



THE CHANGING LANDSCAPE OF INSURANCE FRAUD

James Burge

Fraud Manager – Allianz UK





18 September 2019
EVERYTHING YOU NEED TO KNOW ABOUT FRAUD

AGENDA

- 01** WELCOME AND INTRODUCTION
- 02** UNDERSTANDING THE SCALE OF THE PROBLEM
- 03** TRENDS, CASE STUDIES & OPERATIONS
- 04** FRAUD DETECTION & PREVENTION
- 05** FRAUD OF THE FUTURE



ALLIANZ GROUP

We SERVE...

88 million customers

5 million Allianz UK customers

5 million LV= GI customers

TOTAL REVENUE (EUR) YTD

2017: **126.1bn**

2018: **130.5bn**

OPERATING PROFIT (EUR) YTD

2017: **11.1bn**

2018: **11.5bn**

ASSETS UNDER MANAGEMENT (EUR) YTD

2017: **1,447bn**

2018: **1,435bn**

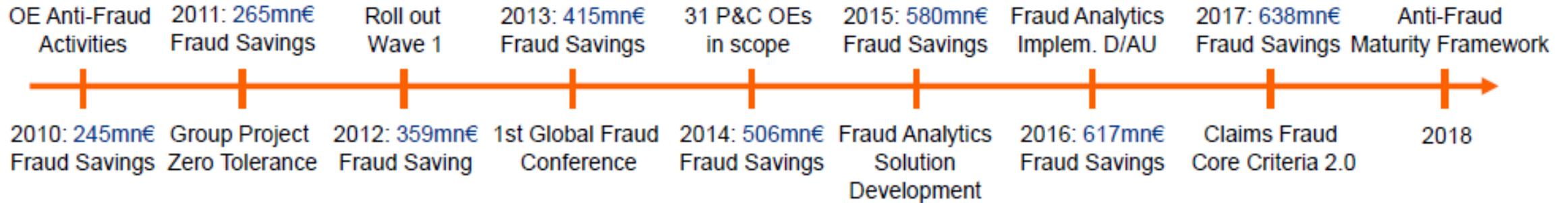
SOLVENCY RATIO YTD

2017: **229%**

2018: **229%**



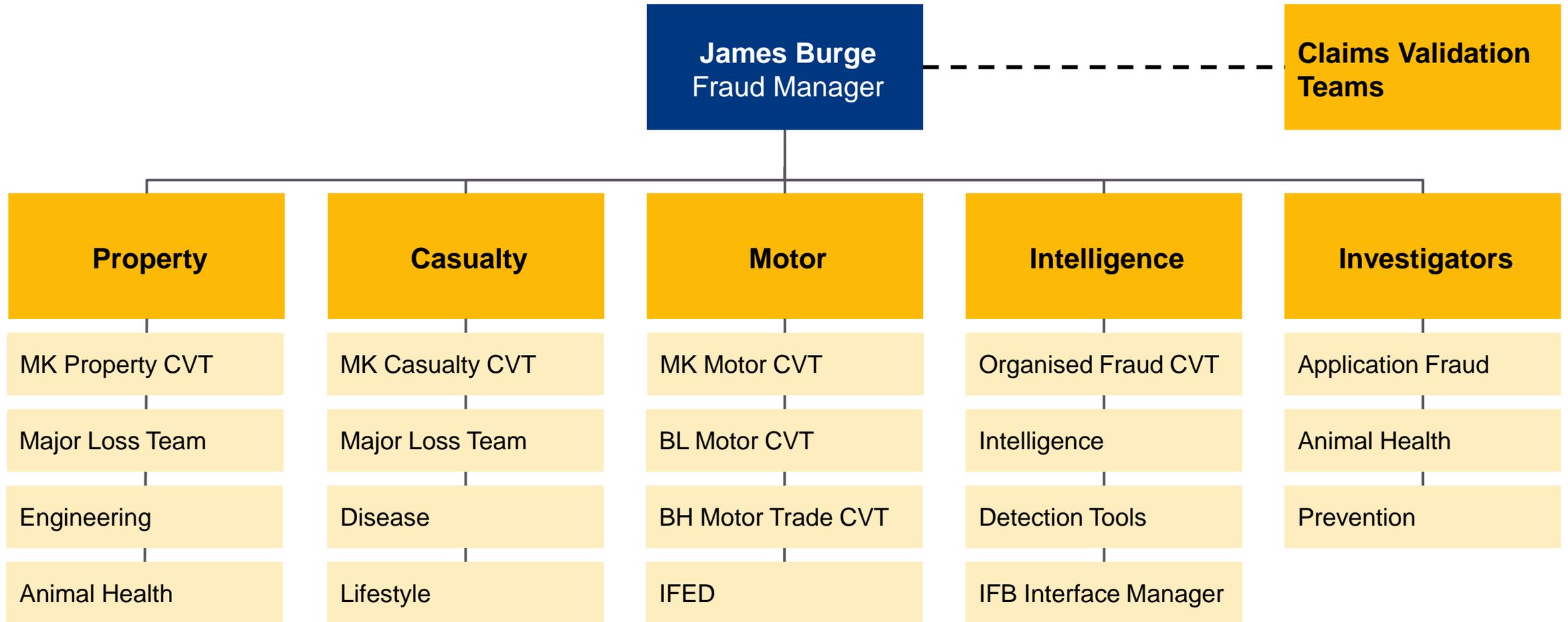
ALLIANZ GROUP FRAUD STRATEGY



- Zero Tolerance Strategy across the Group
- Mandatory Fraud Minimum Standards
- Group-wide Fraud savings definition and KPIs in place
- Fraud Fighting successes reported at Group level since 2010
- Group-wide Fraud Core Criteria and Toolbox
- Active Anti-Fraud Community (31 P&C OEs)
- In-house developed Fraud Analytics Tool



ALLIANZ UK FRAUD TEAM STRUCTURE





UNDERSTANDING THE SCALE OF THE PROBLEM



DO WE HAVE A FRAUD PROBLEM IN THE UK?

In short... Yes

- Insurance fraud represents a significant threat to both the insurance industry and wider society
- Increase in premium each year of **£50** due to fraudulent claims
- New ABI statistics show average insurance fraud now tops **£12,000** with 1,300 insurance scams uncovered every day
- **469,000** insurance frauds detected by insurers in 2018 (98,000 of which are claims and 371,000 dishonest applications)
- These 98,000 fraudulent claims valued at **£1.2 billion**

Source : Association of British Insurers (2019)





UNDERSTANDING THE SCALE OF THE PROBLEM

Historically claims fraud has been the biggest contributor in terms of insurance fraud in the UK

In 2018 however, the Insurance Fraud Bureau's Strategic Threat Assessment (STA) showed a significant shift in the distribution of detected fraud volumes, with application fraud now dominating the fraud landscape. The STA found the following:

- Detected insurance claims volumes down **14%**
- Crash for cash fraud's have moved from **tier 1** to **tier 2** threat
