

Market talk

Insurers rewarded for investment in counter-fraud

Counter-fraud investment. Does it pay?

After decades of some insurers sweeping insurance fraud under the carpet, for a good few years now it's been no longer acceptable for these costs to be hidden and recovered via premium increases levied across all motorists.

I recently discussed progress in the world of counter fraud investigations with Gill Prior, group compliance manager at The Brownsword Group who offer expertise, early fraud detection, and forward-thinking products to combat emerging fraud trends for their insurer clients – and in doing so becoming the only recipient in the industry of The Queen's Award for Enterprise in Innovation.

So what sort of savings are being made? Gill Prior: "In 2015, an insurer saved £6m when a large loss claim was repudiated in full. The policyholder claimed to have sustained considerable, potentially tetraplegic injuries after a motor vehicle collision. Upon thorough investigation, the case was proven to be entirely fraudulent. The collision did not occur, and the claim was dismissed in its entirety at court.

"The largest reported saving when using surveillance against a fraudulent claim was a case where a £2.9m



Gill Prior

claim was settled at just £300k.

"Furthermore in a recent claim where the third party owned a Ferrari and hired a Lamborghini, the value of the Ferrari was grossly overvalued and a huge hire claim was submitted. Further discrepancies in the evidence led to the claim being struck out at court and recovery of costs

being pursued. The third party is now in prison for five years, and the case has been closed with a saving of £29,000.

"In another theft claim an insured alleged that his classic Mercedes had been independently valued at £90k. Numerous concerns were identified during the course of the investigation, resulting in liaison with the police. Following the suggestion that analysis of telephone records would likely prove the insured's account of events to be false, the result was a successful repudiation of his claim for the theft of vehicle.

"So those examples confirm that insurers are getting a return on their investigation and expert surveillance investment. For every £1 spent on claims fraud, an insurer should be looking to save over £20, and even more on surveillance and credit hire cases. Any less than that, and insurers might consider re-thinking their current fraud solutions."

Credit hire fraud on a big scale has always struck me as the biggest consistent threat against motor insurance, and Gill provides the illustrative example where a credit hire organisation claimed ongoing hire and storage, when the vehicle was found at the third party address, undamaged! The saving achieved was £18,000. Another insurer's review of credit hire cases revealed a ROI of £26 for every £1 spent.

"But it's not just savings which fraud investigation companies provide," adds Gill. "Surveillance evidence has proved fundamental in two major test cases which ultimately led to the introduction of fundamental dishonesty."

Tools used by The Brownsword Group to investigate fraud include:

- Desktop enquiries to investigate the validity of claims and provide insurers with a lifestyle pattern
- Face-to-face interviews, carried out by ex Police and military intelligence personnel, using interpreters when required
- Obtaining CPR compliant statements and locus enquiries including photographs
- Intelligence-led worldwide surveillance
- Carrying out telephone interviews (with or without the use of Digilog technology – the only Government approved analysis software)
- Licence, media and Police enquiries
- Medical appointment validation
- Gaining sight of documents to confirm indemnity