

FRAUDSTERS ♥ DIGITAL

ICB Fraud Exchange
29th September 2021



“There is a Chinese curse which says “May he live in interesting times.” Like it or not, we live in interesting times. They are times of danger and uncertainty; but they are also the most creative of any time in the history of mankind.”

Robert Kennedy, June 6th 1966

Accelerated Changes

Impacting the Insurance Industry



**Reduced Gross
Domestic Product**



Recession



Rising Fraud Rates

Accelerated Changes

Impacting the Insurance Industry



Social Distancing



Innovation



Digital Transformation

Digital Transformation Programs



**'Manage the
Customer Journey'**



**'An *outside-in* view
of the organisation'**



**'Enriching the customer
experience'**



**'A *customer-centric* view
of the organisation'**



'Lower cost servicing'



'Scalable'



'Adaptable'



24x7x365

Fraudsters ❤️ Digital



*'Manage the
Customer Journey'*



*'An **outside-in** view
of the organisation'*



*'Enriching the customer
experience'*



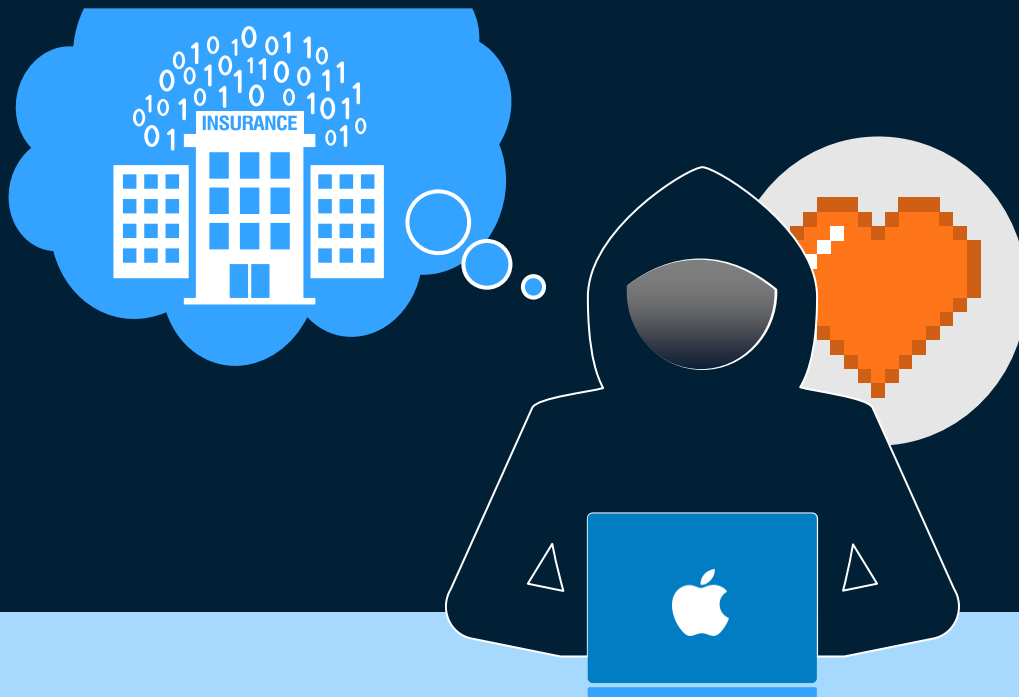
*'A **customer-centric** view of
the organisation'*

Fraudsters ❤️ Digital



- New Opportunities
 - Attack Remotely
 - Increased Anonymity
 - Faceless Transactions
- Faster Processing

Fraudsters ♥ Digital



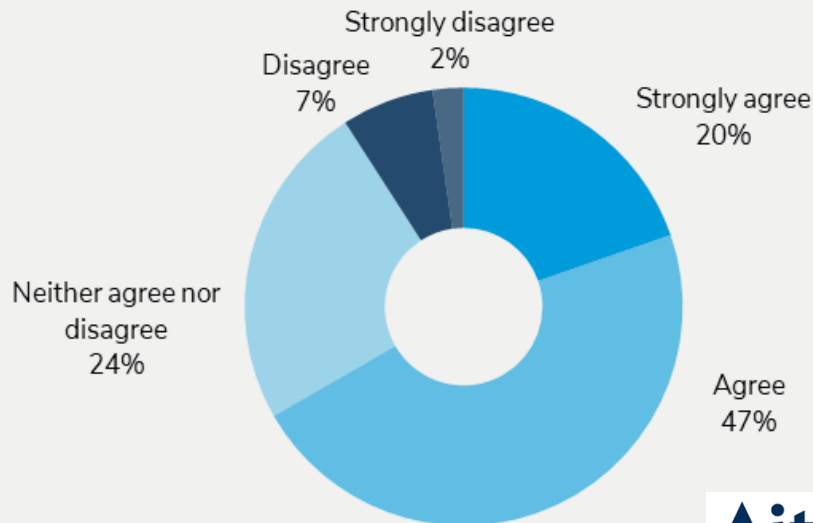
Adoption of some technologies, such as telematics, will have a positive impact on detecting some traditional insurance fraud claims schemes