- Increase in **ghost brokers** incepting commercial policies to facilitate
- Pre-inception loss has moved from a **tier 2** threat to a **tier 1** threat

53% of live IFB investigations are now investigating application fraud



TYPES OF APPLICATION FRAUD

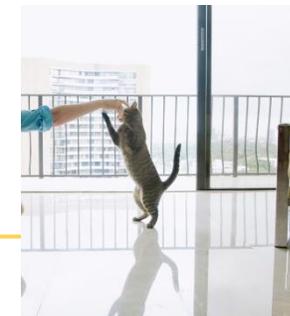
COMMERCIAL LINES

- Individuals setting up a fake business to purchase Insurance through an intermediary
- Personal Lines CV business transferring to Commercial e-traded products
- Ghost broker posing to be a legitimate business
- Stealing businesses identify to add vehicles to the MID to avoid ANPR cameras
- Cloning genuine businesses to obtain insurance under their name and then using a different postal address
- Businesses not protecting their personal data (physical or electronic)
- Rogue employee of a broker/customer making policy amendments without consent
- Deliberate or reckless misrepresentation of risk information to fool the broker / insurer



ANIMAL HEALTH

- Misrepresenting pet details to obtain a lower premium e.g. breed/dob
- Misrepresentation of sum insured/activity group to obtain lower premium
- Delaying treatment for illness to ensure claim is outside 14 day deferment period
- Non disclosure of previous voids across other product lines
- Moving vet practice to avoid history being submitted
- Not disclosing pre-existing conditions





TYPES OF CLAIMS FRAUD

Customer Fraud

Organised
Underinsurance
Exaggeration
Fabrication
Fronting

Third Party Fraud

Organised
Exaggeration
Staged
Induced
Phantom Passengers
Slips and Trips
NIHL





TRENDS, CASE STUDIES & OPERATIONS



TREND: GHOST BROKING



- Now included on the IFB and IFED threat assessments
- We're investing in fraud early detection tools such as SIRA and are in the process of looking at our own in-house solution
- Consumer education is needed i.e. knowing to check the FCA register or Motor Insurance Database to ensure they're registered

GB Example :

- | | | |
|--------------------------|---|-----------------------|
| • 42 years old | ✗ | 21 years old |
| • Female | ✓ | |
| • Insurance Broker | ✗ | Business student |
| • Shetland, Scotland | ✗ | Knightsbridge, London |
| • Mercedes CLS 350 Sport | ✓ | |
| • £22,045 vehicle value | ✗ | £55k + £20k crystals |
| • c£390 premium | ✗ | DECLINED |



Are cases of ghost brokers on the rise?

