

Insurance Fraudsters

A study for the ABI

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February 2015



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Preface

This study was commissioned by the Association of British Insurers (ABI) and supported by the Insurance Fraud Enforcement Department (IFED), the City of London Police and what was the National Fraud Authority. There were two general aims: to better understand how insurance fraudsters approach their offending; and to generate insights on the strengths and weaknesses of insurance fraud prevention approaches.

The first section of this report begins with a review of previous work on insurance fraud to summarise the current state of knowledge. It then moves on to report insights from fraudsters themselves. In the second section the findings from interviews with 10 opportunists are outlined, and in the third section four mini case studies are presented based on interviews with four people who played very different roles in relation to insurance related crime.

We are extremely grateful to the support provided by Mark Allen, David Wood and John Beadle who guided the project and offered advice throughout. We are also grateful to our colleagues, Dr Janice Goldstraw-White, Ruth Crocker, Charlotte Howell, Rob Humphries and Sarah Webb. A special thanks is due to all the insurance fraudsters who helped us by answering our questions, who by agreement must remain nameless. Finally to all the others who advised us and helped us in trying to contact former fraudsters, we thank you here.

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Executive Summary

- Previous studies of insurance fraud have perceived the crime as easy to commit, easily justified by those who do so (seeing insurers as 'fair game'), and with a low chance of detection. Police interest has typically been perceived to be low.
- Although there are a range of studies of fraudsters, insurance fraudsters have largely escaped research attention. Little is known about their perceptions of the risks involved and why they choose to commit insurance frauds over other types of offences.
- The offences discussed by opportunistic insurance fraudsters were characterised by being spur of the moment decisions with little planning (and therefore involving no direct attempts to target an insurer), but being instigated because of a chance occurrence and a need and/or desire for money.
- Opportunities arose when a legitimate claim was being made and there was a chance to claim for more than legally entitled; when others introduced the idea; when it was easy to do; and because sometimes the fraudster was emotionally unstable. The opportunity to make money was a key driver.
- Given the lack of planning, the fraudsters did not consider the risk factors; concerns about getting caught before the offence took place did not feature prominently.
- None of the opportunistic insurance fraudsters claimed they had gained from their offences, moreover they said they suffered additional consequences beyond the caution or sentence they received. This included an adverse family reaction, financial consequences, and the stigma involved in being categorised as an offender.
- In acting quickly and without thought insurance fraudsters made mistakes. They were subsequently caught due to a variety of factors, including good work by insurers and the police. Some claimed they did not understand their policies.
- There seems much to be gained by highlighting the fact that opportunistic insurance fraudsters do get caught, and that there are consequences beyond those that stem from the conviction; and in reminding the public generally and policyholders specifically that insurance fraud has consequences and is not a victimless crime.
- Four individuals who were drawn into insurance frauds in different ways were interviewed.
 - Lee became a ghost broker principally because it provided an easy way of deceiving people without them realising it. He exploited a range of loopholes including ignorance and carelessness amongst those he sold policies to.
 - Matt orchestrated fraud from inside an insurance company. He had an addiction he could not deal with and was able to exploit

- his inside knowledge with the help of colleagues and a friend who permitted fraudulent claims on his policy.
- Ahmed claimed to be ignorant and a victim himself of an organised gang of insurance fraudsters, although he was convicted of several offences.
 - Alan was caught up in the police response to an organised gang of insurance fraudsters. He was innocent of the organised offences although he pleaded guilty to involvement in a different insurance related offence, albeit a minor one.
 - The case studies highlight the ways in which fraudsters exploit public ignorance and carelessness and lax policies and practices by insurers, and the dangers for those who come too close to organised offences. They highlight the importance to those responsible for prevention to be continually on their guard, and on the ball, as offenders seek and exploit a range of easy opportunities.

Section 1: Literature Review

Background

- 1.1 Fraud is a crime that is based on a deception; in practice it is characterised by a wide array of activities that often bear little relationship to each other, and are committed by a very disparate group of people (for example see, Croall, 2010; Doig, 2006; Dobie, 2012; Smith et al, 2010). Offences include such diverse activities as staff defrauding their employers (Gill, 2005a; 2007) some stealing large sums, to low level fraudsters ‘fiddling’ at work (see Ditton, 1977; Mars, 1982); cross border fraud (Button, 2012); identity theft and fraud (Albrecht and Tzafrir, 2011; Newman and McNally, 2005); advanced fee fraud (Smith et al, 1999); as well, of course, as insurance fraud (for example, Clarke, 1989; 1990; Gill, 2001; Smith et al, 2010).
- 1.2 There are similarly many types of insurance fraud (Palasinski, 2009). These include offences of individuals against individuals, individuals on organisations and organisations against individuals and other organisations (ABI, 2012; Levi, 2008a). Offences include professionals committing medical insurance fraud (Pontell et al, 1984), for example, by charging for unnecessary surgery or charging for more expensive surgery than performed and unnecessarily extending treatment. This is deemed to be more extensive in the US where health insurance is more widespread (Jesilow, 2011).¹ And exaggerated claims on, for example, household insurance policies (Button et al, 2013; Gill et al, 1994).
- 1.3 The links between fraud and organised crimes are widely recognised (Levi, 2012), and this includes some types of insurance frauds (ABI, 2012). So-called ‘cash for crash’ offences are a case in point,² although as this has come under the spotlight, fraudsters have looked at alternatives such as ‘flash for crash’ offences. This is where rogue motorists flash a driver to move and then bump into them claiming against the driver for damages and sometimes generating multiple fake passengers.³ In a different way, insurance frauds can be linked to robbery, burglary and other theft offences, even arson; arson for profit can be both devastating in its consequences and difficult to detect (Goetz, 2011).
- 1.4 The ABI has identified three principal categories of insurance fraud. First, opportunistic fraud in general and retail insurance, which includes exaggerated and fabricated claims. Second, opportunistic fraud in commercial insurance where the focus is on organisations committing

¹This appears to be a major concern for the future: ‘Medical insurance, Medicare, and Medicaid fraud, which is already prevalent today, will increase exponentially’ (Palmer and Bryant, 2011; 605).

²For a short case study see NFA (2013), section on insurance fraud.

³See, BBC Radio 5 Live:

http://www.bbc.co.uk/iplayer/episode/b0388bxx/Victoria_Derbyshire_16_08_2013/ (44.30)

frauds, rather than individuals. Third, organised fraud involving gangs. Clearly, there is a substantive difference between opportunistic fraud, where people encounter an opportunity within their everyday experiences to commit fraud and more organised planned frauds. Insurers may also be victimised by their own staff (either taking up opportunities and/or planning carefully over a period of time), sometimes working with outsiders (who could be former staff), although this will only sometimes be classified as insurance fraud.

- 1.5 Indeed, the insurance sector has long been identified as one that suffers comparatively high levels of fraud (Clemmons, 2007; see also, Levi, 2008a), and there are at least four explanations as to why this is the case. The first relates to the way that insurance companies have been seen to tackle fraud historically. For example, Clarke (1989) noted in his early study that one of the impediments to tackling insurance fraud was insurers' own reluctance to respond effectively to the problem (see also Clarke, 1990). Indeed Doig et al (1999:24) noted that 'insurance companies' approach to fraud was piecemeal and incremental', while Gill and Hart's (1997) study of private investigators highlighted the reluctance of some insurers to pursue cases of fraud to prosecution.⁴ Although more recent commentary on insurers' anti fraud practices have pointed to the engagement of a range of skilled personnel (in-house and under contract) and the deployment of many new technologies (see Dobie, 2012; Smith et al, 2010),⁵ still it seems these operate in a culture which is not the most conducive to tackling fraud. After all, insurance companies are profit making and adopt a service orientation and this can impede anti fraud strategies that have been evident in tackling shrinkage in retailing (Bamfield, 2012; Beck, 2009). Morley et al (2006;176) noted of the two insurance companies they studied:

Company B has a strong customer-service focus that again seemed to be detrimental to its fraud-detection capabilities. Like Company A, the company emphasis on being proactive in claims handling, staff target based on quantity and call performance, and lack of incentive for detecting fraud, inhibited fraud detection ... both companies had strong organizational objectives that appeared incongruent with the process of fraud detection.

- 1.6 A second factor has been the low priority attached to tackling insurance fraud by the police (Gannon and Doig, 2010). This has, at least in part been facilitated by many victims deciding not to take official action,

⁴A recent Australian study has highlighted the complexity of some insurance fraud investigations, see King (2013).

⁵The ABI has led on changing public opinion about fraud as a review of the press release displayed on the ABI website reveals. See for example statement on not seeing insurance fraud as a victimless crime (abi.org.uk/News/News-releases/2009/03/National-fraud-crackdown-must-end-the-victimless-crime-myth-says-the-ABI); and adopting a zero tolerance attitude towards insurance fraud (<https://www.abi.org.uk/News/News-releases/2010/01/Zero-tolerance-policy-towards-fraud-now-needed-says-the-ABI>).

sometimes to avoid tarnishing their reputations for being blameworthy victims. Some insurers, however, may pursue civil remedies. Although in recent times, because of the impact of the austere economic climate, there has been a general curtailment in commitment to many aspects of policing, there has been a more centralised response to tackling both fraud generally and insurance fraud specifically. This has been aided by an improved legislative framework and 2012 saw the initiation of two key insurance industry initiatives: the Insurance Fraud Enforcement Department (IFED) and Insurance Fraud Register (IFR), building on work carried out by the Insurance Fraud Bureau (IFB) since 2006. In its first year of operation, IFED secured 260 arrests, 78 cautions and 12 convictions. And by December 2014 had dealt with a thousand insurance fraudsters including well over 600 arrests.

- 1.7 A third factor has been the view that businesses are a legitimate target and 'deserving victims'. There has not been a more prominent contender for being fair game than insurers (the other contender for this unenviable position is tax authorities, see Pyle, 1989), especially since many people pay for insurance and don't claim (Gill et al, 1994).⁶ Yet this view exists alongside a wealth of evidence that the consequences of fraud victimisation are severe both for individuals (Button et al, 2009; Button et al, 2014; Pascoe et al, 2006; Spalek, 1999; Titus et al, 1995), and organisations (Shover et al, 1994; Whyte, 2007).
- 1.8 A fourth factor is the nature of insurance fraud itself, characterised as being diverse in its make up, easy to commit and with a low risk of detection (Goetz, 2011). Indeed, insurance fraudsters in the USA have also been seen to operate with low risks of detection and prosecution (Friedrichs, 2007). Moreover, despite early claims that fraudsters needed to use 'techniques of neutralisation' to overcome guilt at committing their offences, most studies have concluded that offenders don't feel guilty (see, Levi, 2008a) and this includes insurance fraudsters (Gill, 2001).⁷
- 1.9 Insurance fraud has been perceived as a low priority for insurers and the police (albeit that IFED is a sign that both the police and insurers are fighting back), while insurance companies have been seen as legitimate targets fuelled by the ease of opportunity. And despite the fact that the consequences of victimisation can be serious, and definitely costly, perceptions that insurance fraud is 'fair game' have been difficult to shift. Adding to the mix is the finding that insurance fraud generally, and insurance fraudsters specifically, have received limited scholarly attention.

⁶Smith et al (2010) site an ABI report from 2003 entitled 'What is Dishonest' which found that 7 per cent admitted making a fraudulent claim; 40 per cent of those in a survey felt that exaggerating a claim was acceptable.

⁷Clearly, if people could be made to feel guilty about defrauding insurance companies it would serve as a form of fraud mitigation.

