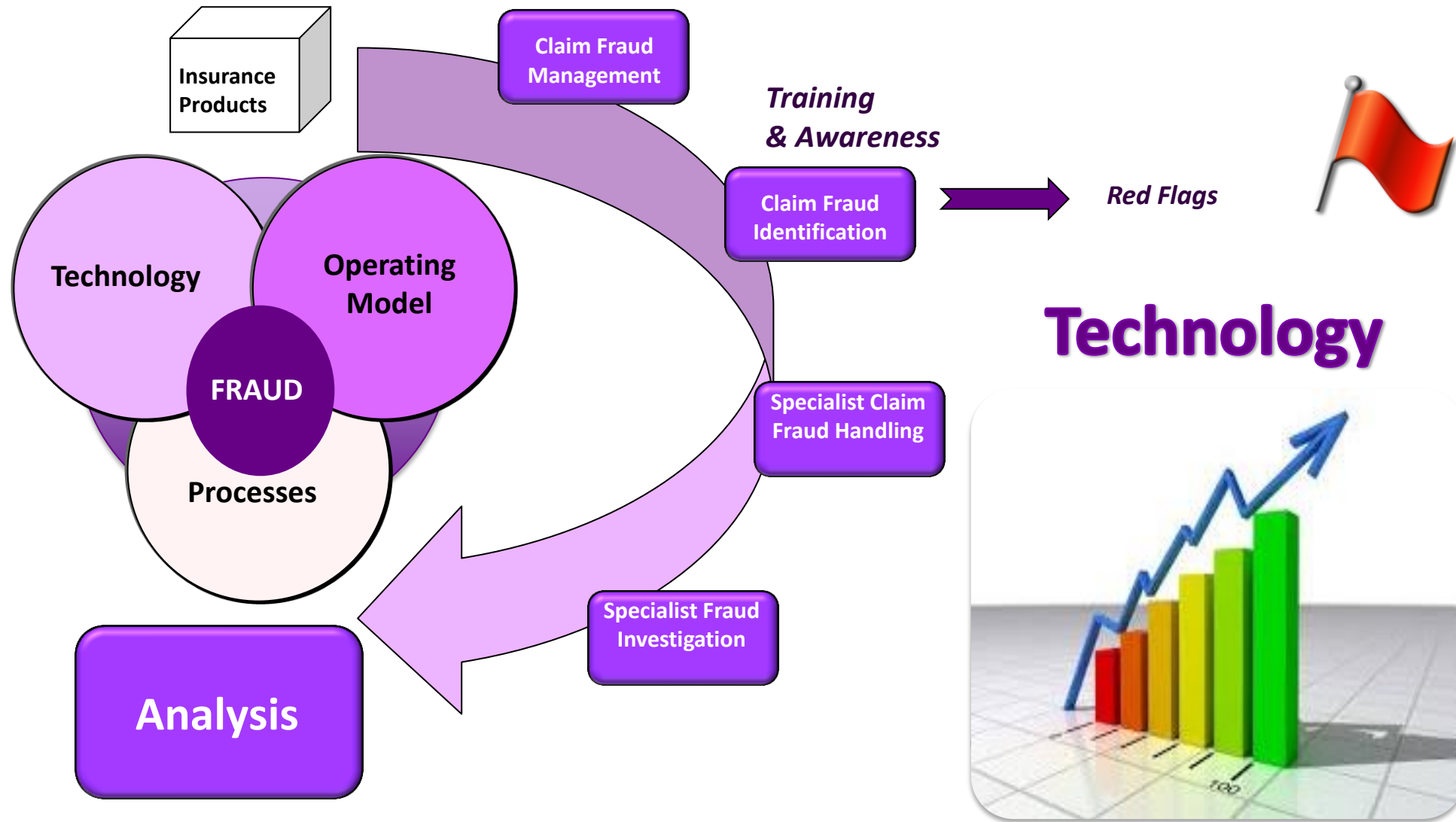
# 2000 – 2008 The Typical UK Approach to Fraud



A Clear & Significant ROI



# 2008 – A More Strategic Approach to Fraud



# Developing a Long Term Industry Fraud Strate



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

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

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



**A Deterrent Opportunity!**



# 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!!!

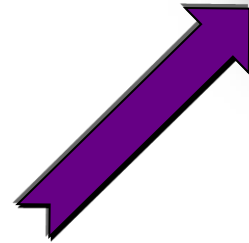


# Application Fraud

- ❑ Highly Competitive Market
- ❑ Rising Cost of Motor Insurance
- ❑ New on-line Sales/Aggregator Market

ROUTE  
CAUSE

❑ Automatic Number Plate  
Recognition & Motor Insurance  
Database



***“Ghost  
Brokers”***



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

# On-Line Advertisement for Car Insurance – Genuine or Not?

**First Car Direct**  
Insurance

SWITCHBOARD 0845 299 6050  
DIRECT QUOTE LINE 02380 970702

*Lines open from 8.00 am till 9.00 pm*


HOME ABOUT US SERVICES CONTACT US CALL BACK REQUEST

## First Car Direct Insurance

Get a cheaper quote today - Guaranteed

[Learn More](#)

- » We will beat any genuine quote
- » Click our call back request now.



