

Insurance fraud

Problem definition and overview of approaches across Europe



XIII International Conference about Insurance Crime
11 March 2010

Sandrine Noël
Head of Non-life insurance

The CEA

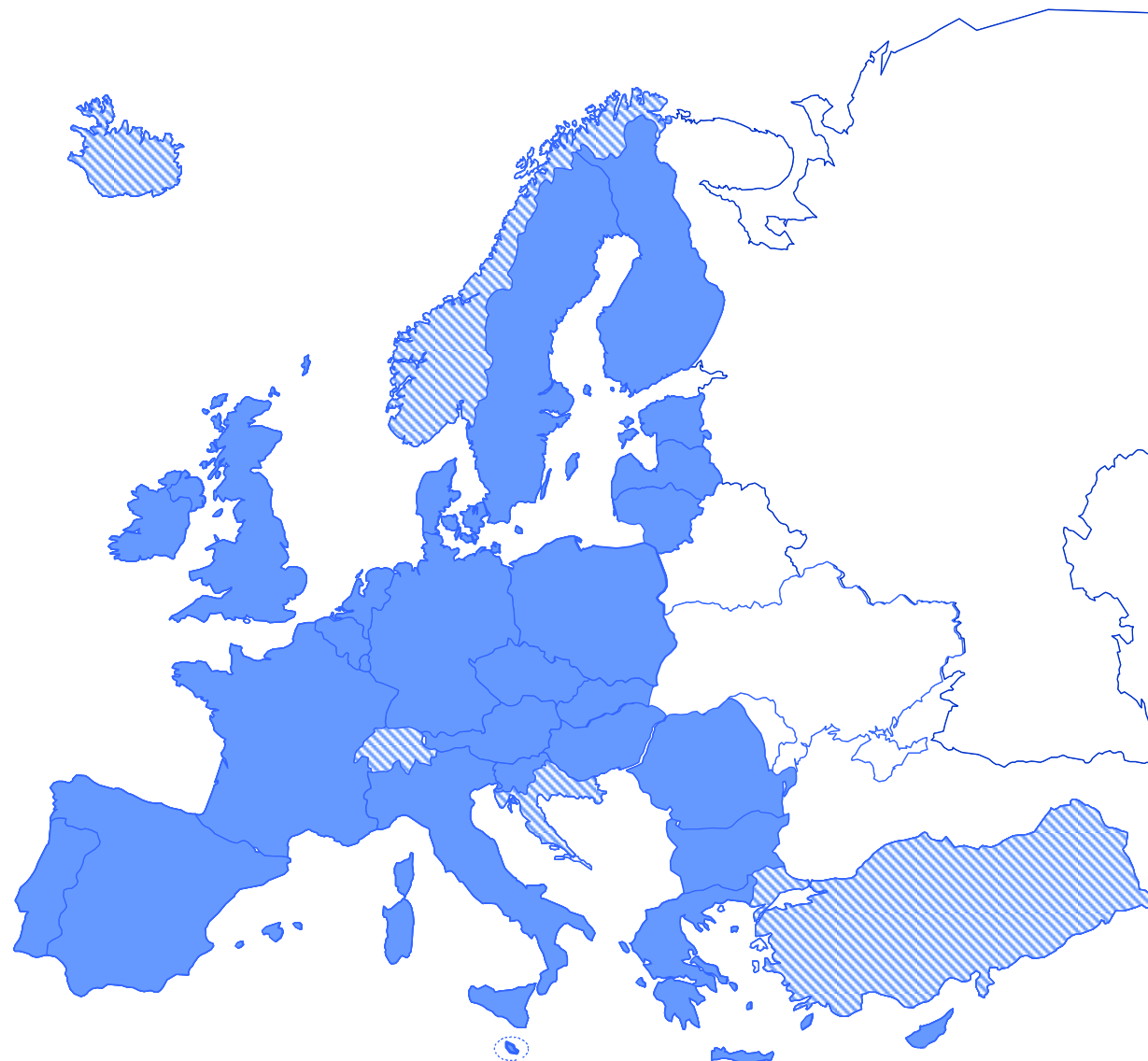
1

Fraud – problem definition

2


Examples of initiatives

3



33 National Member Associations:

 27 EU Member States

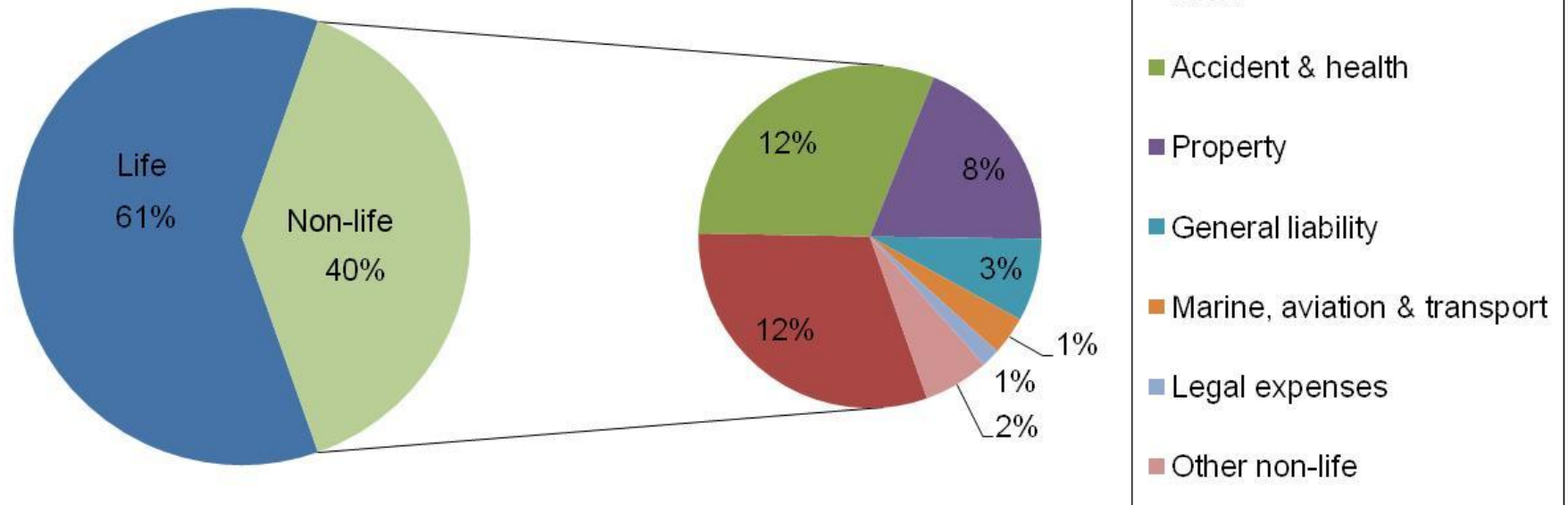
 + 6 Non-EU Markets
Switzerland, Iceland,
Norway, Turkey,
Liechtenstein, Croatia

 2 Observers
Russia Ukraine

Key figures:

- EU insurers....
 - generate premium income €1 100bn
 - employ 1 million people
 - invest €6 900bn
- CEA 94% of total European premium income.

Breakdown of total European premiums — 2008



The CEA

1

Fraud – problem definition

2

Examples of initiatives

3

- No single (EU) definition

- CEA definition

*“Act or omission,
related to the conclusion of an **insurance contract** or to a claim
meant to gain **unjustified** enrichment
for the fraudster **or another party**,
or meant to cause **a loss to another party**.”*