But the adoption of digital significantly removes the ability for 'human interaction', both at new business stage and during the claims process

A Growing Perception

Fraud Report: Rethinking Approaches in the Digital Age

Q. To what extent do you agree or disagree with the statement, “an increase in digital activity has resulted in more fraud or a higher fraud risk”?
(Base: 132 claims and service or underwriting decision-makers)



Source: Aite Group's online survey of 132 respondents at U.S. carriers, May 2021

AiteNovarica

The Rise of The Armchair Fraudster



New Business

- Testing the boundaries of the insurer
- Modifying new business quotes to reduce premium or be accepted (Customer Gaming)
- Misrepresentation
- ID theft/Impersonation
- Synthetic identities
- Ghost broking
- Fabricated No Claims Discount

The Rise of The Armchair Fraudster



Claims

- Fabricated claims
- Exaggerated loss
- Recycling of photos
- Recycling statements of incident
- Phantom passengers
- Account/Claim takeover
- Payment diversion

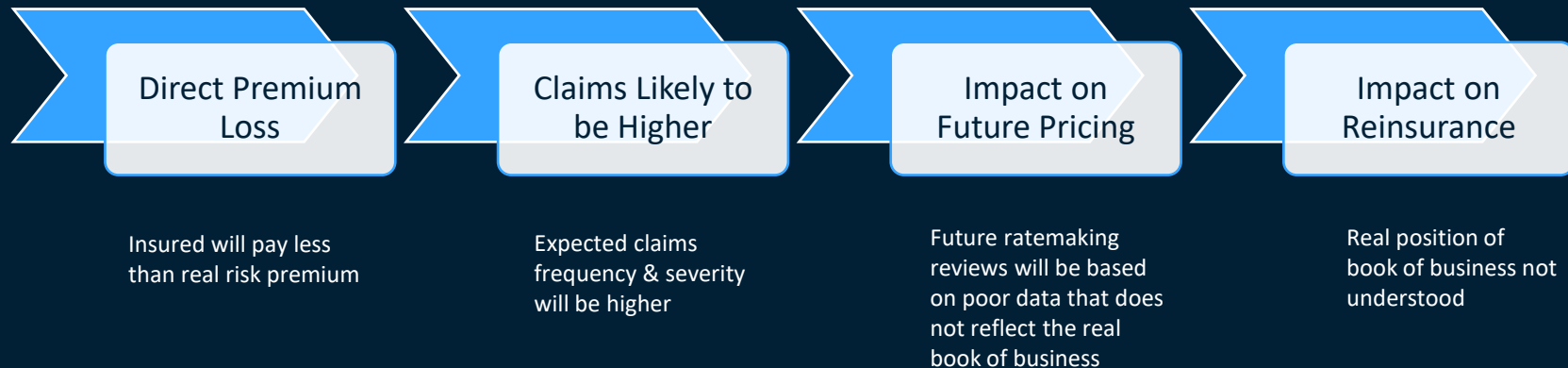
Customer Gaming - Misrepresentation

Web Direct – Application Fraud

Quote	Driver	Age	Garaging	Claims	NCD	Postcode	Premium (£)	%
1	IOD	24	Road	1	0	SE18	£3,425	100%
2	IOD	24	Road	0	0	SE18	£2,960	86%
3	IOD	24	Road	0	2	SE18	£2,168	63%
4	2 named	24/51	Road	0	2	SE18	£2,890	84%
5	2 named	51/24	Road	0	5	SE18	£1,026	30%
6	2 named	51/24	Garaged	0	5	SE18	£926	27%
7	2 named	51/24	Garaged	0	5	NR13	£435	13%

Customer Gaming - Misrepresentation

Business Impact



Phantom Passengers

Linked to BI Claims

Phantom passenger insurance fraudster jailed



A man has been jailed for arranging a series of fraudulent personal injury claims involving phantom passengers, targeting various insurers including LV= General Insurance.

Martell Randall, 30, of Wandsworth, was sentenced to six months imprisonment at Kingston Crown Court on Wednesday 8 September 2021, for conspiracy to commit fraud by false representation.

Randall was linked to several false claims involving six collisions, which could have potentially cost some of the UK's biggest

insurance companies over £25,500, as well as further losses through claims that were declined by the insurers because they believed them to be fraudulent.

Detective Constable Peter Gartland, from the City of London Police's Insurance Fraud Enforcement Department (IFED), said:

"In December 2016, Norfolk Constabulary referred data downloaded from Randall's phone for a separate investigation to IFED, suspecting that the contents of the phone proved his links to other forms of criminality.