James Burge, fraud manager, Allianz:

Absolutely. Organised criminal gangs always seek to make money through selling worthless insurance policies to unsuspecting victims. This is achieved either through the falsification of documentation, through entering spurious personal details to achieve a quotation, or by taking out a genuine policy only to cancel it shortly afterwards.

TREND: PLANT THEFT



ROUNDTABLE

In February we hosted an industry-first roundtable on the increase in fraudulent plant hire theft, which was attended by over 40 industry experts including other insurers and industry bodies such as PANIU.

- 730 claims in 2018 (up from 428 in 2013)
- Allianz Engineering, Construction & Power released its own data predicting that overall plant theft could increase by 9%
- MO is changing: increasingly, fraudsters are pretending to be employed by a company in order to hire large quantities of high-value plant
- Data and intelligence must be shared across the industry
- We're committed to helping brokers with the necessary education piece on theft vs fraud



CASE STUDY: SPRING ROLL



- Claimant alleged to have found metal shards in a spring roll from a local takeaway restaurant
- £12,000 claim for internal injury plus solicitor costs
- Forensic investigations found inconsistencies with chronology, medical records and photographic evidence
- A finding of fundamental dishonesty in court
- Clear message from Allianz: our expert team will challenge and test inaccuracies

'Fundamentally dishonest' claimant left with a sour taste

"Claimants who are found to have lied in their evidence should expect to bear the consequences. This outcome demonstrates Allianz's determination to fight spurious claims from unscrupulous individuals, and to use the power of the courts if that is what it takes".

CLAIMED
AND SHAMED



CASE STUDY: FAULTY BED CLAIM

- Claimant suffered life-changing injuries which she claimed were due falling off a defective bed sold by our customer
- Claim of approximately £12million (indemnity limit £2m)
- Our customer's business would have folded as his company assets didn't exceed £100k
- Inconsistencies in the claimant's account led the judge to rule this "a simple but tragic fall"
- Winning this trial meant the difference between our customer's business remaining operational

High Court win for Allianz customer in 'faulty bed sex claim'



Woman 'catapulted' off bed during sex and paralysed loses claim

High court judge concludes that injury to Claire Busby, of Berkshire, was 'tragic accident'



Richard Manders, director of Berkshire Bed Company, said: "We are delighted the court has ruled in our favour."