Insurance fraudsters: learning from studies of other types of fraudsters

Motivations for fraud

- 1.10 Understanding the reasons why people commit fraud can be instructive in terms of informing fraud prevention strategies. Studying motivation can be complex – even when just fraud offences are considered (Gill and Goldstraw-White, 2010) - in part because it can be difficult to identify and then interpret the mix of reasons which can contribute to an offending state, and also because there can be differences between influences that occur at the scene and those that occur earlier in the crime commission process, which Ekblom (2000) calls ‘proximal’ and ‘distal’ explanations. Given the wide variations in activities that constitute fraud, it is unsurprising that motivations vary.
- 1.11 Discussions about reasons for committing financial offences usually include a consideration of Cressey’s (1953) ‘fraud triangle’. This outlines the elements needed for a fraud to take place, specifically an offender with motivation, a fraud opportunity and a rationalisation that makes it possible. He studied embezzlers and found that a key motivating factor was a ‘non shareable problem’. Although this has not been found to be universal, personal pressures have been found to be at least a contributory factor in some fraudsters’ motivations (Gill, 2011b). Sutherland (1949) drew attention to the influence of other people, and more negative influences towards committing crime than positive influences towards desistance contributing towards criminal behaviour, although, again, many have found this at most to offer only a partial explanation.
- 1.12 Most often, fraud has been viewed as a rational choice, based on some weighing up of the pros and cons. Within a usually limited boundary of knowledge, a decision is made to commit offences where the odds suggest it is more likely to be successful (Alalehto, 2003; Holtfreter, 2005). It seems that this principle applies across fraud types and not just for the poor; even those that can appear wealthy may be struggling behind the scenes (ACFE, 2012; KPMG, 2011; Weisburd et al, 1991), and even where someone starts committing offences for pecuniary advantage to meet a specific need, they may continue after that need has been met because they find it easy (Gill, 2005). Quite simply it can be viewed as a good way of making money for little effort and low risk.
- 1.13 Another key explanation as to why people commit fraud rests on the existence of an opportunity. Indeed, criminologists have noted that the very presence of an opportunity ‘causes’ crime since without it an offence would not have taken place (Felson and Clarke, 1998), and this has been shown to be a key factor for fraud offences (see for example, Benson and Simpson, 2009). Given this, there is much to commend the

introduction of opportunity reduction techniques. In this context Ron Clarke's situational crime prevention framework has been much referred to. It focuses on five key areas of activity, namely increasing the effort for offenders, increasing the risk to offenders, reducing the rewards, reducing any provocations to commit crime, and removing any excuses that the offence is in any way justifiable (Cornish and Clarke, 2005). There seems much to commend their consideration for fraud prevention generally and insurance fraud specifically (Gill, 2001).

- 1.14 People often make decisions about the relative merits of committing offences and assess opportunities that occur in their everyday activities and a popular framework, Routine Activities Theory has been developed to explain this. Routine Activities Theory, in its original version posited that for an offence to take place three elements were necessary, a motivated offender, a suitable target (one the offender believes he or she can commit offences against and be successful), and the absence of capable guardians, in short, poor security (Felson, 1986 and for application see Tillyer and Eck, 2011). In fact, later revisions have noted the importance of a law to break (otherwise there is no crime), and the point that an offender needs resources (including skills) in addition to being motivated. Nevertheless, what Routine Activities Theory does is focus attention on different strategies for combatting offences including fraud, either to demotivate offenders (perhaps by deflection or incentivisation), make targets less attractive, and improve security or fraud control mechanisms.
- 1.15 Other early studies highlighted the crime generating culture of the business (large and small) in its pursuit of profit, which sometimes led to a lowering of integrity within some cultures and with some people, leading to the occurrence of fraud (see, Braithwaite, 1978; Clinnard, 1983). Other explanations, summarised by Karen Gill (2001), include greed (Braithwaite, 1992); revenge (Gill, 2001); a perceived injustice (Pyle, 1989); or because an opportunity exists (Doig, 2000). Levi (2008a) contends that fraudsters fall into offending via three routes. 'Pre-planned fraudsters' were committed to offending from the outset; 'intermediate planned fraudsters' started with good intentions but were influenced adversely along the way and became fraudsters; and 'slippery slope fraudsters' who fell into bad ways against expectations in response to adverse circumstances, to which Gill (2001) added – and thinking of insurance fraud specifically - 'sly manipulators' who commit fraud because they believe it is acceptable to do so.
- 1.16 The corporate fraudsters Gill (2005a) interviewed reported seven reasons for the offence: debt, boredom, search for status, blackmail, a temporary lack of emotional balance, the influence of organisational cultures and opportunism. Later Gill (2011b) interviewed 16 fraudsters in prison about their approach to fraud. In terms of motivations, five reasons were offered: they needed money (bad at managing debt); the opportunity was there and some stated that it was easy and that that attracted them; they wanted to win favour and fraud produced the

funding to facilitate that; they had an addiction; or fraud occurred as a part of carrying out normal business.

Studying fraudsters

- 1.17 Within the world of criminology there have been a range of texts that have focussed on understanding offenders' perspectives, both to understand motive and method, sometimes with a view to informing crime prevention and security responses (for discussion, see Bernasco, 2010).
- 1.18 Some studies have sought to profile fraudsters, from, for example, official records retained by agencies (Button et al, 2013) or by assessing outputs from investigatory interviews with those subsequently found guilty of fraud (Tunley, 2011). There have also been those that have interviewed fraudsters. This includes those with convictions, for example, for plastic card fraud (Finch, 2011; Levi, 1998), long firm fraud (Levi, 2008a), cyber fraud (Smith et al, 2004), medical fraud (Jesliow et al, 2004), telemarketing fraud (Shover et al, 2003), corporate fraud (Gill, 2005; 2007) and white collar offenders (Goldstraw-White, 2012). It is instructive to take an example of these two different types of studies, to highlight the sorts of insights that can be generated.
- 1.19 Finch's (2011) fascinating study of fraudsters' approaches to the introduction of chip and PIN illustrates the true innovative approach of fraudsters. She interviewed 19 convicted fraudsters using stolen cards in the retail environment in 2004 before Chip and PIN and again in 2009 after it had been rolled out.
- 1.20 It is important to remember that some people commit fraud because they enjoy it, albeit that this is typically secondary to financial imperatives (e.g. Copes and Vieraitis, 2008), and 3 of the 19 decided to desist, at least for a while, because they felt chip and PIN removed the fun factor from committing crime. The other 16 continued, principally because although the offence was now more difficult it did not increase the chances of getting caught. It did mean that they changed their approach (by buying at a distance or by stealing identities), and were more likely to work with others for example in buying stolen cards and PINs (which carried a premium compared to buying just cards). Strikingly though, what PIN enabled was less risk; using a PIN from a distance was safer than using a signature at the scene (and enabled more goods to be purchased more quickly), and even where a PIN was used at the scene it was not scrutinised by sales staff as a signature check might have been (see Levi, 1998; Levi and Handley, 1998 for further evidence of this point and for insights on the adaptability of plastic card fraudsters). As Finch (2011; 266) states, this is an example of tactical displacement, where offenders change approaches to avoid risks and/or generate more rewards:

Although participants agreed stolen card fraud was harder since the introduction of chip and PIN, this did not seem to operate as a deterrent as fraudsters worked out various methods to circumvent the obstacle put in their way ... a significant finding of this study is that fraudsters are more likely to be deterred by measures that increase the risk of detection than they are by measures that make their chosen offence hard to commit.

- 1.21 There are some ethical and validity problems that surround the use of interviews with offenders, especially in prison, but also in the community. This includes the point that fraudsters are by definition dishonest (assuming they are truly guilty) and may be well placed to deceive the interviewer, which needs to be understood and managed by the researchers (for commentaries on this see, Bernasco, 2010; Gill, 2005; Levi, 2008a). Moreover, offenders may not know their own reasons for offending or the reasons why they approached the offences in the way they did, or confuse their reasons for why they started with why they continued at different times. In short distinguishing the reality from post offence rationalisation can be tricky.
- 1.22 Relying on official records/documents of different types is another approach although there are methodological issues here too, not least surrounding the original reasons for collating the records and the extent and ways in which they relate to the aims intended by the researcher. However, this approach can generate important insights. For example, Tunley (2011) conducted a thematic content analysis of transcripts derived from interviews with suspected benefit fraudsters and accessed the original investigative interview tapes too. He finds support for a wide range of reasons for committing benefit fraud which he reports are not reflected in official responses which tend to focus on too narrow an area. For example,

Benefit fraud is predominantly a crime committed by the disempowered poor rather than the rich and powerful. Yet counter fraud strategies appear to be based upon the assumption that benefit fraud is almost exclusively motivated by greed, whereas impoverished claimants conducting a rational calculation see the risk of detection as insignificant compared to the worries of debt. (314-315)

No wonder perhaps that Tunley should call for a more 'sophisticated approach' to tackling benefits fraud, based on a better understanding of why and how offenders behave. Indeed, this finding needs to be set alongside a range of research which has assessed the failure of organisations to respond effectively to fraud, both by not properly identifying the causes and triggers, but also in failing to develop and implement effective measures (Holtfreter, 2004; 2008; Button and Tunley, 2014).

Insurance fraudsters

- 1.23 The body of knowledge around insurance fraudsters is slight and complicated by the finding that some of those who commit insurance fraud do not believe they are committing an offence (Gill, 2001). Studies of fraudsters have tended to focus on their motivations and the opportunities that are created in the working environment rather than on the techniques and skill sets needed and used to commit different types of fraud. This is despite the fact that insurance fraud has long been recognised as a problem and in spite of widespread awareness that fraudsters have been good at adapting their *modus operandi* over the years to both respond to and create opportunities for offending (Johnson, 2012). As noted above, there are many types of insurance fraud but for most of these – in fact nearly all of them – insights on the fraudsters' perspective is lacking or absent altogether. The possible exception to this relates to fraudsters committing fraud on household insurance policies.
- 1.24 Button et al (2013) profiled the household insurance fraudster from close to 40,000 insurance claimants retained on a database (specifically that of VFM Services). They found the household insurance fraudster to be almost as likely male as female (54:46), aged 30-50 years with a mean age of 44, and from a variety of occupations.⁸ While they suggest caution at generalising too much from their data, the findings lead the authors to suggest that some types of fraud, at least, were determined by opportunity. Gill et al's (1994) work on home insurance fraudsters found that those under 30 years of age were disproportionately more likely to make a fraudulent claim, and 60.8 per cent of those under 45 years of age knew of someone who had committed insurance fraud, with little difference between genders. The vast majority of the small number of people who admitted an insurance fraud also reported knowing someone else who had committed the same offence.
- 1.25 Button et al found that fabricating an accident was common. This was perceived to be less risky than inventing a theft, which would involve the police. The authors use Routine Activities Theory to explain the offences in that insurance fraud of this kind is linked to fraudsters' everyday activities.
- 1.26 Levi (2008b) has noted of fraud generally, but it is equally applicable to insurance fraud, that some types require specialist skills (and to this may be added access to networks of suitably qualified co-offenders), while other types of fraud, involving low levels of skill, may be committed by ordinary people, for example by adding items to others legitimately taken in a burglary.

⁸ Summarising research on occupational fraudsters Button et al (2013;3) report that they were typically 'male, middle aged, with 6 years plus service and from a managerial position', somewhat in contrast then to household insurance fraudsters.

- 1.27 In his study of occupational fraudsters, Gill (2005a) reports on the case of Robert who worked for an insurer in the claims department. Because he had working knowledge of the insurer's weak internal processes for checking claims and was aware of auditors' practices (specifically the types of files and cases they did not check), Robert was able to make false payments so they looked like they were being paid to a third party but in fact were paid to him (or someone working with him). He fraudulently obtained money over a two-year period before he was caught.⁹
- 1.28 Finally on this point, there has also been a tendency to see fraud as having been committed either by internal staff or outsiders, somewhat overlooking the potential for collusion between the two, not least existing staff with former (disgruntled) staff. Research in this area is sketchy, but the available evidence suggests scope for caution. For example, Bussmann and Werle (2006) reported that well over a quarter of incidents they looked at might have involved some type of collusion, while Bamfield (2008) reported that a tenth of thefts from work involved collusion. Kowalski et al, (2008) studied insider attacks in the Government sector and found that staff conspired with outsiders in a third of incidents. Fraudsters don't deny this, Gill and Loveday (2003) found a half of the 18 credit card fraudsters they interviewed stated that at some point they had colluded with staff. The extent of involvement in the insurance sector remains unknown.