"With the help of research conducted by the Insurance Fraud Bureau (IFB), IFED officers were able to prove that Randall had organised false claims by adding phantom passengers to genuine road traffic collisions.

Adding additional passengers to the claim – but they were never there

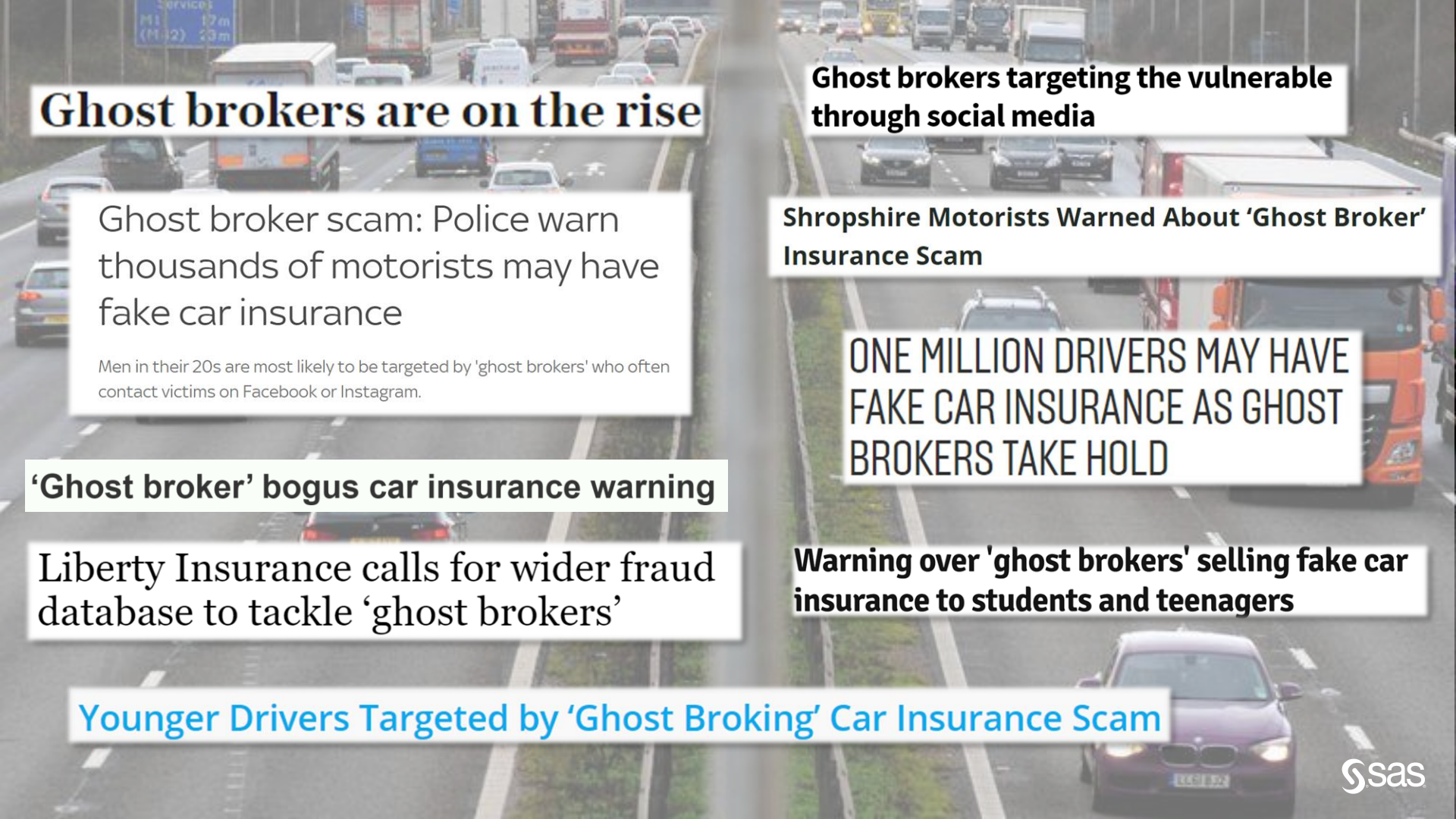


Ghost Brokers



- Illegal insurance advisers
- Advertise online including social media
- Target vulnerable groups
- MO: Falsify documents, manipulate details, cancel policies





Ghost brokers are on the rise

Ghost broker scam: Police warn thousands of motorists may have fake car insurance

Men in their 20s are most likely to be targeted by 'ghost brokers' who often contact victims on Facebook or Instagram.

