

Background to Fraud & Investigation

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Agenda

- What is Fraud
- When Fraud Occurs
- Exaggeration
- The Fraud Equation & the Right Balance
- Risk Indicators & Referrals
- Open Source Intel
- SCREEN
- Investigations
- Questions

What is Fraud?



Fraud Definition



A deliberate act or omission
with the intent of deceiving a person or
company in order to gain a financial
advantage.

Cost of Fraud

Taken from various publications:

- Fraud in the UK is running at £123 billion overall
- Insurance Fraud costs the UK over £3.3 billion a year
- Insurers uncover 350 insurance frauds a day, worth £3.6 million every day
- The above costs exclude time spent by legal/insurance services
- Fraud is estimated to cost every policyholder over £50 each per year

FRAUD



Claim anomalies do occur naturally but Fraud can occur:

- at Policy Inception
- Mid-Term Adjustments &/or Renewals
- at Claim Stage, eg:
 - Fictitious
 - Deliberately staged
 - Misrepresentation/Fraudulent Exaggeration
 - False Documents

Exaggeration or Negotiation?

- It must be established that the amount claimed is not merely an overstatement for adjustment at a later stage, i.e. bargaining/negotiation.
- Orakpo v Barclays Insurance Services (1994)
- Galloway v Guardian Royal Exchange (1999)
- Direct Line v Khan (2001)
- Danepoint Ltd v Allied Underwriting Insurance Ltd (2005)



The Fraud Equation

- The potential for fraud is equal to:

Opportunity + Inclination

Inclination

- 10% of the population is always honest
 - 10% is always dishonest
 - The other 80% can go either way!
-
- 7 % admit making a fraudulent claim (4.2 million)
 - 40% think exaggerating a claim is acceptable
 - 48% would not rule out making a dishonest claim in the future!
 - 80% think they can get away with Fraud

Source ABI

Source Accenture 2005

The Fraud Equation

- The potential for fraud is equal to:

Opportunity + Inclination

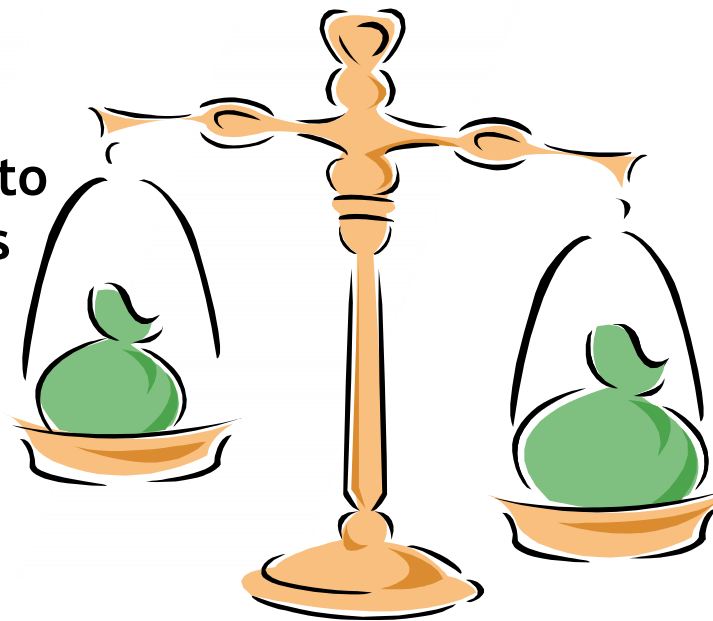
Resistance

Resistance

- Databases / Registers
- Fraud detection software / equipment
- **YOU**

The Right Balance

**Good Service to
retain Client's
Customers**



**Counter Fraud
Measures to
Protect Honest
Policyholders**

Risk Checklist

⊖ MIP Risk Checklist

Is this a Property (Incl C&E) claim reserved in excess of £100K?
Property (incl C&E) involving one of these sectors - pub, nightclub, entertainment, bookmakers, scrap metal

No ▾

No ▾

If either is YES refer immediately to Risk Investigation Coordinator

GENERIC INDICATORS - ALL

Policy

First policy/recent inception/recent or proposed change in risk (3) No ▾
Misrepresentation or non-disclosure at Inception or Renewal (5) No ▾
Recent enquiry from Insured / Broker if subject matter of claim covered (5) No ▾

Insurance History

Gaps, changes or vagueness over insurance history / cover (4) No ▾
High frequency of, or similar previous claims (as Insured or claimant) (2) No ▾

General - Insured / Claimant / Representative / Broker

Financial stress (3) No ▾
Unusually detailed knowledge of claim and/or policy procedures (3) No ▾
Attitude - aggressive, overfriendly, evasive or uncooperative. Refusal to meet. Unreasonable threats/complaints Pressure for quick cash settlements or liability decision. Insured/claimant eager to compromise to own detriment. Mobile no only (5) No ▾
Change in story, inconsistent or unsatisfactory circumstances, or loss incompatible with lifestyle / business (5) No ▾
Delay in notification to Insurer / relevant authority / other (or non notification) (3) Yes ▾
Exaggeration of claim > 20% (3) No ▾
CCJs or convictions, or pending or subject to investigation by police, HMRC, VAT, HSE (5) No ▾
Gut feel or other concern (5) No ▾
Generic section total 3.

