



ABI detected fraud statistics

The ABI collects information annually regarding detected fraud to provide its members and wider stakeholders with an indication of the extent of fraud that the industry faces at both the application and claims stage.

This exercise does not provide any more than an indication of the level of detected fraud impacting on the insurance industry. In turn, individual insurers have their own mechanisms for understanding their own exposure to fraud and taking steps to mitigate the related risks.

Reporting on and measuring all cases of fraud encountered by insurers presents some challenges. Insurers are able to report on and measure cases of clear detected fraud; that is where evidence of fraud is compelling. However, where an insurer has prevented an individual from obtaining insurance cover by way of, for example, its automated system-based fraud defences, or a claim is no longer pursued due to an insurer probing the circumstances of a loss, such scenarios are not always clear instances of detected fraud.

Insurers would positively welcome increasing the numbers of convictions for insurance fraud. However, despite significant investment from the insurance industry in the Insurance Fraud Enforcement Department (IFED) within the City of London Police, there is insufficient current police resource available to respond to and manage the number of cases of suspected fraud for investigation and enforcement. This has been compounded by regional police forces over recent years reducing their resources allocated to fraud and financial crime and having no objectives to devote resources to such criminality.

As such, actual criminal convictions clearly only represent the tip of the iceberg, and are not a true reflection of the level of fraud that insurers and wider society face on a daily basis. We are, however, encouraged that the Sentencing Guidelines Council now explicitly recognises the harm to consumers, both in terms of increased premiums and potential physical harm from crash for cash fraud, and this is reflected in the evolving judicial attitudes to insurance fraud where stiffer sentences are being handed down.

Accordingly, the ABI has developed a list of scenarios in which it is believed fraud is likely to be involved and asks its members to provide the numbers of cases which fall into those categories. While some of those cases may have an innocent explanation, many more cases of successful fraud go undetected, especially for whiplash.

The ABI's fraud statistics are therefore intended to provide an indication of the volume and value of fraud detected by the industry. These statistics do not include claims which involve exaggerated personal injury, particularly for whiplash, where the claim has been paid.

The ABI seeks information from its members which fall into the following description, which has been based around the Fraud Act 2006:

Any party seeking to obtain a benefit under the terms of any insurance-related product, service or activity can be shown, on a balance of probabilities, through its actions, to have made or attempted to make a gain or induced or attempted to induce a loss by intentionally and dishonestly:

- making a false representation; and/or



- failing to disclose information; and/or
- having abused the relevant party's position.

And, one or more of the following outcomes has taken place which relates to the fraudulent act:

- an insurance policy application has been refused;
- an insurance policy or contract has been voided, terminated or cancelled;
- a claim under an insurance policy has been repudiated;
- a successful prosecution for fraud, the tort of deceit or contempt of court has been brought;
- The relevant party has formally accepted his/her guilt in relation to the fraudulent act in question including, but not limited to, accepting a police caution;
- an insurer has terminated a contract or a non-contracted relationship/recognition with a supplier or provider;
- an insurer has attempted to stop/recover or refused a payment(s) made in relation to a transaction;
- an insurer has challenged or demonstrated that a change to standing policy data was made without the relevant customer's authority;

Provided that the relevant party has been notified that its claim has been repudiated, or relevant policy or contract voided, terminated, or cancelled, for reasons of fraud and/or it is in breach of the relevant terms and conditions relating to fraud within the relevant policy or contract.

The ABI also collects from its members' information relating to cases of Suspected Insurance Fraud

Where a handler having an actual suspicion of fraud (e.g. manual fraud indicator(s), tip off, system generated "high risk" referral etc) challenges the applicant/claimant by letter, telephone call or instruction of an investigator etc, to clarify key information, provide additional information or documentation etc, and the applicant/claimant subsequently:

- fails to provide further documentation or co-operation
- formally withdraws the application/claim (by phone, e-mail or letter) without a credible explanation.
- allows all communication with the insurer to lapse despite the insurer's reasonable attempts to re-establish contact.
- accepts (without a credible explanation) either a substantially reduced



settlement offer in respect of a claim, or a substantially increased premium in respect of an application/renewal (other than in cases where there has been a careless misrepresentation).

All other gone away claims/applications arising in the course of normal (ie non-exceptional) handling do not represent suspected fraud under this definition. These would include (but not necessarily be limited to):

- gone away/withdrawn claims or applications when no preceding combination of suspicion and subsequent challenge has occurred.
- gone away/withdrawn claims or applications where a "challenge" is applied to all new claims/applications of a particular class (eg Household accidental damage) as a matter of routine.
- lapsed quotes, where no formal application for insurance cover has been made.