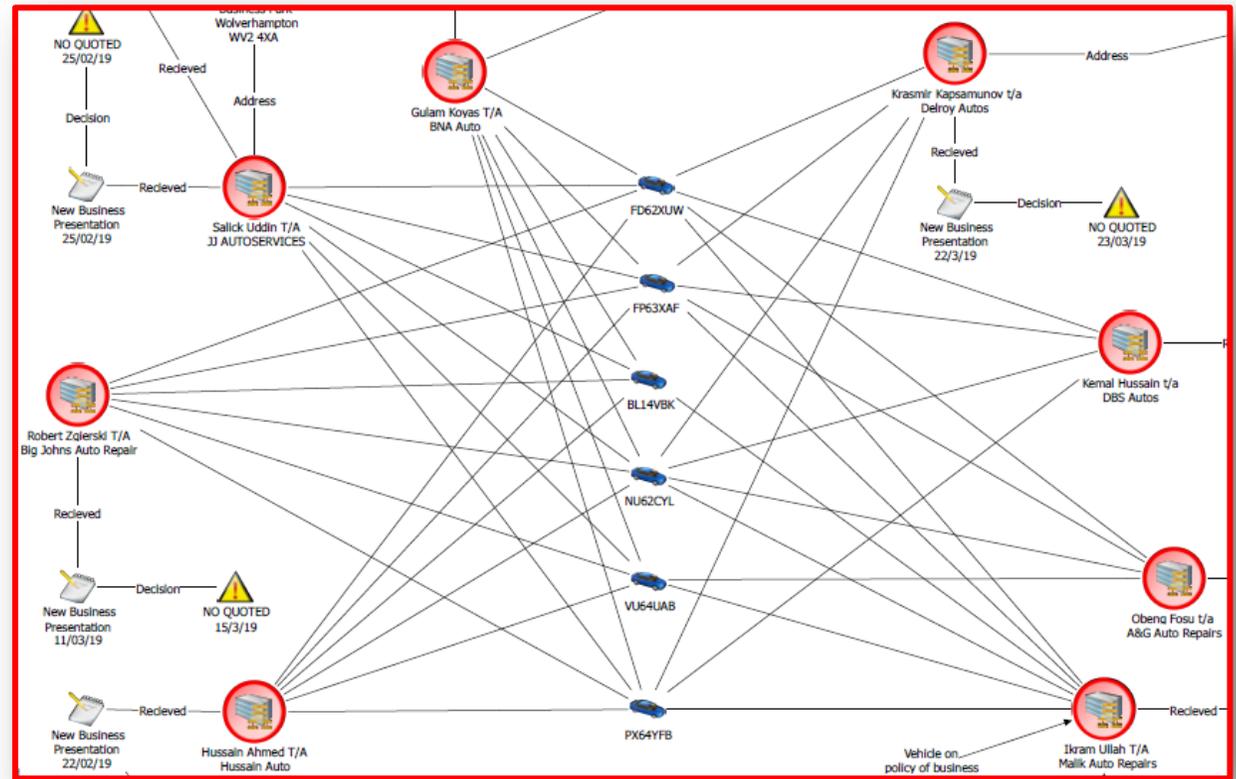
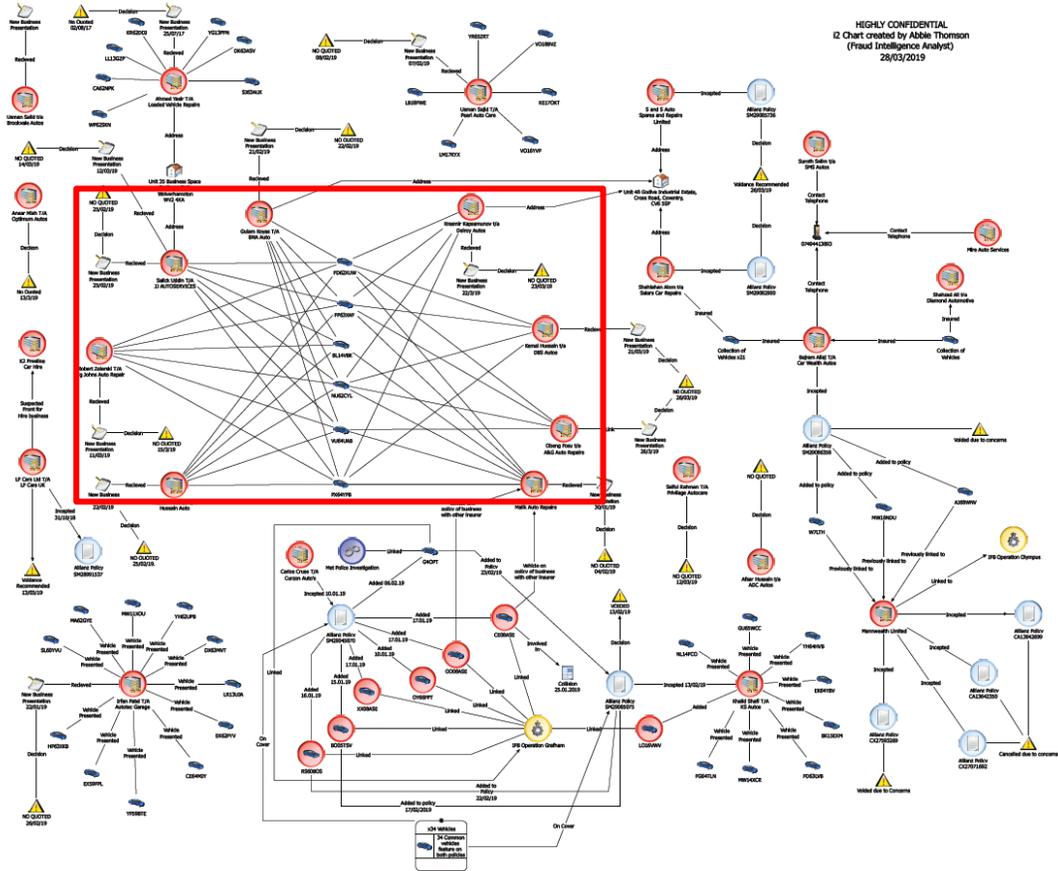
ALLIANZ OPERATION PANDORA