Fraudsters' approaches

- 1.29 Work has been undertaken on understanding the means by which fraudsters conduct their offences, which has sometimes been presented via script analysis. This documents the sequence of decisions made and actions taken by offenders in committing their offences. It provides a means of breaking down an offence into its constituent stages so that it can be understood, typically for crime prevention purposes but also potentially to aid investigations. Levi (2008a) has produced a script for advanced fee fraud, or 419 scams (named after the relevant Nigerian code) as they are sometimes known:

1. See a situation as a 'financial crime opportunity'
2. Obtain whatever finance is needed for the crime
3. Find people willing and able to offend (if necessary for the crimes contemplated) and who are controllable and reliable
4. Obtain any equipment/data needed to offend
5. Carry out offences in domestic and/or overseas locations with or without physical presence in jurisdiction(s). This will usually involve manipulating—with varied degrees of complexity, technology and interpersonal communication skills—victims' perceptions of 'what is happening'
6. Minimize immediate enforcement/operational risks. Especially if

⁹ Interestingly he was not sure how he was caught.

planning to repeat frauds, neutralize law enforcement by technical skill, by corruption, and/or by legal arbitrage, using legal obstacles to enforcement operations and prosecutions which vary between States.

7. Convert, where necessary (e.g. where goods rather than money are obtained on credit), products of crime into money or other usable assets.

8. Find people and places willing to store proceeds (and perhaps transmit and conceal their origin).

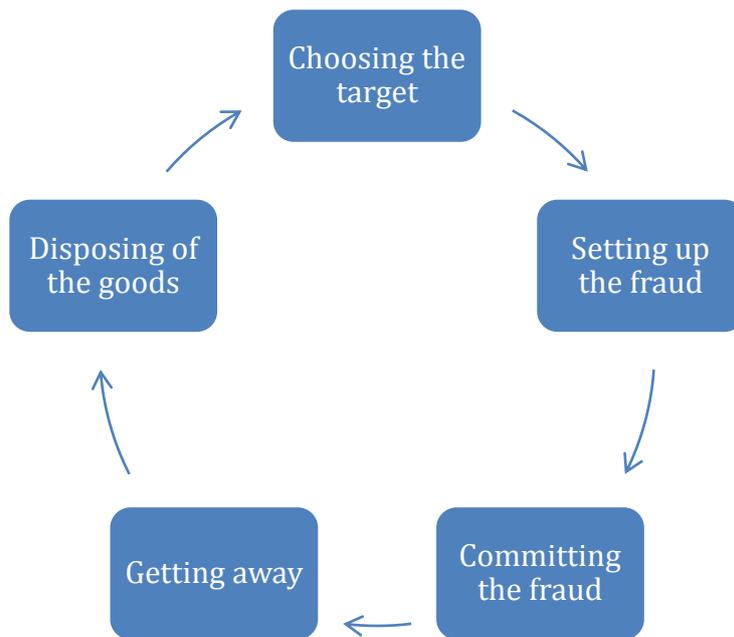
9. Decide which jurisdiction(s) offers the optimal balance between social/physical comfort and the risk of asset forfeiture/criminal justice sanctions. Indifference in any one State or sub-state arena may suffice to neutralize an investigation, and staffing inadequacies as well as corruption may be the cause of official inaction.

1.30 Understanding offenders' scripts for different types of insurance frauds has the potential to offer both security and investigative insights that can be difficult to glean from other methods.

1.31 Similarly, understanding the points at which fraudsters make decisions facilitates the opportunity to impact on those decisions and prevent fraud. From previous work with fraudsters it is possible to identify five key stages at which decisions are made and actions are taken. These stages apply across different types of frauds although the scripts for each one will clearly vary markedly.

Figure 1: Fraudsters' decision-making circle¹⁰

¹⁰ Adapted from work on shop thieves, see: Gill, M. (2005b) Reducing the Capacity to Offend: Restricting Resources for Offending. In Tilley, N. (ed) The Handbook of Crime Prevention and Community Safety. Collumpton: Willan.



- 1.32 Choosing the target: How do fraudsters determine which insurer to target? What is it about an insurer that makes it vulnerable, or is perceived as such by fraudsters? For the opportunistic fraudster, for example in exaggerating what was lost, damaged or stolen in an insurance claim, the target would be the policyholder's insurer.¹¹
- 1.33 Setting up the fraud: Some insurance frauds are opportunistic, some require some sort of planning or preparation. Some people who have never committed fraud before will discover an opportunity, perhaps on the back of a legitimate claim, some committed offenders are always seeking fraud opportunities. It is worth emphasising that fraudsters continually look for 'easy' targets, so making them less easy may appear a statement of the obvious, but it is nevertheless good fraud prevention, although, as Finch (2011) noted and discussed above, the threat of being detected is often perceived as a more serious deterrent. The key here is to think of fraudsters and ask, what is it that will make this offence more difficult? Here standard practices of security risk management come into play.
- 1.34 Committing the fraud: The third stage involves carrying out the fraud. Decisions made here take on an extra significance because if the wrong ones are made the consequences can be catastrophic. There are two key issues that are important to the fraudster and nearly always, whatever the fraud type, these two issues will be present. The first one

¹¹ Sometimes, the target is not the organisation. For example, boiler room fraud. Here the target will be vulnerable people who can be persuaded to invest in shares that don't exist. In work Perpetuity conducted with fraud managers (Gill, 2011a), some noted the widespread availability of 'suckers lists' of people who have already been victimised and were attractive to fraudsters for this reason. It helps explain how and why repeat victimisation takes place.

is ensuring that they get the money or the goods they are targeting (which might include data or products). There is no advantage in risking sanction, which could include imprisonment, if the money or goods cannot be obtained. Clearly, making the money or goods hard to obtain (or making them hard to sell for money) is a good strategy. What is required to do this successfully will vary with the type of fraud and the type of target but must always be important in fraud prevention.

- 1.35 Getting away: The second issue of crucial importance to the fraudster (and the fourth decision point) is avoiding capture. Where hurdles are placed in the way of fraudsters committing offences easily, and specifically where in climbing or circumventing those hurdles they are delayed and/or leave evidence behind the risks are increased. This thinking may feed a range of insurance fraud prevention ideas.
- 1.36 Disposing of the goods: This will not always be relevant, it will depend on the type of fraud. Once goods have been obtained they need to be converted into money (unless they are for self use), or money that has been obtained will need to be laundered via the financial or some other system, and there are dangers here too.

Fraudsters' skills and resources

- 1.37 There are a variety of factors that determine whether an offender will be successful, and one of these is the amount of resources they have at their disposal to both conduct the offence and avoid being caught. Work has been conducted on the resources needed for offending (Gill, 2005b) and these have been applied to fraud (Gill, 2005a) and potentially could be applied to insurance fraud.
- 1.38 *Resources for handling emotional state:* In order to commit an offence, fraudsters need to be emotionally prepared to do so. In the criminological literature much has been written about 'techniques of neutralisation,' (focusing on the need of fraudsters to overcome any feelings of guilt they may have). But it seems that many fraudsters do not feel guilty, either because they do not sufficiently consider the consequences of their actions; because they feel the victim is deserving; or because they do not believe their actions are fraudulent (Levi, 2008a). The potential application to insurance fraud cannot be understated, both in terms of members of the public not believing their actions to be illegal; viewing insurers as a legitimate target; and via insurers (like many other competitive businesses) not treating their staff sufficiently well such that they see their employer as 'deserving'.
- 1.39 *Resources derived from personality/character traits:* Above it was noted that some people commit frauds because of the search for status and the money fraud generates provides for that. Profiling fraudsters¹² and

¹² For good synopsis of relevant issues, see presentation by R. Smith (2010) *Understanding the Drivers of Fraud and the Motivations of Offenders*, at the 11th Annual Fraud Summit in

understanding characteristics that make offences possible is a much under researched methodology.

- 1.40 *Knowledge-based resources*: Gill (2005a) notes that fraudsters mostly gained the knowledge they needed from their everyday lives. If they worked for an organisation they knew the processes and procedures and different types of fraud prevention measures in place, and crucially they knew how to circumvent them. Fraudsters committing their offences against insurers from a non-employee status may acquire any knowledge necessary from experience or, in more organised offences, via networks. Understanding these is crucial.
- 1.41 *Skills-based resources*: Skills are different to knowledge, they are the practical techniques needed to apply knowledge (the facts). The really important issues about skills, are which ones are needed to commit different types of insurance fraud, and where and how are they acquired?
- 1.42 *Resources derived from physical traits*: This is usually less important for fraud than other offences, although there has been value in some frauds in the offender appearing intimidating.
- 1.43 *Tools or 'crime facilitators'*: A 'crime facilitator' may include a computer programme that enables a fraudster to access personal accounts and download personal information. Many identity fraudsters need birth certificates or other personal information in order to create or take over identities that can then be used for fraud. An insurance policy is of course a facilitator in that it can be a tool for committing fraud; making them less useful for fraud without impeding their attraction to legitimate users is a trade off that needs careful consideration.
- 1.44 *Associates and contacts*: An associate is a specific form of crime facilitator, and an important one. Often but for a contact a fraud would not take place, like where someone provides information about a target which makes the fraudster believe that a fraud is worthwhile, perhaps relating to weaknesses in fraud mitigation measures.

Responding to insurance fraud

- 1.45 Earlier it was noted that responding to fraud has been deemed problematic because organisations including insurance companies and the police have lacked the will to deem it a priority. In practice, it may be easier to deny claims than suggest or prove a fraud has taken place.
- 1.46 Indeed, Karen Gill is one of the few to have considered insurance fraud from the perspective of the fraudster and translated this into an understanding of weaknesses within the broader fraud control

Australia. http://www.aic.gov.au/media_library/conferences/other/smith_russell/2010-06-fraud-summit.pdf. See also, KPMG (2011).

framework.¹³ Taking into consideration insurance fraudsters' accounts (and those of control agencies too), she articulates weaknesses in process at different stages. For example, she looks at the ways insurance policies are sold, sometimes on the back of other purchases (such as holiday insurance when booking a holiday), via unaccountable agents who inevitably prioritise sales not least where they are paid on commission. As a consequence, insurers have no relationship with policyholders, and are therefore unable to ensure a good fit between the policy purchased and the needs of the policyholder. There can be a lack of understanding of excess charges or breadth and depth of cover. The latter can lead to frustration when making a claim which is then refused, or leads individuals to alter details – thereby committing insurance fraud – when they are aware a legitimate claim based on what really happened would likely not be paid. Even within insurance companies there was a sense in which fraud prevention was not a concern of the sales or underwriting team; claims departments could worry about that later should it occur.

- 1.47 In looking at insurers' responses to opportunities for fraud, Karen Gill shows how in addition to the process of selling, legal requirements and specifically relating to data protection; weaknesses in technology including inadequate database management; poor intra department relationships and cross referencing; lack of staff awareness about what to look for; underpinned by a lack of commitment to insurers knowing their customers well enough all combine to make tackling insurance fraud problematic.
- 1.48 At the claims stage insurers encountered difficulties in determining whether a fraud had taken place, especially claims involving exaggeration or where some type of semi convincing evidence backs up claims. For example, a 'fraud facilitator' such as a builder who encourages policyholders to claim under the terms of a policy knowing the incident in question to have been caused by something different. She also points to fraudster awareness/perception that insurers were not committed to investigating frauds (especially those of a low value); and insurers' desire to process claims speedily leaving little time for fraud management as reasons why fraud is viewed as an opportunity by offenders. Moreover, in some cases it is cheaper to pay out than to investigate.
- 1.49 As noted above, in recent times the insurance industry has adopted a more coherent strategy for targeting insurance fraudsters. This includes a Register, the first industry wide database of those who have committed insurance frauds,¹⁴ and the Insurance Fraud Enforcement Department, a police unit based in the City of London, dedicated to tackling insurance fraud. These will build on the work of the Insurance Fraud Bureau which

¹³Her PhD study included a survey of insurance companies to assess their approaches to fraud prevention.