**WELCOME TO FIRST CAR DIRECT INSURANCE**

First Car Direct Insurance will beat any genuine car insurance quote by at least 15% (proof of quote maybe required). To add further value, we offer 12 months insurance for the price of 10 months. If you have more than one car in your household, you can take advantage of our multi-car policies and get even more discounts. First Car Direct Insurance is internet based and is

[MORE...](#)

**SERVICES & SOLUTIONS**


Young or old, give us a go! Our costs are low and we will not be beaten in price.

If you have recently passed your test and are shocked at what the comparison sites are quoting you - give us a call or fill in our call back request form.

By keeping our costs low and not selling you extra

[MORE...](#)

 **PASS PLUS SCHEME**

 **OUR SUCCESS STORIES**  
CHECK OUT OUR SUCESS STORIES

 **CONTACT US**  
CLICK HERE TO CONTACT US

# First Car Direct - Ghost Broker



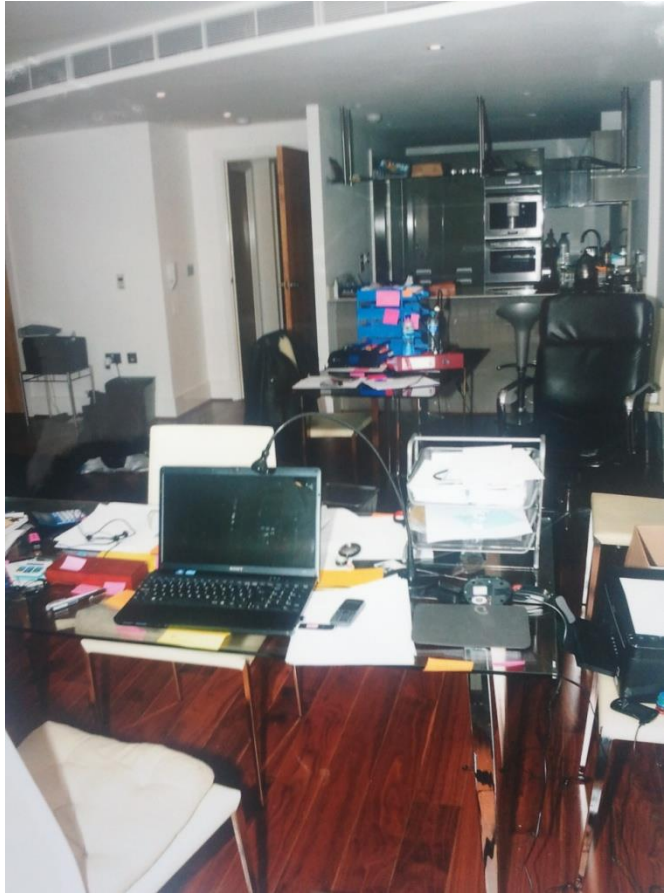
First Car Direct Insurance  
[www.firstcardirect-insurance.com](http://www.firstcardirect-insurance.com)  
International House,  
George Curl Way,  
Southampton  
SO18 2RZ

Switchboard – 0845 299 6050  
Direct Quote Line – 02380 970 702  
Claims Line – 0845 643 5384  
Compliance Manager – Nick Barker [nick.barker@firstcardirect-insurance.com](mailto:nick.barker@firstcardirect-insurance.com)

Sales	Accounts	Admin	Claims
Peter Logan	Drew Krinton	Simon Carter	Peter Nolan
David Wood	Petra Bajek	Alex Simpson	Ali Smith
Zach Goldsmith			