- Large scale application fraud investigation into the abuse of commercial motor trade policies
- Linked to IFB Operation Achilles
- Links to Law Enforcement investigations
- MID abuse - initially 5-10 vehicles, growing to 100+
- Suspected Ghost Broker at the heart
- Suspected to be linked to organised criminal gangs
- Very difficult to manage and investigate due to level of exposure
- Vehicles on a number of polices identified as linking to other criminality





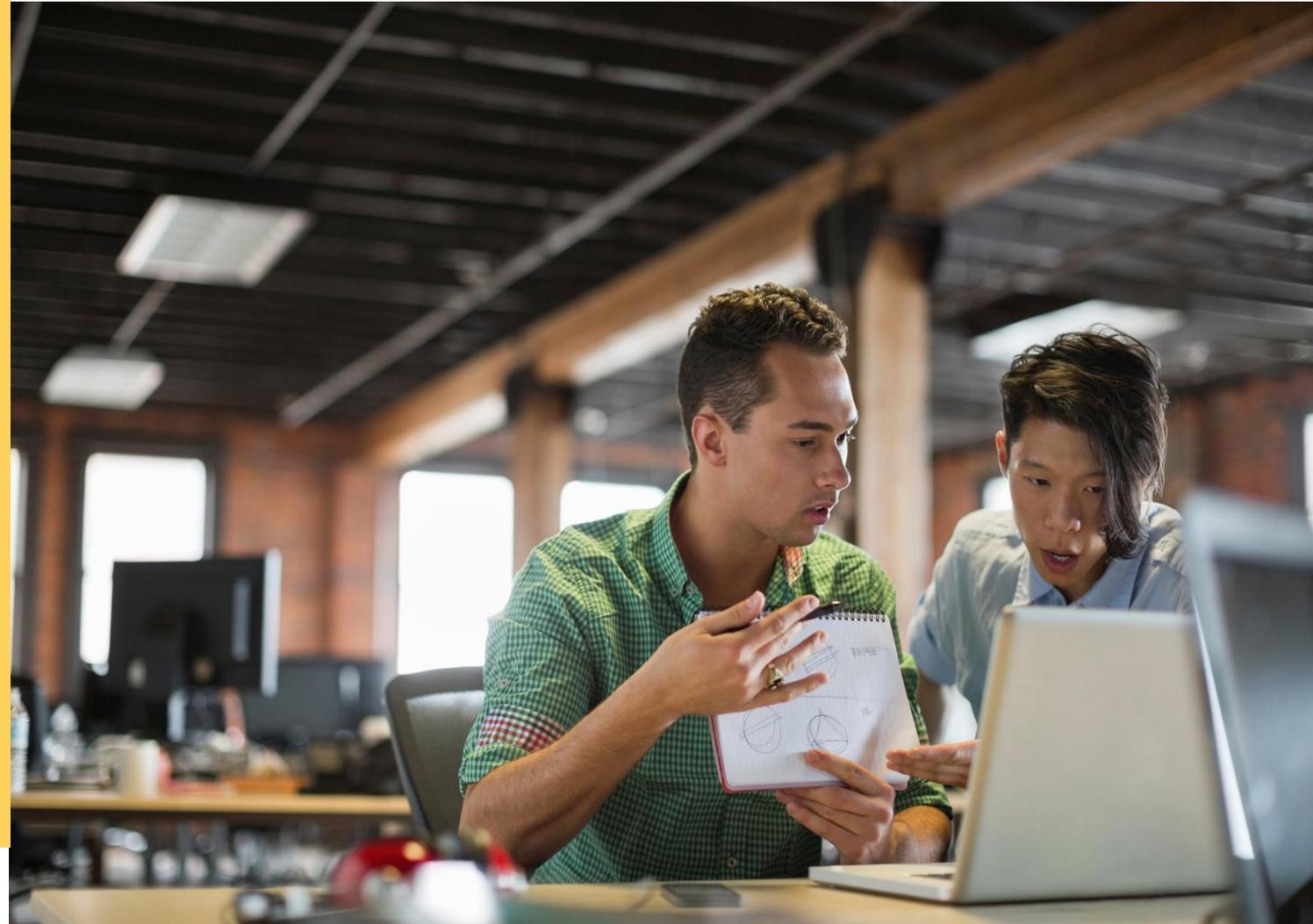
OPERATION PANDORA- NETWORK CHART



90 + Businesses
 10 + Allianz Policies
 50 + Quote Presentations
 30 + Investigation Reports
 3 Linked IFB Operations