¹⁴The effectiveness of the Register will need to be subjected to evaluation.

was initiated by Association of British Insurers in 2006, although participation in this initiative is limited by the costs involved.¹⁵

Summary

- 1.50 Within the research on fraud generally and insurance fraud specifically there have been a range of explanations as to why people commit fraud and how it might be prevented. There are two prominent approaches. The first is based on rational choice theory – which focuses attention on whether (and the extent to which) offenders evaluate options when making decisions, and how this then affects the choices they make about offending. Where fraudsters weigh up the pros and cons there is the opportunity to influence their decision-making by rendering a fraud act as less attractive, by for example making the offence more risky. Another option is to a law abiding decision easier or better to follow by, for example, incentivising good behaviour such as a non claims discount (Litton, 1990).
- 1.51 Gill (2001) found that most self-confessed insurance frauds against travel, car and home policies could be deemed rational, and that there was much to commend the key principles of opportunity reduction. Yet Gill cautions that fraud prevention is not an unqualified good. First because the economic costs of prevention are rarely understood, and while ethical and moral aspects play a part, the absence of good metrics can undermine the adoption of good fraud practices.¹⁶ Second, is the difficulty of integrating fraud prevention within wider business practices. It is unsurprising then that fraud prevention practices vary markedly between companies as it reflects on the different priorities attached to tackling fraud.¹⁷
- 1.52 The second common approach is Routine Activities Theory, this has also been used to explain the behaviour of insurance fraudsters (Button et al, 2013). This too focuses preventive action on key areas, namely in demotivating or deskilling the offender and in making the target less attractive to fraudsters. Both approaches have highlighted the important role that offenders play in understanding how best anti fraud measures can be targeted. Yet this area, true of fraud generally as well as

¹⁵See, *Post Magazine*, 'IFB working on new model to attract brokers put off by membership costs'. 6th June 2013, p.10.

¹⁶Recent practice has included profiling both the cost of the offence and the potential money saved in good fraud management practices. See for example claims made by the ABI in this respect with regards to phantom passengers and phony injuries (<https://www.abi.org.uk/News/News-releases/2012/09/Phantom-passengers-and-phoney-injuries-behind-record-rise-in-motor-insurance-fraud-says-the-ABI>). See also, <https://www.abi.org.uk/News/News-releases/2013/07/The-con-is-not-on-industry-clampdown-on-insurance-cheats-uncovers-frauds-worth-21-million-every-week>.

¹⁷ It is not just corporate companies that differ. Cook's (1989) much referred to study of social security and taxation fraud highlighted the ways different Government departments responded to identified offences even when the sums involved were comparable.

insurance fraud specifically, is massively under-developed. It is this gap the proposed study seeks to fill.

Section 2. Opportunistic insurance fraud

The fraudsters and their offences

- 2.1 This section reports on interviews with insurance fraudsters whose offences were opportunistic. Of the ten, six were male and four female, five were in their twenties and the oldest 63, and all but one was white British. Five were unemployed. All but one admitted to the insurance fraud; the exception accepted a fraud was committed on his policy but denied any involvement and was not charged. Three interviewees had criminal antecedence: one had ten previous convictions for thefts (mainly motorbikes); one said he had '4 or 5' previous convictions but preferred not to say what for; one had claimed benefit illegally and was caught and sentenced to community service 20 years previously. Two interviewees spoke about the same offence. It is perhaps helpful to introduce each of the fraudsters and their offences (please note that names have been changed).
- 2.2 Billy: Falsely claimed for a stolen Rolex watch which he told insurers he had 'lost' when intervening in a fight between his dog and another dog (received a caution).
- 2.3 Nick and Lorraine: Part of a team of four who falsely claimed they were involved in a car crash in order to make an insurance claim for personal injuries. A third member of the team set up the scam, their role was to confirm the accident had taken place and discuss their whiplash injuries when the insurance investigator visited (both received a caution).
- 2.4 Steve: Submitted a false claim on a holiday insurance policy for more expensive items than those that were lost (3 weeks custodial sentence; has previous convictions but not for insurance fraud).
- 2.5 Matthew: Lent his car to his then girlfriend who had a minor accident. When a man she looked after suggested they stage an accident to make a claim for damages and injuries she went along with it, including making a claim on Matthew's insurance policy. When Matthew found out he reported the matter. He was subsequently arrested and not charged, although he suffered increased insurance costs and 'stigma'.
- 2.6 Joe: Received a visit from two men who noticed that he had damaged his car. The men suggested they fake a car crash to facilitate a claim for damages and personal injury, specifically whiplash (7 months in prison and served 100 days, about ten previous convictions mostly for theft).
- 2.7 Peter: Purchased a car that had been modified in a way that invalidated his insurance. It was discovered when he had an accident which was investigated by the police (received a caution).

- 2.8 Francis: Suffered a burglary near Christmas and was unable to claim for some stolen presents. So she decided to claim for more items than had been stolen. She felt she had been the victim of a neighbour's vendetta both in being involved in the burglary and then reporting her for insurance fraud (received a caution).
- 2.9 Katy: Lent her car to someone who then had an accident. Because the driver was not insured he fled the scene. When she was told she panicked and reported the car stolen. When the police found the car the uninsured driver's prints were found and he was arrested. At this point she was forced to admit the deception (community service).
- 2.10 Ann: Had a genuine fall at work but then exaggerated the claim in order to receive more money enabling her to take her partner on a caravan holiday. She was rumbled when her employer produced evidence of her lifting children and gardening and refused to pay. She was not prosecuted but the claim was refused.

The process of becoming an offender

- 2.11 Reflecting the opportunistic nature of the offences, most accounts revealed very little evidence of planning. Most noted that they did not consider committing the offence until the point they carried it out; that it was an impromptu decision. For example:

It was opportunist ... spur of the moment one-off insurance claim for a Rolex watch I said I had lost (Billy)

A spur of the moment opportunist personal injury insurance fraud from a car accident. (Nick)

It was an opportunist thing ... a personal injury fraud ... someone came round and mentioned money and that was it ... I've never considered it before and I've never been in trouble with the police before ... I have two kids at home and I've not been brought up that way, know what I mean? (Lorraine)

It was opportunistic I did not really think about it. I was burgled and I just added a few items to the list. I know it was wrong ... I am a generally honest person. I have been broken into before and not claimed at all. This was a one off. (Francis)

No, I've never done owt like it before ... I wouldn't have thought about it if it wasn't for these blokes who came 'round and suggested it. (Joe)

- 2.12 Katy claimed that she panicked on hearing that her car had been involved in a serious accident and that the driver was uninsured:

I panicked, it was a spur of the moment thing. Then it led to more lies and I had to cover up the original lie. I reported the car stolen when I had let them drive it and claimed the money for the insurance to make the claim look genuine.

- 2.13 None of the offenders claimed they targeted an insurer specifically; it was either chosen for them or happened to be the insurer they had a policy with.
- 2.14 Some who were involved in more serious frauds claimed their role was marginal. It is perhaps helpful to discuss Matthew's account more fully because it illustrates the way people can become embroiled in fraud:

What happened was, I had a girlfriend, ex now, I gave her a car and she had a minor bump into the back of a lorry, there was no damage to the lorry but it dented the headlights and bumper on the car I gave her, later she concocted a plan with the guy she was caring for at the time (she worked as a carer), she admitted this to me in the end, he parked the car down a country lane. Then he drove what was my car that I had given to my girlfriend into the back of his own car and then he claimed insurance on his car and my girlfriend claimed on the one I gave her (although it was my insurance policy). He claimed for whiplash damages and she later on told me about this. When I found out I then contacted my insurance firm who sent down a fraud investigator to interview me at my home, I told them everything I knew and showed them photos that I had taken after finding out the truth, linking my ex girlfriend and this guy (who she cared for) to this incident, with both the cars on her driveway.

Reasons for committing offences

- 2.15 When looking at the reasons for committing offences the need for money was unsurprisingly prominent. However, closer analysis shows that specific offences were fuelled by at least four overlapping factors. The first was that the opportunity arose, either because a legitimate claim was being made or because it was suggested at an opportune moment. This overlaps the second point, that being the influence of others proposing and taking part in the scam (of the nine interviewees five stated that others were involved in committing the offence). Had it not been for that chance mention of the idea the interviewees claimed they would not have thought about or committed the offence. The third factor was the ease with which offences could be committed; no special skills or other resources were required. Often a claim could be made on the back of a legitimate claim or an invented one would be handled by someone else. A fourth factor that existed in some cases was the

emotional instability the individual felt, which provided fertile ground for fraudulent suggestions.

- 2.16 The need for money was a recurring theme. As Joe summed up, 'I needed the money ... I'm always skint ... we all are, aren't we?' Often though there was an explanation why the money was needed and the demands of special occasions and especially Christmas featured prominently. As Lorraine noted: 'The only reason was for the money. I have two kids and it was coming up to Christmas'. And Steve reported: 'It was before Christmas and I needed the money. I was in debt as well ... big debt'. In Ann's case she had been treated very well by her new partner who had taken her on cruises and she wanted to take him on a caravan holiday in return.
- 2.17 While the need for money was a driving factor in all the accounts, most often it was a proximal factor that provided the trigger for the offence, and the chance suggestion of the ideas is a case in point. Nick, who admitted a personal injury fraud claimed he became involved only because of a chance suggestion and he gave very little thought either to the dangers in the process or to the consequences. Joe's story is another example:

These two gentleman ... came 'round and knocked on my door one Friday night. I didn't know them. They were professional looking, laptop and all that. I was a bit 'fresh' ... I'd had a drink, so I let them in ... They'd seen I'd got a big dent in the back of the car ... So they came in the house and said we can put a claim in for you, your girlfriend and her son. They said to say I'd hit a lamppost ... They said we could all claim whip lash. So I said 'ok' and rang my insurance and told them what happened.

- 2.18 Joe took the bait and called his insurer at the suggestion of two strangers, attracted by the money and because it was easy.
- 2.19 Indeed, this latter point is important. It is now recognised that one of the major causes of crime is the fact that it is easy. Support for this was provided in some of the other responses received:

I just know so many guys who get paid out like this ... it's easy money ... easy to get and quick. I didn't really think about it until I was in the cell ... then I thought some more ... know what I mean? (Nick)

I think it was easy ... it's easier than going shoplifting, I didn't have to do owt ... easiest crime ever to commit. (Joe)

It was easy enough. All I had to do with to do was what I'd been told. The process is quite easy, fill the form out and

that's it. But I've got two little ones. I had sleepless nights and didn't like it. (Lorraine)

I had actually owned the watch so it was quite easy. When I didn't have the receipt and they asked for a picture of me wearing it then I just went through the photo albums. It wasn't that hard in the end. (Billy)

It was easy to commit though it was easy to get caught wasn't it? The worst bit was lying to the doctors really about how much pain I was in. (Ann)

- 2.20 The fact that a legitimate claim was being made afforded an easy opportunity for fraud. Francis' story is a good example:

I was broken into when I was away for the night. They took everything including all the kid's presents for Christmas. They also took all my jewellery and ... some of these things had great sentimental value. I am also struggling financially as I am widowed, unemployed with kids. I had never claimed before but they took everything. When the policeman came round he told me to write a list of everything missing and he would call back in a couple of days if I had missed anything. The first list I gave him was correct. However when he rang back I added a few extra things. I claimed items I did not have. £200 more than I should have, a dvd player and mobile phone. However I did have around £500 ... (to) ... £700 of Christmas presents stolen I was told I would not be able to claim on. I don't see it as insurance fraud I was making the best of a bad situation. I am the victim really. I saw this as a victimless crime. It is me and my kids that had to suffer. They had hardly any presents and we struggle with money as it is. I was arrested a couple of days before Christmas. I went in of my own accord. I know my neighbours robbed me and I think their parents rang the police and told them I did not own some of the items I claimed on. The police could not do anything. It was a personal vendetta and I have no proof. I accepted the caution when I went to the police station ... I do not think anyone would have been honest in my situation. It is my neighbours who robbed me, it is their fault.

- 2.21 One other factor is important here. Matthew of course denied being centrally involved in his fraud, but admitted that the reason for his ex girlfriend's involvement extended beyond the need for money, she was facing a range of emotional problems:

She was also a terrible alcoholic and her life was running out of control and kind of would do anything for attention.

In terms of getting the car mended for free, that was clearly a reason, but her life was just spiralling out of control ... I don't think she was thinking like a normal person would think and was evily led by someone that was a bit more criminal minded than herself (namely her carer).