Typologies of fraud

- Opportunistic
- Organised
- Repetitively opportunistic



Underwriting



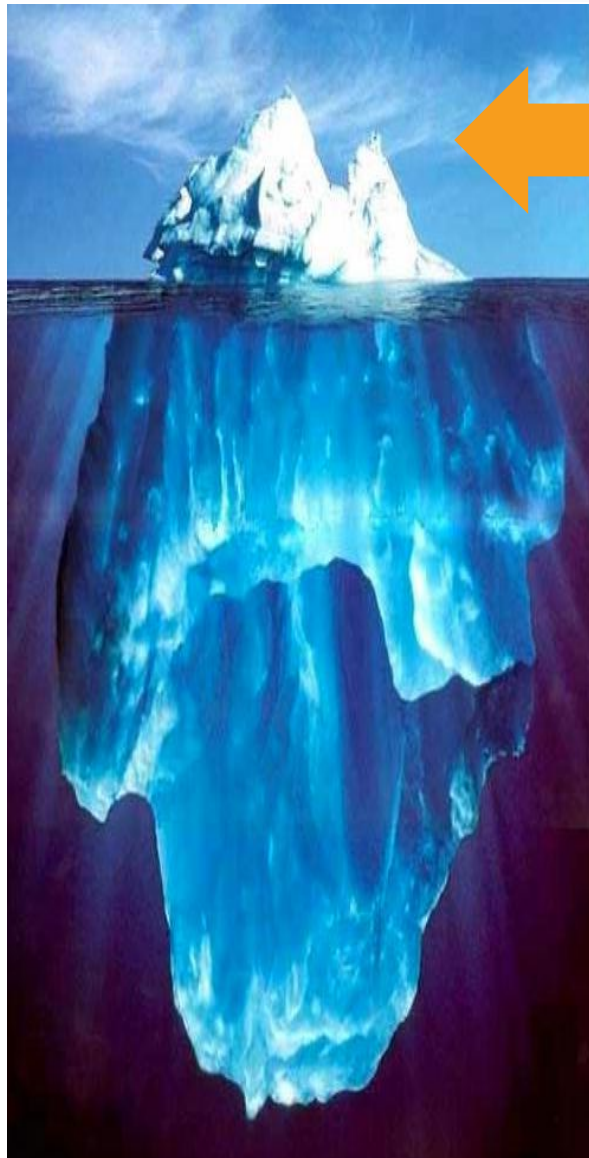
Claims



Mis-reported
Exaggerated
Staged
Fake



A matter of concern!



5–10 % of S
(in Non-life)

Detected
fraudulent
claims

Detected
underwriting
fraud cases

Undetected fraud
cases

Cost for policyholder:
higher premiums,
investigation

Wider harm to society: insecurity,
prosecution costs, etc

- (Un)detected fraud in the UK
 - A recent survey* assessed that undetected general insurance claims fraud totals **£1.9 billion a year**
 - The value of detected fraud in 2008 amounts **£730 million**

*ABI – General Insurance claims fraud - Research Brief – July 2009

■ In Finland

- Approx. 20% of interviewees declared knowing a fraudster*

*polls in 2006 and 2008 of 1 000 people

■ In the Netherlands:

- 12% of the consumers confessed having committed insurance fraud
- consumers estimated that 44% of Dutch population has committed insurance fraud

**Dutch approach in tackling insurance fraud », Alex H. Westerman, GenRe, Köln, December 2007

- Motor accounts for the biggest part, in value, of detected fraud
 - In France: 40% of P&C insurance*
*ALFA – Recueil Statistiques 2008
 - In the UK, 50% of General insurance**
**ABI – General Insurance claims fraud - Research Brief – July 2009

- Dishonest claims on home insurance were the most common in the UK, with 55 000 false or exaggerated claims detected.

Key factors



■ Insurance:

- are insurers free to investigate at the underwriting stage and to decline cover?
(eg not the case in the Scandinavian countries)

■ Investigators:

- the conditions to which investigators legally have to comply differ from country to country

■ Data protection:

- often limits the possibilities of fighting fraud on an efficient/targeted way

■ Anti-Money Laundering...

- Is fraud considered a priority?

- Cooperation with the private sector?
 - rules applicable to the exchange of information with the private sector

- The litigation culture
- Image of the insurance sector
 - Reluctant to pay claims
- Perception of insurance fraud:
 - According to a poll in Germany*, 28% considers that insurance fraud is not a crime.

* A 2002 GfK study, commissioned by the German Insurance Association (GDV)

- **Terms & conditions**
- **Underwriting and claims process:**
 - Role of third parties such as intermediaries, lawyers, service providers, etc
- **Fraud risk management in place**
 - Detection
 - Prosecution
 - In FR, prosecution rate estimated* at 6% of detected fraudulent cases in Motor, 13 % in other P&C for retail
- **Commercial and economical considerations**

*ALFA – Recueil Statistiques 2008

■ Communication

- Internal communication: awareness raising, best practices, etc.
- External: social perception of fraud, need for strict law enforcement, etc

■ Relationship with other stakeholders

- Enforcement authorities
- Policymakers, supervisors
- Associations of consumers, brokers, lawyers, loss adjusters, etc
- Media

The CEA

1

Fraud – problem definition

2

Examples of initiatives

3

- **Bodies dedicated to fraud**
 - Insurance Fraud Bureau (IFB) in the UK, for the detection and prevention of organized, cross industry fraud
 - ALFA in FR & BE, for training, enhancement of partnership with police forces and prosecution service, data gathering,...
 - ...

Examples of initiatives

■ PPP

- Exchange of information:
 - In the UK, a MoU on exchange between the police and insurance companies and loss adjusters (claims).
 - In IT, agreement for access by urban police to insurance databank
- Contribution to police training programme (eg BE, DE, FI, FR)
- Participation to National Platform for Crime Control (eg NL)
- agreement on police and prosecution capacity available for fraud (eg NL)

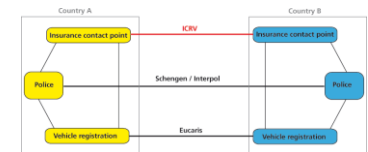
- In Motor

- Motor conference 2009



- ICRV network

<http://www.cea.eu/index.php?page=icrv>



- Fraud Prevention task force

Thank you for your attention!

For more information

www.cea.eu

