

Annex A – report of progress made up to December 2017

Insurance Fraud Taskforce: report 2017

The Insurance Fraud Taskforce was set up in January 2015 to investigate the causes of fraudulent behaviour and recommend solutions to reduce the level of insurance fraud in order to ultimately lower costs and protect the interests of honest consumers. Its interim report was published in March 2015 and its final report was published in January 2016.

This 2017 report sets out the progress made during 2017 on the original 26 recommendations by updating the 2016 progress report, which is also available on the gov.uk website. Note that some of the information in the 2017 progress update refers to work that is currently ongoing or has since been completed (such as the Civil Liability Bill and taking action to tackle bogus holiday sickness claims). As such, **information in this Report is accurate as at December 2017.**

Updates from 2017 are posted as an addition to the 2016 Report. *Text in italics* refers to the update for the previous year; January to December 2016.

No	Recommendation	Progress to date
1	<p>To improve consumer understanding of insurance products, the insurance industry should</p> <ul style="list-style-type: none">• be more mindful of policy and other documentation following the FCA discussion paper on 'Smarter Consumer Communications'. Good practice on this topic should be coordinated by the ABI• increase promotion of the CII's 'Made Simple' service• roll out the ABI and BIBA's 'Code of Good Practice' to help insurers and insurance brokers recognise and help potentially vulnerable customers¹	<p>2016 update: (1) <i>The FCA published two documents in October 2016 (a <u>Feedback Statement</u> and <u>Policy Statement</u>) as part of its Smarter Consumer Communications initiative that highlight examples of good practice from individual firms and the ABI is discussing both of them with the FCA.</i></p> <p>(2) <i>The ABI has a number of transparency initiatives to improve consumer understanding of insurance products, including:</i></p> <ul style="list-style-type: none">• <i>home and personal motor premium trackers</i> – <i>the ABI publishes quarterly data on average home and personal motor premiums. These are the only trackers that show what customers actually pay for insurance, as opposed to an average of what they are quoted</i>• <i>claims success rates</i> – <i>the ABI analysed 7m claims made in 2013-2014 and published both the claims success rates and the average claim pay out for private motor, domestic property and travel insurance policies. Because the ABI found a lower claims success rate in property, it launched a new consumer guide on home</i>

¹ Accessed January 2016; <https://www.abi.org.uk/News/News-releases/2016/01/ABI-and-BIBA-launch-industry-Code-of-Good-Practice-to-helpvulnerable-customers>

insurance. This sets out what home insurance is; what is/is not covered; how the premium is calculated; and how to make a hassle-free claim

- **'lifting the bonnet on car insurance'** – the ABI published a document setting out facts about the costs to motorists. It outlines what action is needed to ensure that honest motorists get the best insurance deal, steps consumers can take to reduce the cost of cover, and explains some of the common gripes motorists have about the price of motor insurance

(3) The ABI and BIBA renewed their Code of Good Practice regarding support for potentially vulnerable motor and household customers at renewal in January 2016. Insurers have one year to comply and by the end of 2017, the ABI will report on how well the Code has worked, which affords an opportunity to review/improve the Code.

(4) BIBA, with the CII, has developed a new vulnerable customer module for its Broker ASSESS training tool to assist brokers if they need training in understanding, identifying and assisting vulnerable customers, and many brokers have confirmed they have introduced systems into their brokerage to support vulnerable customers.

2017 update: (1) Following on from CEO discussion and a series of member workshops, the ABI continues to work with FCA to identify the best way for insurers to work together to develop consistent terminology and reduce complexity and jargon. New FCA rules on consumer insurance policy renewals, introduced in April 2017, will encourage consumers to shop around instead of renewing their policy automatically. The FCA will monitor the effect of the rules and the government will ask the FCA to consider further intervention if necessary. The ABI also developed a communications plan to coincide with the implementation of FCA renewal transparency rules on 1 April 2017.

(2) The ABI's work remains ongoing and they continue to identify innovative ways of reaching out to customers.

In October 2017, the ABI started a programme of digital and social media activity aimed at improving consumer understanding of general insurance products. The Insurance Experiments features a cast of scientist characters who explore some of the basic concepts that people and businesses should understand when taking out cover,

and to address what people can and cannot claim for. It covers several areas of general insurance but has a focus on property given the evidence the ABI has seen that people more often have problems making successful claims in this area. It also has its own Facebook page. One of the 'experiments' (under 'General Advice') concerns 'telling the truth on your insurance application'.