- 2.22 Katy also claimed to have lost sense of reason when she falsely reported her car stolen. She claimed that her initial shock led to panic and a chain of events the consequences of which far outweighed the scale of the initial problem:

I let someone drive my vehicle with no insurance and it ended up with them having a car accident ... I was not aware that they did not have any insurance. I gave them permission and they didn't have insurance. I basically told a lie actually ... and this one lie kind of escalated into more lies and more lies and more lies where I should have just told the truth. If I had told the truth in the first place I would have stopped everything from happening but I think I was just frightened more than anything ... It was not at all for the money ... or anything like that. It was just in my eyes I felt like once I discovered that person had no insurance I kind of went into panic mode ... If I had known that they didn't have insurance I would not have let them drive my car, no. I could have told the police then and there but that may have had repercussions and I was trying to make myself look like not the bad person. When in the end I made myself look like the worse person. It went from something small to something really big. About an hour after the crash I reported the car stolen. If I was not in panic or shock I don't think I would have done that. As soon as I had done it and made the statement I regretted it. Then I went into panic mode again and I then realised that maybe telling them at the beginning that I had let someone drive my car without insurance would probably have been a bit better than making a statement saying it had been stolen. I regretted it after. It was one of those reactions I think. I felt like I needed to do what anyone else would have done in that situation if that had really happened.

- 2.23 Sometimes the opportunity was facilitated by different factors and in the case of Billy and Ann while the need for money was influential, television played a part:

I was ... earning £40-45,000 a year but then ... through an accident at work I broke my back. Since then I've been registered disabled and have to live off the state ... Money was always tight after that and I had a few debts. In September 2011, for various reasons, the wife and I split up and my kids, two girls were 18 and 21 years of age at

the time. In my eyes the girls had gone without and opted to stay with me after the split. I wanted to give the eldest especially a birthday party for her 21st. I had a Rolex watch, which the wife had given me for my 35th birthday and I pawned this in December 2011 for £500. I didn't have the money to get it back. The watch was insured on the household contents for £1,500 as a single item ... I was actually watching a drama on TV where they talked about setting fire to a building for the insurance money and this gave me the idea to say the watch had been lost. (Billy)

They wanted to know when I was going back to work and I said I wasn't able to and they seemed put out about that. At that point I was still in a lot of pain and unable to move much and my doctor had signed me off for a further two weeks. Then I saw some things (advertisements) on television about personal injury claims and wondered if I should have claimed. I discussed it with my boyfriend who paid for me to see a solicitor. My solicitor said I didn't need to go to a personal injury specialist as he could set legal things in motion. So he put in a claim against (employer's name) ... This went on for some months ... Then a couple of months later I got a phone call from my solicitor who said they had ... pictures of me doing things. It turns out they had followed me at times and taken photos of me visiting my mother in her home and taking her washing back. Also me gardening and looking after my daughter's kids ... playing with them and picking them up and things. They decided I wasn't as badly hurt as I had made out and they refused the claim. (Ann)

2.24 Francis thought the offence was justified:

*I am not doing anything wrong as everyone else does it ...
I did not claim a high amount. I think it is a victimless crime.*

The risk factors and getting caught

2.25 Given that the sample carried out little planning and gave little thought to the offences, it is unsurprising that they did not consider to any great extent the risks and consequences. Indeed, all but two of the interviewees either did not think about getting caught or thought the chances were low and most here reiterated the ease with which offences could be committed. Peter stated that he did not realise he was committing an offence, while Lorraine, after committing the offence, began to worry that the chances of being caught were high:

Well I know people aren't stupid ... they have CCTV and things ... I knew they would look into it. I tried not to think about it at the time but it was in the back of my head.

- 2.26 So how did people get caught? Francis' fraud was identified and reported by a neighbour, and some put their detection down to good work by the police and/or the insurance investigation team. Katy was caught out when her 'stolen' car was found by the police and they confronted her with the 'thief'; the person she had lent the car to. When it was denied that the car was stolen Katy felt she had little alternative but to admit to the offence. Two others were left to reflect on their own folly although in each case sharp work by staff at insurance companies resulted in careless talk being captured and used to support prosecutions:

I ... rang my insurance and told them what happened. But after the call I forgot to switch off my mobile and they heard us all talking about how much we could make ... That's how I got caught ... I put the mobile down on the coffee table and never switched it off. I'm stupid. They recorded it all ... us boasting and things. (Joe)

After I put the claim in I had a call from a guy (at the insurers) who asked me whether I had the receipt for the watch. I said I didn't and he asked if I had any photos with me wearing the watch. I wasn't sure but went through some old photos and found one and sent that in. A few days later (the insurer) rang to say that was sufficient evidence for the claim to be paid and I could either have £1,500 in cash or £2,000 in vouchers for a shop of their choice to choose another watch. At the end of that conversation I put the phone down, but I had not hung up. I was in the kitchen with a close friend and told him what I had done ... (the insurer) heard this and taped it. About 10 days later I received a letter from them to say I was not going to receive payment. In that letter (were) details of the conversation I had had with my friend. They also cancelled my policy. About three to four weeks later I got a phone call from a police officer telling me I was going to be prosecuted and to go to (the) police station. I went down the next day and was cautioned in the lobby and then taken to a back room where I was interviewed by two police officers. I pleaded guilty, obviously. (Billy)

Sentences

- 2.27 Peter was distinct in believing that the sentence was unjust, and he was disappointed:

I did not think I had done anything wrong so I did not expect anything. I was very shocked to get a caution.

2.28 However, most considered their sentence was about right:

I knew what I did was wrong so I thought that was about right. I was not surprised. (Francis)

That was what I expected. It was my first time doing this kind of thing. (Steve)

2.29 Some felt that their sentence was lenient:

It was more lenient than I had thought. I thought it might go to court and I'd get a fine ... a big fine. Community service wasn't an option as I can't walk. I didn't think it would be a custodial sentence though. (Billy)

Oh God ... it was more lenient. I thought we'd have to go to court or something. I think if we hadn't co-operated or pleaded guilty straightaway it would have been different. (Lorraine)

2.30 Katy also admitted that her decision to pay back the money saved her from a more severe sentence:

If I had been honest from the beginning I would have not got done for fraud because I would not have made that claim. If I had been honest I would have got 1 conviction for letting someone drive my car without insurance which would have been 6 points on my licence. When I was charged before my court date I was doing a lot of research online about the kind of sentences people receive for fraud. And it is an offence you can go to prison for I did not really expect that. I was so scared. I was really really scared and I think what did it for me when I went to court for sentencing was I will pay this money back. So they said as you have paid it back you will only get community service. If I had not paid it back I would have gone to prison. I had not spent the money so I could give it straight back.

2.31 Matthew's view was that although he had not taken part in the offence, and indeed claimed he reported it as soon as he was aware, he had suffered a sentence of a different kind in that he had 'been left carrying the ... stigma' and there were further implications:

I was dragged out of bed at 5.30 in the morning in handcuffs and put in (police) cells, the fraud squad had travelled up from London to arrest me and they said I was in trouble for it and then they interviewed me and my ex

girlfriend who said it was a genuine accident. And then a little while later the insurance fraud people contacted me and said they weren't taking it any further but the insurance fraud incident stopped a percentage of my no claims bonus. Because I gave her the car and she was insured on my insurance, but I personally was stitched up like a kipper because of it! And now the insurance on my camper van was stopped because of it. I was sent a letter saying I had 3 years no claims but since I switched insurer the new insurers aren't giving me any no claims because it is coming up as me having made a claim in the past.

- 2.32 Katy too reflected on broader consequences of her offence beyond that imposed by the court:

I have basically lost a car and it was an expensive car. I ended up with no car. No money from the accident. I ended up with 180 (hours) community service and a criminal record. It has taken me a long time to do the hours of community service as I had to fit it around my children's half terms. So I have had to take on a lot. I don't drive now either. I have had to not take jobs because of the community service hours I had to put in and having no car. It has really put me off driving. And the conviction goes on my driving licence as well. So if I did get another car and I rang up to get insurance the minute I mention (my offence) they automatically won't insure me or it will cost me a lot of money. It will be hard to get insurance again until it comes off my driving licence. So it has affected me in a big big way because obviously I have got two children as well so it is difficult not to be able to drive but we all have to take consequences for our actions. I think it is fair what happened to me because at the end of the day for someone to get into a car and drive without insurance someone could have been hurt or someone could have died. That is what can happen so I do agree with it.

- 2.33 While Billy admitted that his actions met with an adverse reaction from his family:

The girls (daughters) were livid, especially the youngest, she gave me some right verbal. But once they knew the reasons I'd done it they calmed down and have been supportive since and forgiven me.

Tackling insurance fraud

- 2.34 One of the great challenges of security generally, and insurance fraud is no exception, is to suggest measures which decrease the chances of an

offence taking place, and if it does take place to reduce the chances of it being successful and increase the chances of offenders being caught. So responding to the finding that insurance fraudsters say it is easy must be matched by measures which make committing fraud harder, but at the same time not unreasonably impede the process of doing business.

- 2.35 Interviewees were asked about what might have stopped them committing their offence and also what they thought might stop others.
- 2.36 One of the weaknesses in the approaches taken by interviewees was that they did not plan their offences or consider the consequences. This led to mistakes that led to them getting caught, such as noted, allowing the deceit to be heard by insurers. Staff dealing with claims need to be continually alert.
- 2.37 Certainly others were not best prepared to respond to an effective and conscientious investigator. Some were concerned they may have given themselves away:

Didn't think I would need a receipt ... I had to play everything by ear and think on my feet. (Billy)

I had to give my version of events to the insurance guy who came round after the crash was supposed to have happened. He came round and we filled out a questionnaire he brought with him and also asked some questions. Address, date of birth ... those sort of things. That was it. Then I signed the form. I was very nervous when he was there ... he could tell ... he didn't say anything, but I could tell by the way he looked at me. You know, just that look? (Lorraine)

- 2.38 Others noted that alert insurers and insurance fraud investigators could help stem the tide of fraud. Nick outlined the value of more investigators, Lorraine the value of diligent investigations to catch fraudsters out, and Billy noted the value of specialist techniques such as voice detection software. Nick cautioned insurers against paying out too easily. There were several mentions of the need for more deterrent sentences and related to this the value of raising awareness of 'what will happen if you get caught'. In a slightly different context Peter claimed that he was ignorant of the offence altogether, and called for the need for insurers to better advise policyholders of the limitations of what they sell:

If I had known more about the laws around modified cars I would not have let it happen. Since I have signed up to online forums to warn people and make them aware and gained more awareness myself. People need to know they must declare modifications for insurance to be valid. (Peter)

- 2.39 Ann raised the point that she had not been aware how diligently her false claim had been investigated, had she known she says she might have thought twice about exaggerating what was originally a legitimate claim:

Well they could tell you more about getting caught. Like if I'd have known about this more then, as I said, I might not have done it. I just didn't think ... but had I known the system and how they investigate people then I might not have done it. I suppose that could put some people off ... but then people will always try to beat the system. You could never stop it completely I'm sure. They're (the insurance companies) more interested in advertising on telly (television) to get customers, rather than saying how it really is ... surely they are at fault for that?

- 2.40 Katy also noted that her ignorance was partly responsible for her actions and called upon the need for insurers to clarify claimants' understanding of their policy at an early stage:

There were things I could have done to prevent the situation. But I really though he had insurance because he was driving his own vehicle, I did not realise really how it worked. I think a lot of the problem is not understanding how insurance worked well enough. My parents had helped me get my insurance so I was more really aware about insurance for different cars. But he should have been honest and I should have double checked that he was insured to drive my vehicle, I did not explicitly ask him ... I think there are things (insurers) could do to prevent things getting worse so quickly. Maybe if they could do a cooling off period or something because I was in blind panic when I made the statement within an hour after I found out about the crash and the situation. I regretted it and saw had bad it was immediately afterwards ... They need to take into consideration that there are people committing fraud because they want to gain from it but there are people out there who make bad decisions and don't know how to deal with them and people do go into panic. I think there should be more support there in the days after something like that happens to discover if it is really or if it isn't ... I don't think people realise how bad fraud is.

