

# Taking the Fight to the Insurance Fraudsters

Broadcast 4th November 2014

View the webinar [here](#)

The Association of British Insurers (ABI) recently reported that the value of fraudulent insurance claims rose to a record £1.3 billion in 2013 – an 18 percent increase on the previous year. To respond effectively, insurers will need to develop holistic anti-fraud strategies, taking their detection and prevention procedures to the next level. It won't be an easy task, but the potential benefits are significant, which was why Marketforce and SAS brought together a selection of the UK's leading insurance fraud experts to explore the next steps in making this happen.

## The Outlook for UK Insurance Fraud

The debate began by recognising fraud as an ever-evolving threat with major implications for the UK insurance industry. As Jamie Hutton noted: 'It fundamentally affects the profitability of every insurance company'.

Alanda Reynolds identified the crux of the issue: 'Fraud is like water and will move to wherever defences are weakest.' Or in Jamie's words: it's 'like a squeezed balloon'. To explain, our panellists described how the industry's focus on fighting motor fraud has brought it



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to a point where it can justifiably be called a 'managed risk'. But other types of fraud, such as noise-induced hearing loss and slip-and-trip claims, are now on the rise as fraudsters 'follow the path of least resistance'. Even in motor, according to our panellists, there is still more than £800 million worth of detected fraudulent claims every year and 180,000 misrepresented applications. Fraud is big business.

*"[Fraud] is an industry in the UK; fraud is people's full-time job. When one door closes they look for other doors that are open and look for other areas of weakness"*

Jamie Hutton, SAS UK & Ireland

It's not all doom and gloom though; the UK's insurers have taken huge strides in tackling fraud. As Glen Marr pointed out, investment in fraud in the mid-1990s was extremely limited; it was a 'backroom hobby' and certainly not the Board-level issue it is today. In the past two decades, there's been significant investment in data-sharing initiatives, new technologies, the use of data and collaboration – both internally and across the industry.

## The Panel



**Glen Marr**, Director of Fraud, 1st Central

Glen has been at 1st Central since 2011, and as a member of the Board has overseen the development and successful launch of an holistic counter-fraud model, which now features as an integral and important facet of 1st Central's online motor insurance model.



**Adele Sumner**, Head of Fraud Intelligence & Strategic Development, RSA Group

Adele has over ten years of 'hands on' experience in counter fraud activity in the insurance sector and is responsible for developing strategies to tackle fraud.



**Alanda Reynolds**, Head of Personal Lines Underwriting Fraud, Zurich Insurance

Alanda took up her current role in 2011 and has broad experience in underwriting, product development, management information and the personal lines market.

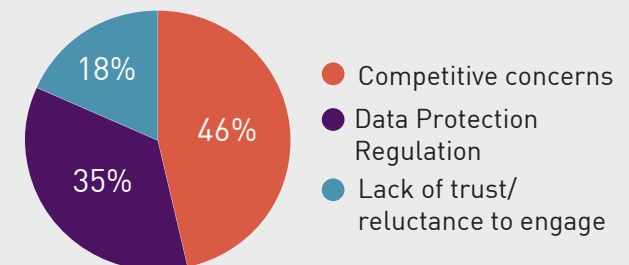


**Jamie Hutton**, Solutions Lead, Fraud & Financial Crimes, SAS UK & Ireland

Jamie is a fraud subject matter expert for all financial services solutions, working with national and regional teams to pitch, scope, define and deliver world-class solutions for SAS customers' fraud challenges.

## Poll Question One:

*What is the greatest limiting factor in improving industry cooperation?*



## A Shared Responsibility

It's this collaboration that is central to the UK approach to fraud prevention. Indeed, as Jamie Hutton commented, the work of the Insurance Fraud Bureau (IFB) has had such an overwhelmingly positive impact that other countries are now following similar models. Glen agreed, but also argued that the industry could be a bit more focused, particularly around data-sharing. The IFB's intention to act as a data hub is exactly the kind of step change needed.

*"Fraudsters are the best collaborators of all - they're better at it than us!"*

Adele Sumner, RSA

Our panellists were in agreement that cross-industry partnerships to deter fraud are paying dividends. There was a clear message for improving data sharing too: the data being shared must be up-to-date and real-time. 'Intelligent use of good quality data is the watchword' in fraud prevention.

Of course, collecting and sharing the right data on its own isn't enough, and there was a consensus amongst the panel that staff training and awareness is hugely important. Poor internal co-operation is particularly problematic; unless insurers confront fraud from underwriting through to claims, it will never be addressed effectively. But it's a challenge. As Adele Sumner argued, collaboration can't start until 'everyone's on the journey with you' – it must be perceived as a priority by insurers.

## Bringing Partners and Customers on Board

Extending the fight to tackle insurance fraudsters beyond the individual organisation is critical, but it's not just about working with other insurers. Alanda believes that it is important to get brokers and partners onside too. While saying that it's a 'shared responsibility', she emphasised how insurers can help their partners, whether by sharing data to identify suspect cases or by educating them on how to best spot fraud in the first place.