The approach has been devised to address the fact that learning about insurance does not tend to be a consumer priority. The animated characters and brief videos are designed to grab people's attention on social media before offering them a link to further information. They have been promoted via a paid-for Facebook campaign for five weeks and shared on the ABI's usual social media channels.

Following discussions between the IFB and the CII, the CII has included fraud-related material in its 'Ask Ciindy' insurance made simple service. This addresses a range of questions, including:

- What is insurance fraud and how big a problem is it?
- What do insurers do to stop fraud?
- How does insurance fraud impact me?
- How do I avoid being scammed?
- What will happen to me if I get caught committing insurance fraud?
- What should I do if I want to report an individual or company who I believe are connected to insurance fraud?

(3) Following renewal of the code in 2016, in March 2017 the ABI published an implementation report on its website and notified FCA setting out how well the code has worked. The report found that firms are committing resource and identified 8 areas of good practice (including price transparency; prior year premium disclosure; product review).

The ABI and BIBA will continue work with the FCA to encourage ongoing implementation of the Code. A recommendation will be made to the ABI General Insurance Council and the BIBA Board (by 1 November 2018) as to whether to continue with the Code in its current or an amended form.

		(4) No update for 2017.
2	<p>To ensure anti-fraud messaging is targeted and hard-hitting</p> <ul style="list-style-type: none"> the ABI, IFB and IFED should oversee the development of a long-term, cross industry public communications strategy. This should include increased promotion of IFB's 'Cheatline', highlighting the impact of fraud on honest policyholders, use of the media and trusted intermediaries and communication channels outside of the insurance industry. the ABI and CII should commission research on behavioural economics. The research should be available to all and the ABI should encourage take up of the conclusions through its voluntary best practice guidance 	<p>2016 update: (1) <i>The ABI states that developing a long-term cross-industry public communications strategy requires a significant commitment from the industry over a long-term (circa 10 year+) period, and will require a number of distinct phases. The first phase was to define comprehensive terms of reference – outlining those separate phases – which were approved by the ABI Financial Crime Committee. Work to recruit dedicated resource to lead the scoping work has started. This will enable a suitable business case to be developed so that the industry can assess funding and how the initiative can be supported. The scoping phase of the work will map out the end-to-end consumer journey, identifying touchpoints where behaviours can be influenced. Research will then be carried out on what interventions may be appropriate to form the basis of the business case. This scoping work is anticipated to last 6 – 12 months and will require industry consultation, alongside dedicated resource.</i></p> <p>(2) <i>The IFB is in the final stages of developing a 'toolkit' that will enable appropriate organisations to be licenced to use <u>Cheatline's</u> logo and key messages.</i></p> <p>(3) <i>The ABI and CII have concluded that research on behavioural economics should be considered as part of the long-term communications strategy. See above</i></p> <p>2017 update: (1) An industry working group has made good progress in taking forward development of the strategy, focused upon influencing the behaviour of opportunists committing fraud across general insurance products.</p> <p>A procurement exercise has been completed and a supplier – specialising in behavioural research - has been appointed. This work will be undertaken in stages, which include:</p> <ul style="list-style-type: none"> a literature review of existing research developing with industry experts a series of potential interventions in the application and claim lifecycle to positively influence customer behaviour running a proof of concept in a virtual environment to test the effectiveness of those interventions.