- 2.41 This issue of awareness though was more broadly instructive. None of the fraudsters interviewed had made money from their offences and indeed had suffered consequences:

No money gained, I lost money and I was left with a rit off car and a voided insurance policy. (Peter)

People need to realise they will be worse off. I wouldn't have liked this but perhaps the penalties should be harsher ... or fines maybe. I would have paid that off. People would learn if they had to pay for wasting their time. (Lorraine)

2.42 As noted above, some fraudsters saw the consequences as part of the sentence which extended beyond that imposed by the justice system.

2.43 A number of interviewees contended that it was not possible to stop insurance fraud, principally for the reasons noted above, that people would always need money and fraud was easy to commit with low risks in that it was difficult to check claims made. Some typical comments on this issue included:

I think people will always add things on. It is normal. I don't think the people could do any better really. It is no use relying on the police to get your stuff back. I don't think taking a hard line would help as there is no way to check what people owned. (Francis)

I don't think they could really have stopped it. They could have not paid out on it, there is a way they could have better prosecuted it. They could have sorted out further questions later down the line to protect themselves against people who have committed offences in the past. But I don't think in this case they could have actually stopped it. (Lorraine)

... people are always skint, you wont stop some of them. (Joe)

2.44 Two of the interviewees, discussing their own cases gave possible clues to other approaches. Joe mentioned getting help in prison; there is currently a lack of support for fraudsters wanting help to stop offending. And Billy mentioned that despite his adverse circumstances he would have been prevented by his family had they known about it at the time:

If I had mentioned it to the girls they would have stopped me, but I kept it to myself. Lack of money made me do it ... I can't get by with money from the State. When you go from being the provider to an invalid it's hard ... I can't get my head around it and have been seeing a psychiatrist. I didn't do it for financial gain, just for day to day things. (Billy)

Summary

- 2.45 The overwhelming evidence from these interviews is that many people commit insurance fraud with little planning or thought for the consequences. While fraudsters are driven by the need for money, often a fraudulent insurance claim is the result of a chance opportunity. This typically occurs either because a legitimate claim is being made and it is possible to commit fraud on the back of that, or because of some chance intervention or suggestion by a third party. Some people claim that their involvement was more innocent and borne of ignorance. Most fraudsters after the event – once they have been identified and sentenced - are left to feel that what they had done had been unwise, and some were left to rue more consequences than those that were part of any official sanction. There are some anti fraud strategies which merit a comment here.
- 2.46 First, there is much to encourage insurance companies assuring themselves that they have effective fraud prevention and investigation strategies in place. Always being alert to identifying inconsistencies that can sometimes be the give away signs to a fraud are important, not least when many unplanned offences leave clues in their wake. The police too, even on less serious offences have a key role to play. The collective weight of effective fraud response strategies by insurers and their representatives and the police pose an important impediment to some fraudsters being successful, even on these more low level offences and including unplanned ones.
- 2.47 Second, some fraudsters were caught by alert insurance staff. What is clear is that fraud prevention is an important element of the work of insurance companies, not just the fraud prevention staff but those working in a variety of areas, including claims. That they are trained, motivated and alert poses another impediment to fraudsters and offers an opportunity for ensuring offenders are identified and unable to gain from their offences. It may be that at certain times of the year, such as Christmas, they need to be particularly on their guard.
- 2.48 Third, the very fact that frauds are unplanned means that fraudsters can and do make mistakes, and this provides opportunities for fraud investigation which should be highlighted.
- 2.49 Fourth, the link between the ways in which policies are bought and sold, and the extent to which those claiming understand the limitations of

policies merits consideration. It is of course an easy excuse for fraudsters to claim ignorance after the event, and of course it is no excuse. Many insurance companies have and do continue to examine closely each part of the insurance process for opportunities to identify and prevent fraud, and there is much to commend commitment to this process.

- 2.50 Fifth, there is a need to continually publicise at least two key points. The first is that fraudsters get caught. This approach should include raising awareness of the implications for offenders if they are caught, not just in a legal sanction, but the additional implications that have been touched upon in the accounts discussed in this research. The second point is to highlight the consequences and impact of fraud; that it is not a victimless crime. Perhaps insurers need to commit to finding more imaginative and effective ways of communicating these (and other) important messages.
- 2.51 This study was not an exhaustive account of all insurance fraudsters. Rather it aimed to focus on those who had committed more spontaneous offences to better understand their view of offending. The problem with insurance fraud is that it is considered easy and some even think that it is justifiable; what we learn is that there will never be a substitute for continuous vigilance.

Section 3. Case Studies in insurance frauds

- 3.1 This section reports on four fraudsters who were involved in very different insurance frauds. The case studies are included here because they are examples of different types of offences, and they are also examples of how different people become embroiled in insurance frauds. In a different way these case studies provide an insight into a different challenge; how to understand and then tackle insurance frauds and how to warn people of the dangers.

Case Study 1: The Ghost Broker

- 3.2 Lee has a degree and a Masters and after graduating set his sights on becoming a businessman. He states that he never intended to become an offender, none of his family, even extended family have ever been in prison. He is no longer with the mother of his two children.
- 3.3 Lee claims that a number of factors led to him deciding to commit crime, principally related to business problems. Things went wrong when a foreign government didn't pay him, it was for a lot of money, and at a similar time he received a high tax bill which he felt was unjustified, that is 'when I turned the corner'. He set up a fictitious insurance broker: 'ghost broking'.
- 3.4 Lee was an experienced fraudster who has made mistakes and so he knew that he had to look for something different, and there was no doubt it would be crime related. He reasoned that one of the problems with fraud is that there is typically little time between the payment for a product and the realization that it has not been delivered. It is too quick 'before it comes on top'. He wanted to find an area of activity where there was a time lapse between paying and receiving and also where people felt they had something when they didn't, where they could be deceived. Insurance fraud fitted the bill. The advantage of insurance was that you could send people a cover note or even a policy and they would believe they were covered, and it would be a while before they would realise the deception, and indeed may never discover it, giving plenty of time to take the money.
- 3.5 Once Lee had thought of the idea, he began to research the process, what was needed and the approach he would need to adopt, he also considered the various risk factors. There were various elements that had to be managed.

Opening bank accounts

- 3.6 Lee needed bank accounts in to which to pay his illegally obtained money. He was very keen to have real accounts. He was worried that if they were opened by people using fake IDs they could be thwarted, more worryingly at the slightest problem the police would investigate anything that was identified as being fake, and then make unwelcome connections to other accounts.
- 3.7 In any event, he had an easy solution. He recruited what he called 'smackheads' and 'crackheads' to open bank accounts, in their real name using genuine ID. He said he paid the smackhead about £1,000 for opening the account, then he would control all the plastic cards relating to the account. He said he paid them about £1,000 per month. Each smackhead would open several accounts at different banks. Working via third parties in this way meant he was never directly or personally associated with the account. He could pay in and withdraw money without arousing any suspicion. The account would appear normal; he felt there was no reason why it should arouse suspicion.
- 3.8 Although the 'smackhead' could have identified him, he did not consider this to be a big risk. He gave them a cover story so that if they were arrested - and he reasoned they might be eventually - they were able to convince the police they were not involved in the crime. As discussed later, they established an alibi.

Develop a website to advertise provided insurance.

- 3.9 Lee subcontracted this work too. He found someone to build him a website. He was not worried that the web creator might be suspicious and report him.
- 3.10 Once this was up and running he paid for a Google click through service. This generated 200 clicks very quickly, at which point the service cut off. He would pay £2.50 per click. He found that of the 200 clicks he would receive about 80 phone calls. And of the 80 quotes he provided about 40 would take up the service; he would sell them bogus insurance. His conversion rate was high.
- 3.11 He arranged for a call centre to receive the initial telephone enquiries. They were required to obtain basic details from the caller. These details would then be sent through to Lee (and his accomplice).

Carrying out the deception

- 3.12 Lee would then call back the person who had made the enquiry. He already had the individual's post code so was able to check via an internet search what road they lived in. When he called back he would ask the individual for his/her post code and say 'ah that is so and so road'. This made it appear that he was reading from a database. Similarly, he would ask the registration number of the car - which he had received from the initial enquiry to the call centre and so he was able to look up the type of car it was before he called back. When he was given the registration number he was able to say to the caller the type of car it was. Again the aim was to create the impression he was looking at a database, that he was a proper insurance broker to build up credibility in order to complete the deception. Once he had the individual's confidence he would then ask 'what is the cheapest quote you have?' He would then offer a cheaper quote. That is how he won business; he always offered a cheaper quote because he was not selling a real policy. Lee made the point that the telephone call was crucial; he had to convince the potential victim he was genuine; he had to disguise the deception well.
- 3.13 Very rarely was he asked whether he was accredited, but he was prepared for the question. He had researched a company in Sweden that appeared to have authorisation to offer insurance, but there were no contact details for it. So Lee stated that that the insurance policies he was selling – or the ones he gave the impression he was selling – were underwritten by the Swedish company. About 1 in 100 would ask him if he was authorised to sell and ask for details, it was rare.
- 3.14 Lee had other plans, to arrange for a call centre overseas to handle the business and he was planning to automate the process so that people could apply for a quote on line. His plan was that the system would check the best quote and then offer them a cheaper one. He claims this is technically possible, and firmly believes he could have done this. But he did not get that far.
- 3.15 He always kept all the information on a removable disk. He was aware, he was after all an experienced fraudster, that should the deceit 'come on top' the police would take his computer and he ensured that if that happened, and it did, they would not find anything incriminating.

Getting the money

- 3.16 Once the quote was accepted he had to take the money. He paid for a merchant service so that he could take cards. His view was that this was a major weakness in the official systems, which he said he found 'strange', because they allowed him to take out the service without checking his credentials: 'they allowed me to receive money for selling

insurance and they never asked whether I was accredited'. From the viewpoint of a fraudster it was an easy system to work with.

- 3.17 Once the money was received into the bank he would distribute it around the various accounts he controlled. Typically he would then go and draw out the money from a cash machine. As an extra precaution he always looked for ATMs that were not covered by CCTV, and that was easy he claims.
- 3.18 Sometimes he would get 'smackheads' to go into the bank and draw out larger sums than he could get from the ATM, say £5,000 and in this case he might give £500 to the 'smackhead'.
- 3.19 He recognised that one of the major risks was being caught with different bank cards in his possession (and often large amounts of withdrawn cash as well), 'in that case you would be screwed'. He found ways to reduce the risks here. He said he typically paid for a taxi, a black cab to take him around cash points reducing the risk of a stop and search. Moreover, he withdrew money at busy times, 5-7pm, which he felt further reduced the risk of being stopped. He felt that he did this well, as he never was stopped.
- 3.20 One other point is important here, the one thing people could do to see whether their car had been insured is check the Motor Insurance Database. So what Lee did was take out real insurance for the car, and pay a deposit, that way anyone checking his/her car would see that it had been insured on the database. He would choose an insurer? who was low risk to minimize the premium he would have to pay. This is an important step, but Lee said it was easy to do.
- 3.21 With the money collected and the victim's name on the MID Lee would then issues a cover note, this would look genuine.
- 3.22 Because he was making so much money, up to £10,000 a day he decided to pay some insurance claims just to keep it all going. The costs were low, rarely more than £10,000 a month. He would ring up the person making a claim, the other third party, and say 'don't worry about contacting your insurance company, just deal with us direct and we will pay', they were only too happy to oblige.

Who is the victim?

- 3.23 Lee notes that he did not defraud insurance companies and brokers directly, and he only reluctantly conceded he took away business that should have legitimately gone to them. He pointed out that he paid claims. His view is that the financial institutions lost money, and not individuals; those that paid using a bank card he believes should have been refunded. He said he advised the police to let all victims know they could get their money back from card issuers. He claimed that this was true of those who paid by debit card as well as credit card.

Getting caught

- 3.24 Lee claims that the police told him he was unlucky to get caught, he claims that he made a mistake in using a phone that he had used for another purpose and this led to the police being able to make a connection between him and the frauds, a tiny mistake with devastating consequences. He was charged with fraud and sentenced to a term of imprisonment.
- 3.25 His accomplice pleaded not guilty but that failed and he received 12 months.
- 3.26 The 'smackheads' all pleaded not guilty, and apparently secured their freedom, because they claimed that they were not aware that a crime was being committed and therefore could not be complicit. Apparently they opened the accounts, and then they later reported to the police that their cards had been stolen. The key here is that they reported to the police they had been stolen, but not the financial institutions. That was their way of 'proving' they were not complicit in any offence, because they did not have the cards and had reported them stolen, they even had a crime number to prove it.