FRAUD DETECTION & PREVENTION STRATEGIES



FIRST PARTY FRAUD PREVENTION



To Protect, Prevent & Pursue first party fraud across our business



Intelligence led decisions to fight existing and evolving application fraud threats



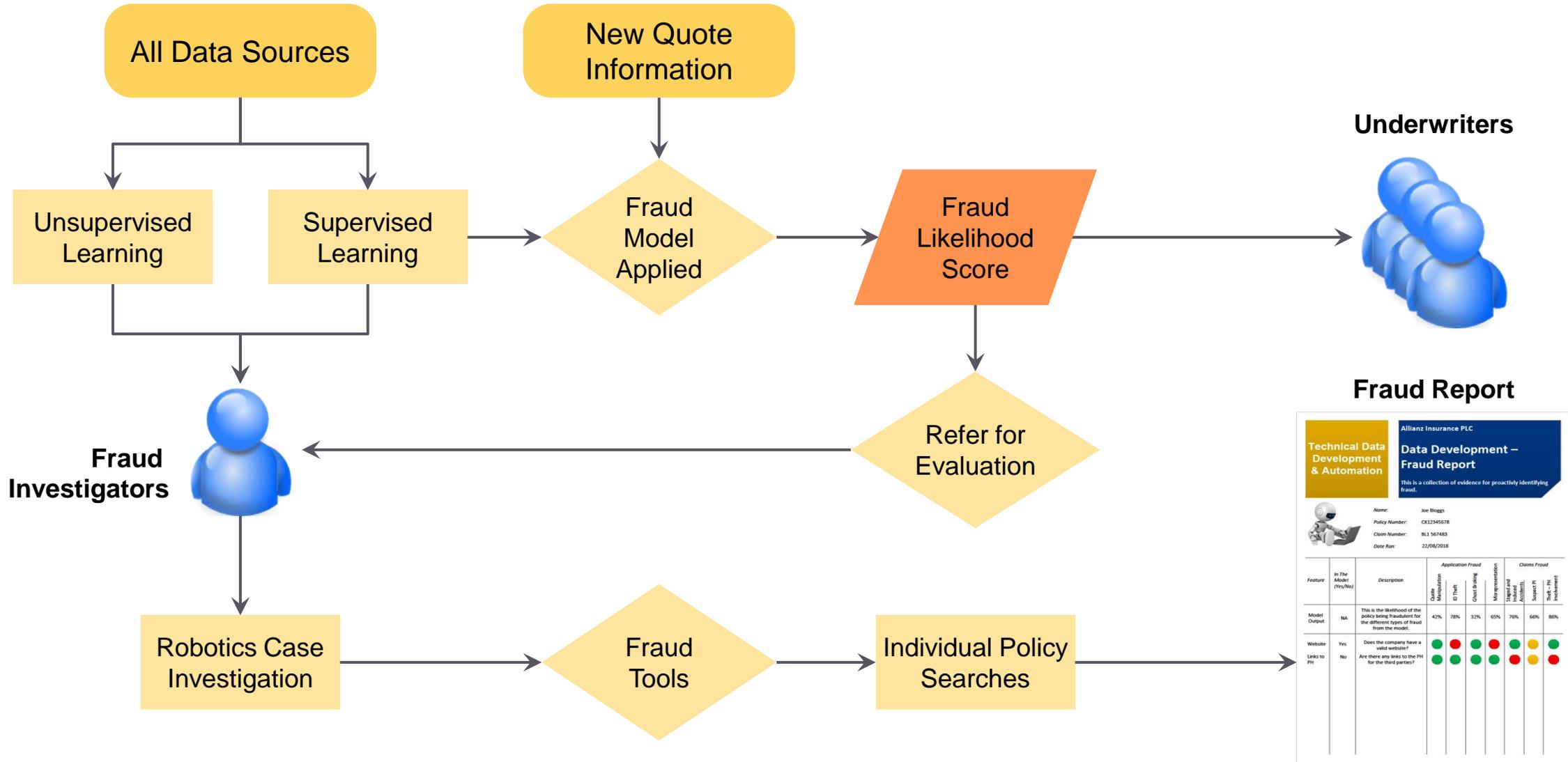
Carrying out first class fraud investigations and recommendation for action