		<p>These stages will inform the business case which will be presented to the insurance CEO community in March 2018. Should the business case be approved, the project will move to a live pilot. A public attitude campaign will also be considered.</p> <p>(2) To develop and promote Cheatline, the IFB has now completed and issued a 'toolkit' that enables appropriate organisations to be licenced to use the logo/key messages in a consistent manner.</p> <p>(3) During 16/17, fraudulent holiday sickness claims developed as a new area of concern. ABTA – The Travel Association – collated information from Members showing an average of over 500% increase in claims volumes since 2013, without corresponding increases in reported sickness levels or outbreaks. Significant claims management company activity was reported, both in the UK and in holiday destinations. In 2017, ABTA launched its #StopSicknessScams campaign. This included anti-fraud messaging for consumers and ran throughout the main Summer holiday season between June and October.</p>
3	<p>The insurance industry should strive to improve the quality and quantity of data available in fraud databases and data sharing schemes, including by</p> <ul style="list-style-type: none"> • following the standard definition of insurance fraud produced by the ABI and the ABI should encourage members to participate in its annual fraud statistics benchmarking exercise • ensuring that the data available is accurate. Insurance Database Services Limited (IDSL) should allow the public to check their own claims histories through CUE free of charge, and challenge inaccurate records. There should be a free and accessible checking and appeal process for all databases used in the application and claims processes 	<p>2016 update: (1) <i>The insurance industry has extended its funding commitment for the Insurance Fraud Register (IFR) for another 3 years (2017-20). Over 80% of ABI general insurers are members or are on-boarding, with work underway to extend membership to non-ABI insurers.</i></p> <p>(2) <i>The IFB will undertake a 'proof of concept' exercise with the Credit Industry Fraud Avoidance System (CIFAS) to explore potential benefits of closer industry engagement to promote economies of scale and governance issues requiring resolution</i></p> <p><i>The Counter Fraud Data Alliance (CFDA) is an initiative to share proven fraud data between public and private sector organisations. The insurance industry is supporting this via the IFB and the next steps are to refine the operating and legal model, procurement (Q4 2016) and start the system build (Q1 2017). The CFDA is supported by banks, HMRC and DWP.</i></p> <p>(3) <i>The ABI submitted four new Keeper of a Vehicle at the Date of an Event (KADOE) permissions to the Driver and Vehicle Licensing Agency (DVLA), however these were rejected as the DVLA had concerns they may be used for commercial purposes rather</i></p>

- increasing membership of existing anti-fraud scheme and databases including MyLicence and CUE

than strictly tackling fraud. The ABI is considering submitting further applications (late 2016).

The ABI's annual detected fraud statistics were published in September 2016. The ABI has made changes to fraud statistics template to add value and reviewed validation processes to encourage insurer participation in collection, and ensure statistics stand up to scrutiny. The industry will review its fraud definitions.

The ABI has secured funding to appoint an external agency to devise a methodology to identify the value of application fraud.

(4) The Motor Insurers' Bureau (MIB), the data controller for CUE, is pursuing a programme of work to improve the quality of CUE data, and make CUE easily available at the point of quote. This programme includes three key deliverables:

- *a central CUE database and simplification of the CUE data interchange, was expected in Q1 2017*
- *an updated CUE data dictionary to improve data consistency and quality, expected early in Q3 2017*
- *CUE data available at the point of quote via the central CUE solution, work expected to start in Q3 2017*

Work commenced in Q1 2016 to consider build options of allowing free public access to CUE. This involved a detailed technical discovery phase and obtaining costs. There is a risk that the identification and verification costs will make operating this service unsustainable for the industry. Work is in progress to establish the likely level of usage of the service to finalise project/operational costs and project timescales (currently 12 months).

(5) The MyLicence Service has been live since December 2014 and is used by c36% of the market (based on Gross Written Premium (GWP)), a c10% increase on the 2015 result. A key barrier to take up is regulatory changes taking priority e.g. system changes related to the recent increase in insurance premium tax (IPT). A new communications plan is being developed to help promote MyLicence.

(6) In Q2 2016 a detailed requirements-gathering exercise for a CUE Travel solution was completed. Project timescales (currently 12 months) and final costs are now being agreed. A key principle of the requirements was to ensure the functionality could be used for other CUE product data in the future. Once the CUE Travel solution is implemented, the plan is to identify the next CUE product line(s) that should be developed. Options include CUE Pet, CUE Mobile and CUE Commercial.

2017 update: (1) The IFR legal agreement is in the final stages of the process to be changed, allowing Lloyd's members to join the scheme. That change is expected to be accepted in late 2017, with membership being opened to Lloyd's from 1 January 2018.

(2) The business case has been presented and Government is now working through the procurement phase.

(3) Good progress has been made to date, with the suggested model having been refined following market feedback during an initial testing phase. If there is sufficient market acceptance, the methodology will be incorporated into the 2018 ABI detected fraud statistics collection.

(4) To comply with the original self-funding concept and updated understanding of the Taskforce recommendations a business case was developed, and approved by the MIB Board, on 27 September 2017, on the basis that a charge, to cover the development and running, would be made to use the service.

Initial access to the system will be managed via identification and verification controls, which are charged on a per enquiry basis. There will be two methods of identification and verification: 1. In wallet questions (e.g. who is your mortgage with), and 2. Document scanning (e.g. a scan of a passport or driving licence plus 'selfie' is used to identify and verify the user). Subsequent access to the system will be managed via login and password controls, which are non-chargeable.

Under the chosen solution, CUE data will be sourced from MIB's CUE database, hosted by Equifax who are also being asked to provide the identification and verification software for the solution. The project is estimated to take c12 months to complete.