In perspective

- 3.27 Although Lee set up as a ghost broker, he also acted as an insurer. He was able to profit by keeping all the money that would have gone to both the broker and the insurer. He paid out on some claims, and had he ever received a big claim – which he didn't - he always had the option 'to pull the plug on it'. He is an able man, articulate and clever. He overstated his abilities though since an error led him to be identified by the police. He claims to have been unlucky, the IFED started in January 2012 and suddenly a centralised police service had the funding to take an interest in him.
- 3.28 Lee admits he was motivated by money, but also by a desire to beat the system. He nearly succeeded. He says that on his release he wants to help fight fraud.

Case Study 2: The Insider

- 3.29 Matt developed a gambling habit. Until this time he had lived what he claimed to be a good life, he had a wife and child and a good job which he enjoyed and offered prospects. He had suffered a major set back when a promising sports career was ended by injury. The twist in fortunes from a happy family man with a sporting opportunity gave way to a gambling addiction, a sentence for an insurance fraud, and a need to re-evaluate life as a single man.

- 3.30 He claims that had it not been for the desperate need for money driven by his addiction he would never have committed the frauds; he had no previous convictions. He claimed the reasons for his offending were that he was 'sick' - he considers his addictions to be an illness that he had not at that point come to terms with - a need for money, and an opportunity that arose. Had it not been for the coalescing of these influences he believes he would not have a conviction for insurance fraud.

The offence

- 3.31 Although Matt described his offence as 'opportunistic', and one that he 'did not really think about it at the time' in part because he 'was desperate for money', in fact a fair amount of preparation was involved. What was perhaps most opportunistic about it was the way that the idea for the offence was generated. This is how Matt described it (although names have been changed to preserve anonymity).

Me and a friend worked in the claims department ... We would pay money to hospitals for treatment for our customers but sometimes the customers have already paid and so they would need to claim the money back from us. One day we paid out a claim to a Mrs Charles in Basingstoke instead of a Mrs Charles in Carlisle ... She needs to pay our money back. But time passed and she had still not paid back the money. The managers said that there is nothing we can really do to make them pay it back. It was our mistake and so we cannot demand it back we will just leave it. It was just all just brushed under the carpet.

- 3.32 This awareness that the company would not chase some money they had incorrectly paid out ('they really don't care about losing this money') and were otherwise lax led Matt to consider a plan. A colleague and a very close friend worked in the claims department, and after a discussion they decided that the company's negligent approach and their joint need for money meant this was an opportunity they would seek to exploit. They planned to get someone to submit a fake claim. They had a mutual friend who had the double benefit of being in a position to make a claim in that he had a relevant policy and they thought would be willing to take part. So they approached him and he was keen to be involved. As Matt explained, a major benefit was that 'we were all from a really close group of friends we knew each other really well'. So, 'we put in a fake claim for surgery for our friend'. It was a completely fake claim, he had not had the surgery. So a friend who had a policy, another friend who 'worked in claims with me put together an invoice' and they submitted it. They 'knew the system inside out' and were confident that it would be paid, and it was. Matt's role was to co-ordinate it all. He had hoped that since he did not issue the invoice nor receive the payment he would be distanced,

but in the aftermath he felt that 'it made it look like I was the ring leader which was not really how it was'. Matt's summarised the offence this way:

We saw it would be easy to do. We thought about it one day and then it happened the next we did not have to jump through any hoops. It was easy, we just split it equally.

- 3.33 If the original intention was to submit just one claim and receive one payment that took a different twist when Matt saw an opportunity to help other gamblers. Indeed, a close friend and fellow gambler had come to visit Matt and:

'he was in real trouble with gambling debts and they were going to kill him. He was in a terrible state. He came to my door crying not knowing where to stay ... they could come around any time. He stood up in court actually and said that we saved his life. If we had not done it he would be dead. So I decided to bring him in on it and do it again. What can you do when you have a friend on your door step crying and you know you can help? He said that he would rather have the police on his back than who he had ... I did not want to do anymore. I wished we had not done what we did.

- 3.34 Matt said that although 'it was so easy I could have been doing it all day every single day if I wanted' he had not intended to commit another offence, the plan, in as much as there had been one, was to just make one claim and receive one payment. In the end they made four claims and received four payments. However, the worry about the possibility of the frauds being discovered weighed heavily on Matt's mind, 'I would drive in every day and think about what I had done and think any day they will catch us.' So to distance himself from the offence he took up a job in another part of the company but later felt it would be better to leave altogether and eventually he took up a job elsewhere.

The triggers for the offence

- 3.35 In simplistic terms a major trigger for the offence was a member of staff with a gambling addiction. In practice there is slightly more to it than that. The first thing, which Matt readily acknowledges is that it was not just that he had an addiction, it was also that he did not get any help to deal with it. Later others would tell him 'we did not realise how bad it was.' He 'really just needed help with the gambling' but that was not forthcoming. The second was that he quickly found a set of accomplices who were willing to be complicit in the offence. One was an expert on claims and so also familiar with the systems and another had a policy that could facilitate a claim and he was prepared to act fraudulently. Later other friends provided an incentive to commit more offences. Third, they were aware of the weaknesses in systems that made the frauds possible, it was not just a matter of having accomplices with the tools, they also had

the knowledge and they were friends, which was a binding factor in their joint illegal enterprise.

Getting caught

- 3.36 Matt is not clear how the fraud was discovered. He says he was caught because one of the phones used in the commission of the fraud was traced back to him. He was arrested after he started work at another company and he believes they traced him via his national insurance number.

Reflections

- 3.37 Matt claims that if at first he was not aware of the seriousness of the offence he soon became clear and he realised that it was a matter of time before he was caught. This caused him considerable stress. In fact he described it as a 'kind of a release when they caught us'. The whole experience was a negative one because he was favourably disposed towards the victim company:

It was so silly really I had a career going ... I felt accepted there, a lot of people had given me a chance and I threw it away. I had a good family and kids. I really needed to get help for the gambling ... it got to the point where I lost 4 or 5 thousand (via) gambling and I needed it back ... I went to councillors about it, (but) they do not really understand about gambling addiction. There were asking 'why did you do it? Did someone abuse you as a kid?' And I had to say 'no, I had a good life'... I was in a mess with gambling, which hurt my family terribly.

- 3.38 Matt claims he has learnt from his mistakes. He carries a lot of guilt for what he put his family through. Once he was caught he started to research his likely sentence and in the end he felt he was treated quite severely, 'I looked up other cases where they had done more and they did not get so long.' There was no temptation to commit more offences once he was caught, he says he felt very remorseful, as he explained 'gambling got hold of me for 6 months and ruined my life ... My life could not have been any more perfect but I ruined it with this.'

- 3.39 Matt noted that his former employer was 'shockingly lax', he stated that only 1% of claims were checked, moreover:

They need to really monitor their claims and keep track of the money. It was just too easy to submit a false one and we knew they did not monitor the vast majority of claims and money going out. If staff like us see how lax they are ... what are they going to think?

- 3.40 He believes they have now closed the gaps. 'At the time I thought it was a medium risk. But now I know it is a high risk. They can catch you easily. It is easy for them to trace you in all manner of ways. They do investigate it thoroughly.'
- 3.41 Matt made one other point about how the offence could have been prevented, and that is by offering more help to gamblers:

For me it was really about my debts and my gambling addiction but we did only do it because we saw an opportunity. There should be more help for gamblers. As I said when I sorted myself out and went to a counsellor they did not really know anything about it. They did not see it as a real illness like they do for other addictions.

Case Study 3: The Multiple Fraudulent Claimant

- 3.42 Ahmed, a Pakistani British man was 32 years old at the time of the interview and had just been released from prison after being convicted of insurance frauds with six others some of whom were family members. He denies any involvement in the offence and claims he and his family were falsely accused; they were implicated because of identity fraud and he claims the police misread the evidence. The case itself was a significant one comprising of multiple charges of conspiracy to defraud and money laundering and Ahmed was found guilty of making three fraudulent insurance claims. He has no other convictions indeed he had never been arrested until this incident: 'I did not knowingly commit the offence myself but I have learnt it is very easy to commit this type of offence in other people's names'.
- 3.43 The experience has left him bitter but more informed about insurance fraud.

What happened?

- 3.44 Ahmed explained that he was from a very wealthy family of business people and he considered himself a businessman. The family asset portfolio includes a range of business properties and it is on these that he was convicted of insurance frauds. As he explained:

My brother used to mostly handle the management of rental properties, which our family businesses developed including the insurance claims and building work. There was weather damage to one of the property's roofs and we got on to the insurance and paid these eastern European builders to do the work ... it was just word of mouth you know they just said they did insurance work. I really didn't think anything of it at the time. I just wanted as little hassle as possible. It was not a lot of money maybe £1,100. I

maybe thought the price was a bit high but money was not really a problem for us, we didn't query it, we have so many properties. Now they are saying the invoice was fabricated and the price inflated or that the work was completely invented.

- 3.45 Ahmed claimed that the work was completely legitimate. He found out from the police that the letter heading on an invoice was linked to other frauds where work had been fabricated although Ahmed said this came from the European builders and had nothing to do with him. Here is how he explained the connection:

The police tried to make out our family has masterminded all these offences through conspiracy where you get people you know to get people they know to make fraudulent claims. But this is just not the case. I was 22 my brother was 17 (at the time of the offences); we did not mastermind anything. They tried to pin it all on my dad as the mastermind but they really had no evidence of this. There were also these other claims I knew nothing about ... there was a crashed car claim I knew nothing about.

- 3.46 Ahmed was also clear as to why suspicion had been focused on him and his family:

It was just that I had so much money going in and out of my account associated with my business I just didn't keep track of it. I would really keep much more of an eye on it now.

- 3.47 Ahmed claims that the three counts of insurance fraud he was accused of were not frauds, at least not ones he knew about. One was a legitimate claim he made; the other two he says were made in his name without his knowledge.

- 3.48 In short Ahmed claims the eastern European builders, perhaps with accomplices, made him a victim of identity fraud. They took out policies in his name, made claims in his name, and when the police investigated they found the eastern Europeans had no money, according to Ahmed they most likely sent it abroad although he had heard that had acquired properties in the name of a third party. Meanwhile: 'We are a very wealthy family and I think the police saw that and that is when they decided to pursue the case.' He was clear that the case was led by the police rather than by the insurance company who he says 'did not pursue it'.

- 3.49 In addition to the injustice Ahmed pointed to the astronomical costs of the case, there were seven defendants and his legal bill alone was £50,000, then there was the two year police investigation which included police surveillance of his family. Then there were the prison sentences

they received, and they did not pay their fines so spent more time in prison.

Thinking about prevention

3.50 Ahmed accepts that he left himself open to victimization by not checking his account regularly. He also accepts that the choice of building company was spontaneous, it came from a word of mouth recommendation and he could not and did not try to vouch for their good intentions. Ahmed claims that when he was first arrested by the police, 'I did not really understand what I was being accused of' and it is possible that in these circumstances he did not give a good account of himself.

3.51 Ahmed also felt that the way the insurance industry created loopholes that could be exploited:

What makes it easy is the fact they (insurance companies) do not verify identification properly. When they pay money out they should really come by and properly check the identity of the person making the claim. They should also come round and inspect the damage in cases such as the roof of my property before they pay out money. You should not be able to ring up the insurance companies and get them to pay out without any identification or inspection. You can just take policies out in other people's names and get them to pay into your account easily. Or you can ring up other people's insurance companies saying you are them and make a claim on their account and say you want it paid into your account.

3.52 Ahmed had discussed insurance frauds in prison with other inmates and learnt more. This has encouraged the view that 'loss adjusters also take back handers. They do not properly bother to investigate small claims. They should do land registry check, it does not cost a lot. It is so easy.' He claimed someone in prison had a mobile phone and was involved in committing insurance frauds from prison.