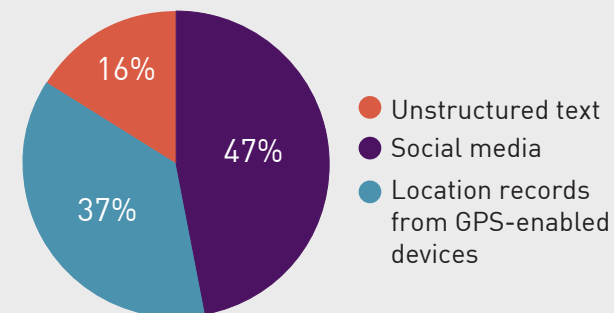
But even if insurers, brokers and partners all work better together to tackle fraud, it may not be enough. More work must be done to educate customers on fraud. Better informing consumers of the consequences of committing soft fraud, such as lying on policy applications to secure a lower premium, will be critical in cracking down further. However, the insurer has a delicate balance to strike. Taking a tough line with customers guilty of fraud is imperative but not at the expense of the overall customer experience. Each customer must still be treated fairly and as an individual.

*"Treat individuals as individuals. We're not soft on fraud; absolutely not...but make sure the process you follow is fair"*

Alanda Reynolds, Zurich

## Poll Question Two:

**Which data source has the greatest untapped potential for fraud detection and prevention?**



## 'All Data's Useful' but Analytics is Key

Insurers need to manage all of their data better. Lots of data that may be useful is still not being used. Breaking down information silos across the business and achieving a single view of customer data from underwriting, claims and even third party systems will help to unlock the potential of data. Only when these problems are fixed can anti-fraud analytics realise its full potential.

New technologies like telematics are waiting in the wings with more valuable data to crunch. Telematics – a form of pay-how-you-drive insurance that collects driver behaviour data to more accurately assess and price risks – could well be the silver bullet in tackling motor fraud. For Glen Marr, 'It gives you the answers to the questions you'd normally [have to] ask', from 'where

were you?' to 'how fast were you driving?' – removing the possibility for lying.

If insurers can get the quality and reliability of data right and improve their analytics capabilities then the potential gains are huge – both for the business and the customer.

*"Analytics is where everyone wants to get to"*

Jamie Hutton, SAS UK & Ireland



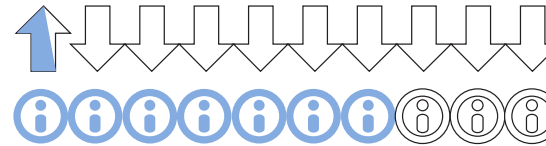
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## Insurance Fraud

## The State of Detection Systems

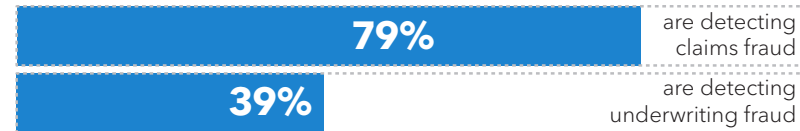
Less than one in ten insurers have improved their fraud detection rate by more than 10% year-on-year



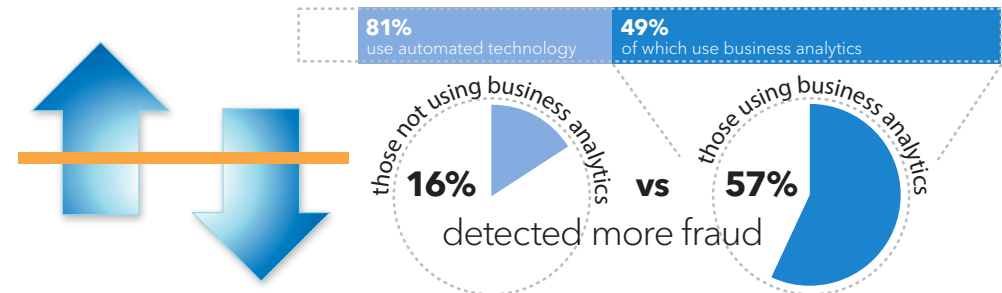
... yet 68% have a dedicated investigation unit (33%) or a team that operates across departments (35%)



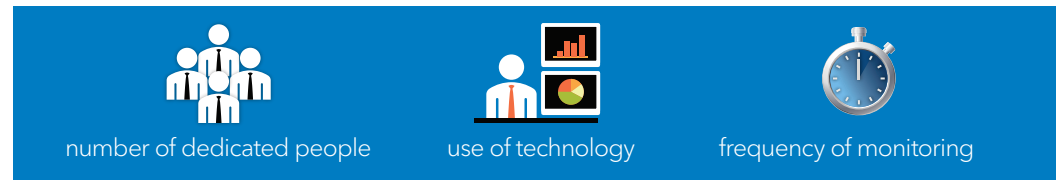
Could more be done to catch fraud earlier?



Smart systems are needed to improve detection rates



In order to dominate in the fight against fraud insurers should consider



Source: Insurance Companies: Are You Equipped to Successfully Combat Fraud, Q4 2014