- The central CUE database and simplification of the CUE data interchange is now complete, a new CUE data interchange went live in Q1 2017.
- Work on phase two of the programme has also commenced with a new data dictionary developed and issued to the existing CUE suppliers, in Q3 2017. The new data dictionary is expected to be implemented by all CUE suppliers during 2018.
- Work on phase three of the programme to make CUE data readily available at the point of quote is expected to begin following the implementation of the new data dictionary.

(5) The MyLicence Service currently has over 100 approved users spanning software houses, brokers and insurers. This translates to c55% of insurers, based on insurer gross written premium, using the MyLicence service. The current 2017 market share total is a c20% increase on the final 2016 result.

The No Claims Discount (NCD) database replaces the manual paper exchange between motor insurers and policy holders to confirm an individual's no claims discount entitlements. The NCD Service has been live since June 2015, but still only has a limited number of live users on the service. However, a revised 2017 NCD communications strategy and plan has helped develop a strong 'pipeline' with a number on 'new users' actively working on implementation plans or business cases to deploy the system in 2018.

(6) The concept of a centralised Travel Claims database (CUE Travel) has been discussed by the insurance industry for several years, without much realisation. However, in Q1 2017 development work to build a new CUE travel system commenced and after c9 months the CUE travel system went live in September 2017.

ABTA is investigating options for data-sharing in relation to holiday sickness claims, potentially by tour operator defendants subscribing to CUE on a self-insured basis.

		The Insurance Fraud Register (IFR) is not currently available to tour operators, with no immediate plans for access to be extended beyond insurer members.
4	In light of forthcoming EU regulations, ² the ICO should provide the insurance industry and others with clear guidance on data sharing practices in relation to insurance fraud	<p>2016 update: (1) <i>The ICO does not produce sector specific guidance. Guidance and advice on data sharing in advance of the General Data Protection Regulation (GDPR) is an ongoing project. The ICO published 'starter' guidance in March 2016 and has a Data Protection Reform microsite at https://ico.org.uk/for-organisations/data-protection-reform. The website is aimed at preparing organisations for compliance, which includes data-sharing, with the proposed new law.</i></p> <p>2017 update: (1) The ICO has published and continues to update its guidance on the GDPR; this is available on the Data Protection Reform microsite at https://ico.org.uk/for-organisations/guide-to-the-general-data-protection-regulation-gdpr/.</p> <p>The site contains guidance and supporting material for SME businesses, as well as updates on the Data Protection Bill. The website is aimed at preparing organisations for compliance, which includes data-sharing, with the proposed new law.</p>
5	The ABI should develop and promote voluntary 'best practice' guidance based on what the most effective firms are doing to tackle fraud, including a short 'checklist' on measures all insurers can take to improve their counter fraud defence	<p>2016 update: (1) <i>The ABI revised cross sector its Application Fraud Good Practice Guide in April 2016. It also rolled out a 'Checklist' on effective counter fraud practices to ABI and BIBA members in September 2016. Future guidance is to be considered as part of recommendations emanating from the Insurance Fraud Strategic Threat Assessment.</i></p> <p>2017 update: (1) Following on from the cross sector revised Application Fraud Good Practice Guide and the Checklist on effective counter fraud practices published during 2016, the ABI published guidance on direct contact with claimants in personal injury cases in October 2017 (see Recommendations 18 and 19). Future guidance is to be considered as part of recommendations emanating from the Insurance Fraud Strategic Threat Assessment (see Recommendation 11).</p>

² General Data Protection Regulation (GDPR)