'Ghost broker' bogus car insurance warning

Liberty Insurance calls for wider fraud database to tackle 'ghost brokers'

Younger Drivers Targeted by 'Ghost Broking' Car Insurance Scam

Ghost brokers targeting the vulnerable through social media

Shropshire Motorists Warned About 'Ghost Broker' Insurance Scam

ONE MILLION DRIVERS MAY HAVE FAKE CAR INSURANCE AS GHOST BROKERS TAKE HOLD

Warning over 'ghost brokers' selling fake car insurance to students and teenagers

Ghost Brokers



Misrepresentation

Fabrication

Case Study – Ashton Midshires

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Case Study – Ashton Midshires



Case Study – Ashton Midshires



Ghost Brokers : What are they and how do they operate?



Ghost brokers, sometimes also referred to as Illegal Insurance Advisors, target innocent motorists and dupe them into buying misrepresented or falsified motor insurance policies.



Ghost brokers tend to target vulnerable groups or individuals that are likely to be faced with high insurance premiums when taking out a new motor insurance policy, such as new drivers, young people and students.



Ghost brokers tend to operate online and often target their victims via social media sites using adverts offering cheap or heavily discounted car insurance.



Some have also been known to set up websites to help establish their credentials as a genuine insurance broker.



BUT.. the ghost broker may only make an initial payment for the policy or the payment method is in some way compromised.



The ghost broker sells this policy on to their victim for a profit and their unsuspecting victim is unaware that their details have been misrepresented and instead believe they have found a generally good deal.



Ghost brokers use this information to find the individual a cheap policy, however, they will misrepresent certain details (including age, location of the vehicle, occupation, claims history) in order to obtain the policy at the lowest possible price.



When replying to these adverts, unsuspecting motorists provide details about themselves and the vehicle they want to insure.



Once the insurer realises the payment is suspect or has been stopped, the policy is cancelled and the driver is unaware that they are no longer insured.



Some ghost brokers do not use genuine insurance policies to facilitate their trade, instead these fraudsters provide completely falsified insurance documents including all the markings of a genuine policy.



In such cases, the victim pays the ghost broker for the bogus policy under the pretence they have found a good discount, but unknowingly remain completely uninsured.



In addition to selling misrepresented or falsified policies, some ghost brokers also offer additional services such as supplying fictitious evidence of No Claims Discount, which are used fraudulently to help reduce premiums.

ID Fraud



+50%
Since 2014

Incidents increasing
year-on-year



Accounts for > 50% of
reported fraud



Identity fraud is the
number 1 fraud
threat in UK



9/10 identify thefts
committed online



Increased use of
genuine details making
detection more difficult



Victims targeted via
hacking & phishing



Malware can play a
significant part



Availability of so
much data gives
fraudsters the edge



Fraudsters can
apply for products
in volume



Working at speed
and with increased
anonymity

ID Fraud

The costs



Falsified Claims/Applications

Hop-ons = Genuine main driver, additional drivers are criminals seeking car anonymity

MTCs – multiple policies taken out then cancelled & refund goes to different account



Fighting Back

Adoption of Real Time Fraud Analytics

- Need to move analytics as a 'second line of defence' to the 'first line of defence'
- And run in real-time
- And make full use of entity history
- Automatically identifying potential fraudsters:
 - At point of **quote**
 - During the **application/underwriting** process
 - Across the **claims** lifecycle
- Allowing the insurer to route the potential suspicious cases into a work stream for more thorough investigation - most likely by a human (HI remains critical)

STP/Customer Journey



A Day in the Life of a Web Portal!

OLD APPROACH



FNOL Claims Handler receives a call from claimant



Handler captures information about loss and begins process



Only the entered claims data is checked for possible fraud



Simple claims system rules do not raise alerts



Claim continues through process and is paid

NEW APPROACH



Claimant enters claim details on web portal



Web portal automatically registers warning of high fraud propensity



Claimant is automatically asked additional questions based on alert



Asks if a police report was filed and for the report number



Claimant does not have this and cancels FNOL – recorded on system

Data & Analytics can help

CAPABILITY

BENEFIT

Data enrichment	—————→	Increased insight
Cleansing/standardisation	—————→	Accurate/complete data
Entity resolution	—————→	Single customer view
Real-time scoring/decisions	—————→	STP/Customer journey
Predictive Analytics	—————→	Better, faster decisions
Automated alerting	—————→	Less reliance on gut feel
Network visualisation	—————→	Uncover hidden relationships
Workflow	—————→	Structured, efficient investigations
Mobile access	—————→	Increased productivity

Demonstration

Conclusions

- Fraudsters really do ❤️ digital
- Be prepared – a great digital project should be for the (good) 90%
- But don't forget the (bad) 10%
- Real time analytics can help identify both the good and bad
- And 3rd party data can add additional defence



Fraudsters love digital

How insurers can respond with real-time fraud analytics

Free whitepaper

<https://www.sas.com/en/whitepapers/fraudsters-love-digital-112232.html>

sas.com