3.53 Ahmed however saves his most strident criticism for the sentencing regime. In his case he had to pay back tens of thousands of pounds, serve a prison sentence and then when released he was required to wear a tag. He served longer in prison than he might have done because he did not pay back the money within the allotted time, principally because he was hoping his appeal would be successful. He claims that had a family member not been ill necessitating his presence he would have sat out his sentence in prison rather than pay his penalty:

How it works is that your fine gets reduced if you stay in prison. I feel annoyed I paid it, I could have just stayed in prison and got rid of the fine ... I have only been out 3 weeks and my son is fine now but I didn't know what was

going to happen. If it was not for that I would just have waited it out in prison. It is too comfortable ... I was transferred to an open prison for most of my sentence but actually in some ways I preferred the lock up. I did not have to work and you get a TV in your room. It was boring but the time goes more quickly somehow when you are locked up for 22 hours a day. It actually felt like I was on a course in the open prison they had me making park benches all day everyday. Then I came out on tag which was a bit humiliating ... The open prison was not like being locked up at all really. The lock up in the first prison was more stressful in that way.

- 3.54 Ahmed had not expected to go to prison, and had expected to have to pay back the money his family were said to have taken:

I have never thought about insurance fraud before all this happened ... We were annoyed that they are locking us up until we pay it back. My father (is) refusing to pay anything. It is the principle. If they didn't threaten us like that we would have just paid it straight back really. Well as quick as we could free up the assets. Money is not really a problem for us.

- 3.55 Ahmed claimed that despite all the inconvenience and stress caused he would prefer to go to prison than serve a community sentence: 'that would be so humiliating and it would effect your business reputation much more. You are being publicly punished that way.' He claimed other insurance fraudsters he had met felt similarly inclined:

Everyone I met in prison convicted of insurance fraud ... were all planning not to pay. They all thought prison was the easy option. Even the prison governor, when I said I was thinking of paying because I need to be there for my son, said I shouldn't pay. He said he would never pay that ... And for foreigners like me it is ... just so comfy in prison compared to the other countries I have lived in ... If you are a businessman like me having a criminal record and having gone to prison for insurance fraud does not effect your business really. It does go on hold but it is not like I need to get a job.

- 3.56 The consequences for Ahmed have though been significant. He admits that he has incurred debts (at least until he liquidizes some of his assets); he has suffered stress and his family too 'they can't compensate loss of family life and time'); and his wife had had miscarriages he believes are linked to this situation. He reminds himself 'I do not have a lifestyle of offending I am a hard working legitimate businessman'.

Case Study 4: The Putative Ghost Broker

3.57 Alan, a 41 years old Asian-Indian was arrested by police because it was believed he was part of a wide ghost broking network; he was one of 27 people arrested in a massive swoop. Alan recognizes that ghost brokers advertise that they can help with cheap insurance, he admits to that but thereafter Alan claims what is ghost broking and what he did are distinctly different. He has learnt that ghost broking involves selling fake insurance and issuing fake certificates, and admits that 'it would be so easy to do and you could make a killing', but his offence was a different one, he acted alone, and he received a 2 year conditional discharge.

What did he do?

3.58 Just prior to the offence Alan had been made redundant and as he was unemployed, times were hard. As he explored ways of making savings in different areas of his life he discovered he could obtain cheaper car insurance. The idea came to him that he could help others save money:

I ... got a quote and found I could save £200 pounds then and there. I could have saved £1000 if I had done it sooner. So I put an advert ... saying that I can help you get cheaper car insurance for a sum. I thought I could just search online find people a cheaper quote and then get 10 or 20% of their saving, and if I can get £10 or £20 pounds per person and do 5 a day it would be worth it for me. Then I would be helping people in the same situation as myself spending too much on their car insurance.

3.59 Alan's view was that this was a harmless and enterprising way of both making money and helping others.

3.60 In the advert I said 'Is your insurance too high try me, nothing to lose'. And because I said 'sum' in the advert that made it illegal because I was charging money. It is a regulated business and I was obviously not registered. I did not realise that I had to be registered. I just put the advert on without thinking.

3.61 Alan reports that he received two calls, one he never returned and the other he pointed to the insurer with whom he had taken out cheaper insurance. He did not charge, principally because he 'could not be bothered in the end' and the advert was up for just one month and he did not renew it. He did not think anything more of it. He claims he was not even aware it was an offence, if he had he says 'I would not have used my own number, IP address and (personal) account.' He became aware he had committed an offence when the police arrested him at home some 5 months later as part of a mass investigation into a ghost broker gang.

- 3.62 They confiscated his computer but he was confident there was no connection between him and organized criminal activity. He said he 'was smiling' because he believed he had not committed an offence, 'I was not guilty of selling false insurance'. Yet the police advised him a crime had been committed, not relating to insurance fraud, but an offence under section 21 of the Financial Services and Markets Act 2000 because he had tried to make money from selling insurance and that is a regulated activity. He says he was advised 'that what I had done was the lowest crime that would fall within that charge,' and 'one detective was making an example of me they say'.
- 3.63 Alan did have one previous conviction, for possessing cannabis about a decade earlier. But for Alan the consequences of this prosecution have been considerable. He was not fined but had to pay £365 charge for the solicitor's fee and more significantly adds: 'I have got a criminal record now and it has stopped me moving on and getting a job ... look at the mess I am in now'.
- 3.64 Alan felt that there was a need for greater awareness of the law, as he summarised:

I think it is very easy to get into my situation. I did not know and most people don't know that that is a crime. It could be anybody trying to make some money. The awareness is not out there. It is not fair ... I did not know I was breaking the law. I really did not expect the sentence I got. I expected it to be not guilty as I obviously had no connection with the gang and in my eyes it was an honest mistake and I explained it to them and they believed me. I think that we need to raise awareness that this is illegal and it can happen and the mess you can get into. I think it should be down to the advertising companies say in the small print that you have to be registered to offer any advice about insurance. There are so many adverts on tv for car insurance. They could have it in the small print that would get your attention ... I think the police should play a role as well in raising awareness ... I think it is so wrong when there are people like me that get done for nothing. For just an advert like that. I have worked with in the government and they know the role I have had and that I was genuine but still I get this. I just want people to realise what can happen so they don't get into the same situation.

Summary

- 3.65 These case studies highlight the diverse ways in which insurance frauds occur and affect people's lives. It is important to remember that insurance frauds vary enormously, from the petty and the unplanned to the serious and organised. Offenders get caught up in offences different ways (some argue they are victims), some making calculated decisions

lured by the possibility of high incomes and low chances of getting caught and fed by greed, by the need to cover debts, others become caught in the labyrinth of what is referred to as organised crime but in fact reflects very different levels of co-ordination and various crime types. This section looks at the issue of how people become embroiled in insurance fraud in more detail.

Section 4. Concluding comments

- 4.1 There is nothing surprising in the finding that offenders seek easy opportunities and then try to exploit them. The insights from those interviewed in this study suggest that insurance fraud provides many opportunities, for different types of frauds at different levels, from the relatively minor to the unquestionably serious.
- 4.2 Opportunists respond to a chance, give little thought to the ramifications of their actions, and generally consider the consequences once caught to be severe sometimes affecting their personal life and on going job prospects. It perhaps says something about where prevention may look in that they generally felt they would not have done it had they known what the consequences would be. Reminding the public and policyholders of the dangers of insurance fraud is important, and not least that opportunists are successfully prosecuted. This is a challenge, raising public awareness needs to be ongoing and it needs to connect, and the consequences of getting it wrong are costly.
- 4.3 Some frauds start inside insurance companies, where offenders collude with outsiders, and so the need for insurers to look at, assess and respond to the threat from within remains important. Some fraudsters plan their offences, duping the public, and so the need to keep the public on their guard about what to look for is always important. Organised criminals see insurance fraud as an opportunity, and just as previous research has shown this to be costly, so this study has highlighted how it can embroil others. Clearly, it is a challenge to get organised criminals to discuss their offending, and it is a gap that merits the attention of future studies.
- 4.4 Offenders' accounts confirm that insurers and the police are having successes in detecting offences. Yet in some cases frauds are facilitated by weaknesses in other systems; for example Lee was able to use the credit card system for fraudulent purposes. We know that offenders are attracted by easy opportunities and the very nature of insurance, the way it is sold and managed, means that opportunities will continually occur. This only highlights the importance of widespread awareness and vigilance at all levels. If there are some signs the insurance sector and the police are winning some battles (our interviews attest to that) so it is also true that the war is an on-going one where victories need to be sustained by more victories because the enemy is unlikely to be going away and is seemingly good at spotting easy wins.

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Appendix 1: A note on methodology

Fraudsters were approached by a variety of methods. Initially a letter was written to all those who were retained on the IFED database (a letter was sent to the police containing an enclosure advising about the research and asking the individual to participate). There were some 150 in the initial trawl, but the response was low. It resulted in only a few interviews. Others were contacted through a variety of methods, including referrals by an insurance company, responses to adverts placed, and personal contacts/networks. It was a time consuming process. Individuals were offered a small fee for taking part (except when in custody as payments are not allowed in these circumstances). Some refused to take part unless they were paid more and the interview was declined. Interviewees were mostly interviewed over the phone, although some were conducted face to face, sometimes at their request. All respondents were advised of the purpose of the study, reminded they could withdraw at any time and that it was entirely voluntary, guaranteed anonymity and at the end of the interview they were asked if they had any questions or issues they wished to clarify. Not all the interviewees admitted offences. Interviewing offenders and assuming their accounts to be accurate carries risks, and this needs to be borne in mind. Where an individual did not admit the offence but his/her account provides an insight into the subject we have included it here. Some interviewees made the point that they hoped their participation in the research might lead to others not making the same mistakes they had. Clearly, the sample cannot be considered representative, for example IFED confirms it deals with many planned offences which are under-represented here. Rather the report of this research aims to highlight some experiences from those who become involved in committing crime against insurance companies.

About Perpetuity

Perpetuity Research is a leading social research company with a wide area of expertise. Our core focus has been on crime and security, and this remains a key specialisms. In addition, we have an excellent track record in the areas of health, education, transport and market research.

Our mission statement is "committed to making a difference". For us at Perpetuity this means producing research that helps inform theory and practice.

About the Authors

Professor Martin Gill: Director

Martin Gill is the Director of Perpetuity Research and Consultancy International. He started the company in 2002 when it was formally launched by HRH Prince Michael of Kent. Martin is also a Professor of Criminology and for three decades has been actively involved in a range of studies relating to different aspects of crime and its prevention.

He has a particular interest in business crime and the security sector. The types of projects he has been involved in (with Perpetuity colleagues) includes the causes of false burglar alarms, why fraudsters steal, the effectiveness of CCTV, shop thieves' perspectives on shop theft, the generators of illicit markets and stolen goods, to name but a few. He has also launched and led the Security Research Initiative, which has been short listed for a Security Excellence award on six occasions. The SRI engages leading associations and leading companies in the security sector and topics covered so far include the procurement of security, and the value of security.

Martin has published widely (14 books including the second edition of 'The Handbook of Security' published in 2014) and is editor of Security Journal. In 2002 the ASIS Security Foundation made a 'citation for distinguished service' in 'recognition of his significant contribution to the security profession'. In 2010 he was recognised by the BSIA with a special award for 'outstanding service to the security sector'. In 2013 and 2014 IFSEC placed him in the top 40 most influential fire and security experts in the world.

Amy Randall

Amy Randall joined Perpetuity Research in October 2013. Since joining Perpetuity she has been involved in a range of research projects including; interviewing people convicted of burglary, gathering data on the impact of forthcoming changes to legal aid on children and young people and investigating the drivers behind security suppliers and corporate security departments achieving excellence. Amy has a good knowledge of a range of methodological approaches, both qualitative and quantitative. She has experience conducting interviews and focus groups and has strong research

design skills. As well as this she has a working knowledge of data analysis techniques and a good proficiency in relevant software packages and experience working with large data sets.

Prior to working for Perpetuity, Amy graduated from The University of Kent with a First class BA (Hons) in Sociology. She has an MSc in Social Research Methods at London School of Economics and Political Science.



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