6	Insurers should ensure Board level ownership of counter fraud activity	2016 update: <i>This was addressed as part of the ABI's <u>Checklist on Effective Counter Fraud Practices</u>.</i>
7	The ABI should consider how it resurces its counter fraud activity and whether more priority should be given to this task	<p>2016 update: (1) <i>The industry review of counter fraud governance landscape aims to drive efficiencies and lead to more optimal deployment of resource. Provisional recommendations were presented to the ABI in November 2016.</i></p> <p>2017 update: (1) <i>Following agreement of the IFB Supervisory Board and the ABI General Insurance Council/General Insurance Executives forum, a two-tiered structure has been agreed – an enhanced IFB Supervisory Board (comprising c-suite executives) and a new General Insurance Fraud Committee (GIFC), comprising prominent fraud managers. The new structure was formally announced at the Insurance Fraud Bureau annual event on 12 October and comes into effect in January 2018.</i></p>
8	The ABI should discourage the inappropriate use of pre-medical offers	2016 update: <i>This issue has been addressed in part 1 of the government response to the Ministry of Justice's consultation on 'Reforming the Soft Tissue Injury ('whiplash') Claims Process'. The Government will be introducing a regulatory ban on the use of pre-medical offers to settle in relation to whiplash claims, through provisions in the forthcoming Civil Liability Bill.</i>
9	The insurance industry as a whole should consider following the established good practice of some insurers in defending court proceedings where they believe the claim is fraudulent	<p>2016 update: (1) <i>This was addressed as part of ABI's <u>Checklist on Effective Counter Fraud Practices</u>.</i></p> <p><i>In June 2016, the ABI <u>welcomed</u> the launch of the Forum of Insurance Lawyers (FOIL) <u>Statement of Competence</u> for Insurance Solicitors. The ABI states that this will give insurers the confidence to defend more cases where fraud is suspected, and meet the standards of excellence expected by insurers from their solicitors.</i></p> <p>2017 update: (1) <i>ABTA Members are repudiating and defending claims where fraud is suspected and there is sufficient evidence to do so, although while these cases remain outside a fixed recoverable costs regime, there are significant potential costs consequences which must be considered when considering which cases to pursue. Several cases have been followed to trial, resulting in findings of fundamental</i></p>

		dishonesty and, at the date of submission, one successful private prosecution concluded with custodial sentences being imposed.
10	<p>The government should review how fraudulent late claims can be discouraged through changes to court, cost and evidence rules considering options including</p> <ul style="list-style-type: none"> • recent claims (e.g. within 6 months) proceeding as normal through the fast track, but older claims being dealt with in the small claims track (SCT) • reducing recoverable costs by 50% if a minor personal injury claim is notified six months after the accident • introducing a system of predictable damages for soft tissue injuries • introducing a rebuttable evidential presumption that no injury was suffered where claims are lodged after a specified period of time has elapsed since the alleged accident³ 	<p>2016 update: (1) <i>This issue has been addressed in part 1 of the government response to the Ministry of Justice’s consultation on ‘Reforming the Soft Tissue Injury (‘whiplash’) Claims Process’.</i></p> <p>2017 update: (1) The Government will be introducing a tariff of fixed damages in relation to whiplash claims, through provisions in the forthcoming Civil Liability Bill.</p> <p>Further supplementary secondary legislative changes will be made to increase the small claims limit for RTA related personal injury claims to £5,000 and for all other PI claims to £2,000.</p>
11	The insurance industry should remain vigilant to emerging fraud and should coordinate its engagement with government through the ABI	<p>2016 update: (1) <i>The Strategic Threat Assessment for general insurance fraud – published on 5 October 2016 - provides a strategic view of the current and emerging fraud threats facing the industry. The STA sets out the key threats to assist the insurance industry in considering its counter-fraud response and future strategies. The findings and recommendations will be used to guide the strategy and tactical direction of IFED and the IFB, with the objective of reducing both the cost and impact of insurance fraud, not only to the industry but also to the honest consumer.</i></p>

³ For example, if a soft tissue injury claim was made over 1 year from when the accident occurred it is to be presumed that no injury was suffered unless the claimant can provide contemporary evidence such as GP notes or A&E visit, or time off work