Risk Checklist

	Tick if Property case	<input checked="" type="checkbox"/>
Completion of repairs before inspection and / or removal of causation evidence (3)		Yes <input type="checkbox"/>
Altered documents, incorrect VAT number (run through VAT checker) (5)		Yes <input type="checkbox"/>
High value item in isolation involved in the claim, incompatible with others, e.g. low value jewellery owned by Insured but item stolen / missing is high value (5)		No <input type="checkbox"/>
Unoccupied buildings, old, obsolete or dilapidated equipment / building. Prior planning application (3)		No <input type="checkbox"/>
Lack of forced entry, alarm not set (3)		No <input type="checkbox"/>
Lack of proof or ownership / insurable interest (5)		No <input type="checkbox"/>
Arson, multiple seats of fire (5)		No <input type="checkbox"/>
Deliberate under or over insurance (5)		No <input type="checkbox"/>
Property section total		<input type="text" value="8."/>
	Tick if a Motor case	<input type="checkbox"/>
	Tick if a Casualty case	<input type="checkbox"/>
Total Risk Appraisal Score		<input type="text" value="11.0"/>

Risk indicators



- A risk indicator shows a claim has a heightened risk of fraud
- Risk indicators are the ‘switch’ for the fraud detector in your brain!
- There are many examples of risk indicators, e.g:
 - Policy indicators
 - Claims History
 - Claim Type
 - Behavioural
 - Circumstances

A risk indicator – so what!



- A risk indicator doesn't mean the claim is fraudulent
- Consider a review of the case by another party
- Consider what additional questions or evidence you need to satisfy yourself of the correct risk assessment
- Consider what you need to justify your decision

MIP PROCESS

Fraud can arise at any time in the lifecycle of a claim, so the Risk Indicator Checklist is reviewed, as a minimum:

- When we receive 1st notification
- by the Adjuster following the visit
- when the itemised claim is submitted by the claimant, and
- prior to agreeing settlement of the claim.

The checklist is considered again, as a last check, before we commit to payment of the claim.

OSINT tools

Don't just 



How was it obtained? By who?

- Was it legal?
 - RIPA
 - ECHR / Human Rights Act
- Violation of privacy?
 - Friending?
 - Following?
 - Connecting?
- Captured by insurer, claims handler, lawyer, intel analyst



Top tips

- × Don't use your own Facebook account
- × Never 'like' or comment!
- ✓ Check subject's friends
- ✓ Look out for unusual patterns of behaviour
- ✓ Save results (screen shots)
- ✓ Continually validate your findings

Don't forget to SCREEN!

- **S**tory problems
- **C**redibility
- **R**esistance
- **E**ffort to give detail
- **E**vasion
- **N**on Verbal (Vocal Signs)



SCREEN

- **Story Problems**
 - Gaps, missing steps
- **Credibility**
 - Improbable, Implausible, Impossible
- **Resistance**
 - Uncooperative, Angry, Threatening
- **Effort to give detail**
 - Struggles to develop, repeats minimal detail
- **Evasion**
 - answers a question with a question, changes the subject
- **Non Verbal (Vocals)**
 - Hesitation, Broken speech, pitch & tone



What To Do Next

Where concerns arise:

- Discuss with local Risk Coordinator
- Consider what we need to validate concerns
- Consider forensics / retain evidence
- Consider background searches
- Document / VAT checks
- Refer concerns to Investigations team



Investigation and Containment

Investigation Objectives will focus upon:

- The circumstances – Has the incident occurred and if so have we been told all the facts?
- Loss and substantiation – Is quantum correct or overstated?
- Technical issues – Have policy terms and conditions been complied with and is the incident covered?
- Underwriting – Has the risk been presented correctly?



Examples of Claims Collapsing

- Notifications which are never followed up
- Claims withdrawn when a specialist is appointed
- Claim withdrawn when the insured is presented with conflicting facts in their story or asked for verification
- Claim withdrawn when the insured or witness realises that all the facts will be verified
- Substantiation not provided & Claimant 'walks away'
- Guilt accepted when challenged or when the police or CPS are involved

Regret is rarely expressed

Blame is usually deflected

Simple Questioning

Opportunist fraudsters can 'come clean' under close but friendly questioning.

Case Study 1

- Hairdressing salon in York
- Burst boiler – claim for new boiler (explosion), plumbing/electrical costs, flooring, lino, MDF units and 2 weeks BI loss
- Date on invoice for new lino, clearly altered
- Misrepresentation with intent to deceive for financial gain.

Simple Questioning

Some will try to excuse their behaviour but cannot 'get away' with it when the claim is put under close scrutiny:

Case Study 2

- Storm damage claim to Farm buildings
- Damage appeared old.
- Satellite imagery obtained showing same damage apparent dating back to 2005
- Enquiries with previous insurers - claim in 2005 paid at £40,000
- Claim for same damage in 2011 denied and policy voided
- Insured said could not recall either event but asked if current claim could be withdrawn
- Misrepresentation with intent to deceive for financial gain.

Satellite Imagery



The Damaged Shed in 2009, 2014 and 2019

Key points

Our goals

1. Adjusters working in partnership with insurer clients
2. To help make things right
3. To protect clients from fraud



Thank You.

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