Identify & implement counter fraud systems & tools



DIGITAL DETECTION – MACHINE LEARNING





CUSTOMER CLAIMS FRAUD PREVENTION

Expert teams segmented and located in same locations

Team of vets employed by Allianz for animal health fraud

Vehicle and Plant Theft Strategy

Own Claims Investigators with National Coverage

All support by an investment in technological and digital capabilities





THIRD PARTY FRAUD PREVENTION

A central head office claims fraud function responsible for fraud strategy

Dedicated Claims Validation Teams (CVTs) across all Claims Handling Centres (CHCs)

A network of Fraud Coordinators / Risk Champions across the entire claims division

A dedicated Organised Fraud and Intelligence Team





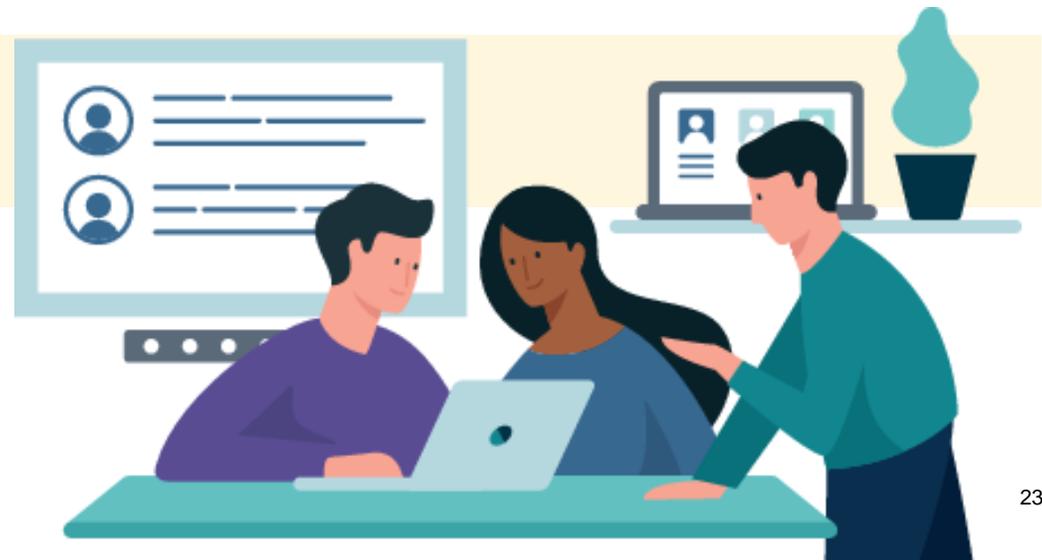
CLAIMS FRAUD DELIVERY

Today we have over 6,000 suspected fraud cases being investigated across all our CVTs

In 2018 the CVTs were responsible for claims fraud savings totalling £64.75m

We work in close collaboration with all areas of the business to ensure we achieve a seamless anti-fraud offering in all business areas

We support and benefit from industry wide bodies such as the IFB and IFED





FRAUD SAVINGS

Line of Business	Savings
Motor	£22.1m
Engineering, Power & Construction	£877k
Property	£11.1m
Casualty	£27.9m
Disease	£2.9m
TOTAL	£64.75m

Allianz's fraud manager, James Burge, commented:

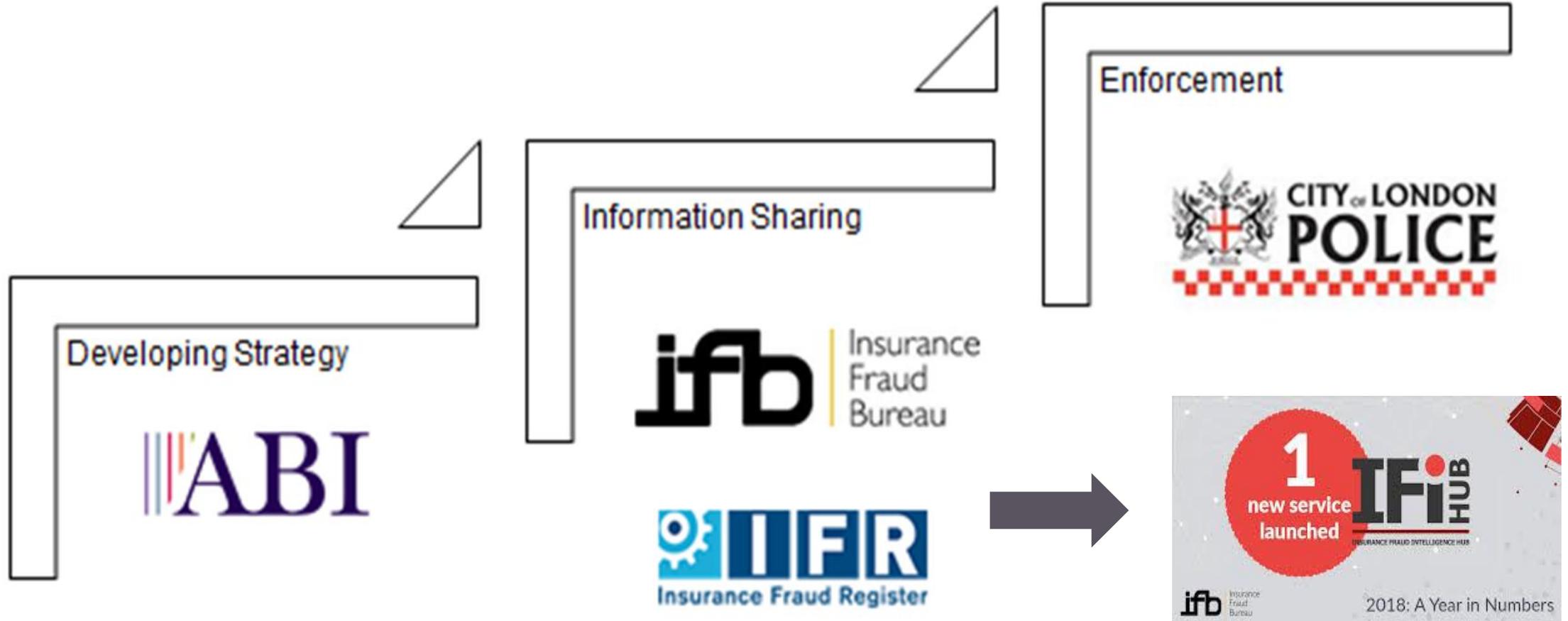
"I'm delighted that we have seen a 30% increase in claims fraud savings in the first half of the year. This is a fantastic result for our business and demonstrates the commitment of our highly skilled fraud team.

"Our data highlights that fraud is just as prevalent as ever and is a growing problem, particularly in the casualty claims space. Prevention and detection remain our priority to ensure that genuine policyholders are protected."

Allianz is celebrating another record year for fraud success, reaching a total saving of £64.75m in 2018.

The total savings have increased by £2.75m since 2017, with an increased performance against an indemnity spend up 10% from the previous year.

WORKING WITH THE INDUSTRY





FRAUD OF THE FUTURE





THE WORLD OF CHANGE





2019/20 MAIN OBJECTIVE....



AZUK FRAUD PREVENTION STRATEGY



To be seen to be driving prevention ahead of savings by delivering on our zero tolerance approach internally and within the market place

Allianz enjoys record breaking fraud saving year

by Paul Lucas
28 Mar 2018



Fraudster sentenced over exaggerated steak knife injury claim

13 April 2018



Man took images from a YouTube video to back up the claim



Solicitor struck off after Allianz and BLM expose false witness evidence



Insurance Tomorrow
Allianz UK
Subscribed



Continue Listening
Brexit and the Insurance Industry



DOING THE RIGHT THINGS...



Sharing of data and intelligence



Industry collaboration



Automation, robotics and AI



Keeping human expertise where it's needed

He added: "It seems to me that the perfect balance is not one or the other, but a mix of digital sophisticated detection supported by cross industry collaboration, combined with supporting our talented fraud experts to cover all bases and ensure that fraudsters do not prevail."



The first at a glance
guide to insurer
experience
created for brokers
by brokers

Powered by Broker Service Survey

Insurance Times

Future trends

Such technology is broadly welcomed by major insurers. Nick Kelsall, fraud manager at Allianz Insurance, told *Insurance Times* that digital and automated detection has to be the future in a world where end-to-end claims processing is also becoming more automated with less human touches and intervention.

"The sharing of data is therefore key for us as an industry and wider society in order to protect our genuine customers. We need to work together as an industry to get automated detection right and this can only be achieved by working with the Insurance Fraud Bureau (IFB) and contributing to the Insurance Fraud Intelligence Hub (IFiHub)," he said.

THANK YOU AND KEEP IN TOUCH

JAMES BURGE

Fraud Manager Allianz UK



James.Burge@allianz.co.uk



07891 569 928