Underwriter – Risk Insurance and Reinsurance Solutions  
FSA Reg 479456

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0845-2991879





# First Car Direct Office – ‘Ghost Broker’



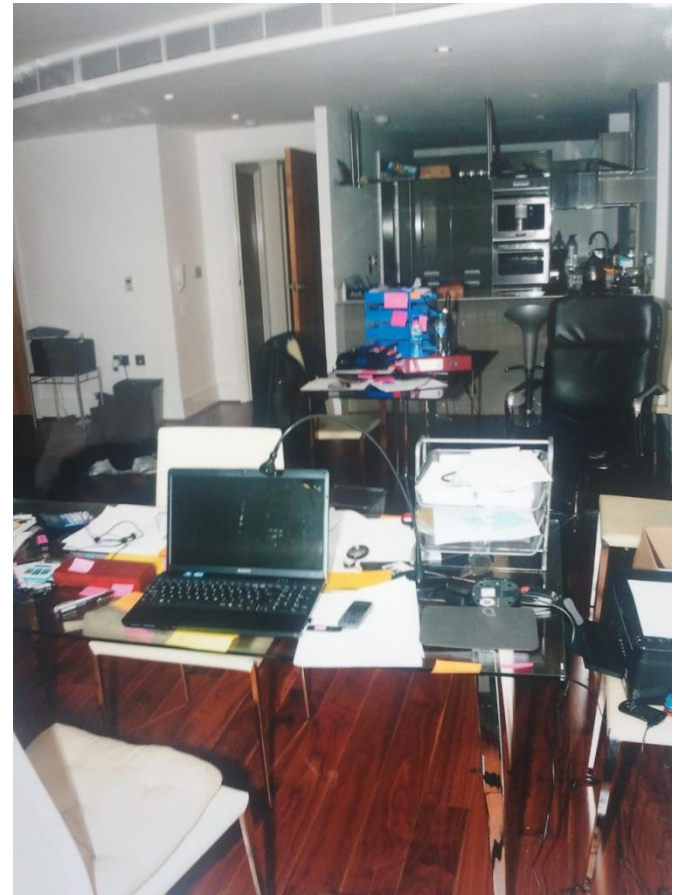
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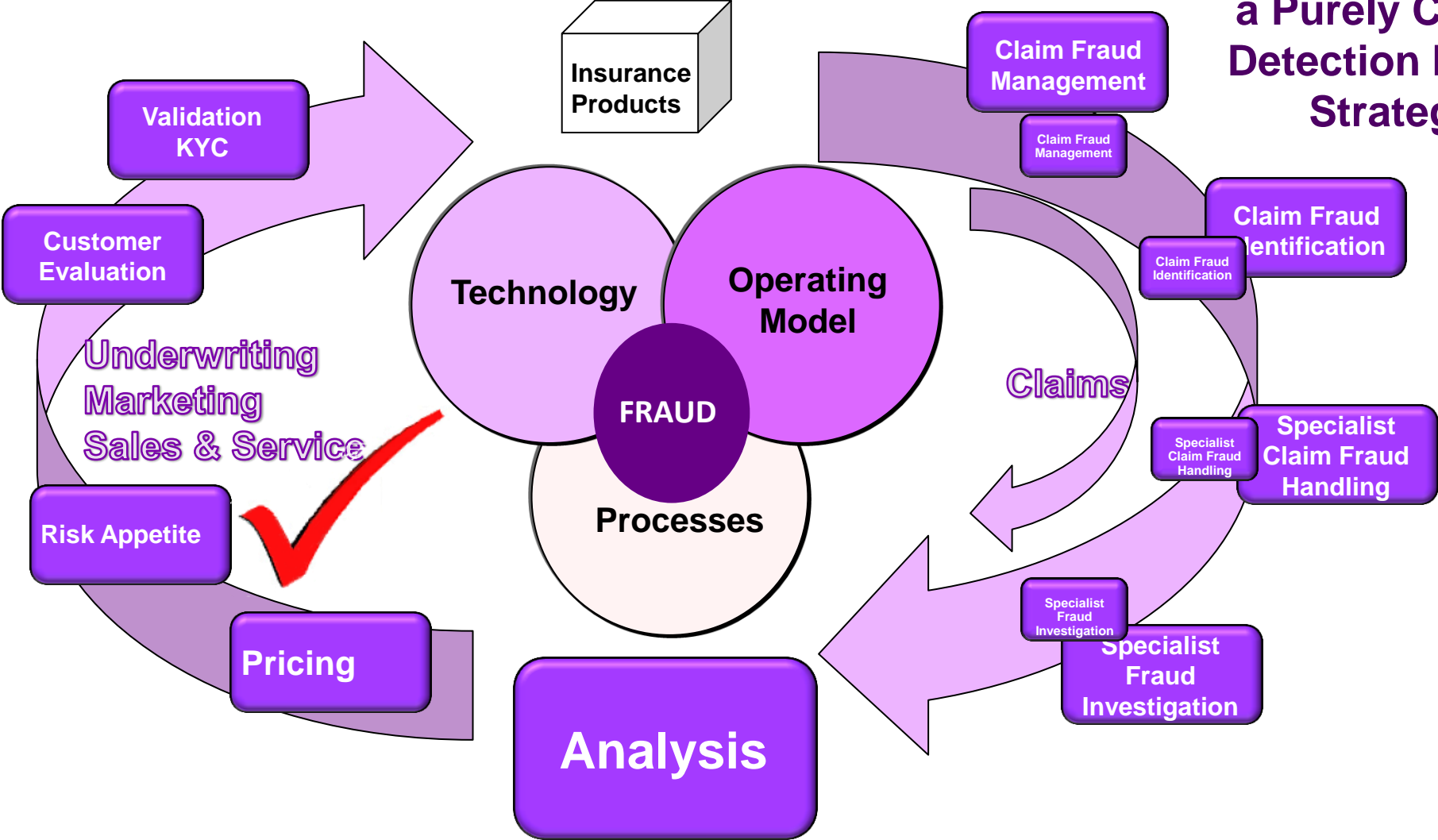
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FSA Reg 479456

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# We Need a More Holistic Approach to Fraud



Cannot Rely on a Purely Claims Detection Based Strategy



THANK YOU FOR LISTENING