		<p>(2) The ABI held a cyber-insurance fraud panel discussion at its fraud conference in September 2016.</p> <p>2017 update: (1) The industry will discuss how best to take forward outstanding recommendations in the General Insurance Strategic Threat Assessment (STA) at an industry workshop in January 2018.</p> <p>(2) An industry roundtable meeting (including representation from the ABI, insurers, ABTA, tour operators, the IFB and brokers) was hosted by the ABI on 19 July 2017 to devise a strategy to mitigate the ongoing threat posed by fraudulent overseas travel sickness claims. The ABI also responded to the MoJ’s call for evidence published on 13 October 2017.</p>								
12	<p>The insurance industry should support the development work needed to evolve the IFB into a holistic intelligence hub and ensure timely contribution to the evolved dataset</p>	<p>2016 update: (1) In November 2015, the ABI General Insurance Committee approved the IFB’s future 2020 strategy, which was focused on the years 2016 – 2019.</p> <p>2017 update: (1) The deliverables and respective updates are included below:</p> <table border="1" data-bbox="945 788 2036 1300"> <thead> <tr> <th data-bbox="945 788 1341 831">Description</th> <th data-bbox="1341 788 2036 831">Update</th> </tr> </thead> <tbody> <tr> <td data-bbox="945 831 1341 948">Continue focus on ‘crash for cash’.</td> <td data-bbox="1341 831 2036 948">Work continues in this space with several new investigations started in 2017, more than in any previous year and ahead of target.</td> </tr> <tr> <td data-bbox="945 948 1341 1091">Extend into other product lines, starting with property and liability.</td> <td data-bbox="1341 948 2036 1091">To enable this to happen, the analytics engine needs to be rebuilt and will go live in Q1 2018. In the meantime, new property and liability investigations have already started based on intelligence leads.</td> </tr> <tr> <td data-bbox="945 1091 1341 1300">Extend membership model.</td> <td data-bbox="1341 1091 2036 1300">The IFB launched an affiliate membership model in 2017, attracting 13 defendant lawyers and investigators to become members, which was significantly ahead of target. Focus for 2018 and beyond will be on loss adjusters and claims handling / outsourcing firms.</td> </tr> </tbody> </table>	Description	Update	Continue focus on ‘crash for cash’.	Work continues in this space with several new investigations started in 2017, more than in any previous year and ahead of target.	Extend into other product lines, starting with property and liability.	To enable this to happen, the analytics engine needs to be rebuilt and will go live in Q1 2018. In the meantime, new property and liability investigations have already started based on intelligence leads.	Extend membership model.	The IFB launched an affiliate membership model in 2017, attracting 13 defendant lawyers and investigators to become members, which was significantly ahead of target. Focus for 2018 and beyond will be on loss adjusters and claims handling / outsourcing firms.
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		<p>Create a new system to enable the industry to safely share intelligence about suspect frauds.</p>	<p>The system build is 75% complete and work is well underway on the legal framework that members will be asked to sign. The system will go live in H1 2018.</p>
		<p>Revise the funding model to bring IFB in line with other industry bodies.</p>	<p>Complete. Model transitioned to a Gross Written Premium methodology at the end of 2016 for the 2017 financial year. Work to consolidate industry fraud levies into a single levy call, also on track.</p>
		<p>Review and revise the fraud governance landscape.</p>	<p>Complete. Following an industry review, the seven-previous decision-making groups have been reduced to two.</p>
		<p>All the above work was designed to support the initiation of 242 new investigations over the four years, with the total number of cross industry organised fraud cases management at the end of 2019 anticipated to reach 267, double what it was in 2015.</p>	
<p>13</p>	<p>The Claims Portal Limited should give IFB access to Claims Portal data</p>	<p>2016 update: (1) <i>Claims Portal Ltd is moving forward towards implementing the recommendation that it shares data with the IFB. The next step is to ensure that it has permission from users to share data. To this end, it has made amendments to the Claims Portal User Agreement providing that users consent to the data sharing. All users will be required to sign the new agreement by 28/11/16, following which a pilot will be run until early 2017 when the benefits will be reviewed.</i></p> <p>2017 update: (1) Claims Portal Ltd (CPL) has dealt with the compliance issues to be able to share the data (which included seeking legal advice and changing their rules) with the IFB. In April 2017, Claims Portal provided the IFB with a sample set of 10,000 sets of data in the form of Claim Notification Forms (CNFs) made up of 85% RTA and 15% EL/PL from various insurers. This split roughly reflects the split of Road Traffic Accident and Employer Liability/Personal Liability claims submitted on the Portal.</p> <p>The IFB have carried out analysis of this data and provided two preliminary reports to CPL. The output of the analysis will be used to develop the Proof of Concept and business case to then enable the sharing of information in the longer term. CPL are</p>	

		awaiting the IFB's final report so that the Board can consider how to move forward with this project.
14	<p>The government should</p> <ul style="list-style-type: none"> consider strengthening the fining powers of the SRA for fraudulent or corrupt activity consider reviewing the standard of proof used in cases put before the Solicitors Disciplinary Tribunal (SDT) 	<p>2016 update: (1) <i>The government committed to consider whether the SRA's enforcement powers should be strengthened, including potentially increasing its fining powers.</i></p> <p>2017 update: (1) The government is considering next steps. The fines SRA can impose on alternative business structures are many times larger than those they can levy on traditional solicitors' firms. Currently, if the SRA believes the alleged breach or misconduct requires a stronger penalty than a fine of £2,000, the matter must be prosecuted before the SDT.</p> <p>As detailed in the Government's response to the Competition and Markets Authority's market study of the legal services sector, the Government believes now is not the right time to consult on legislative change to the legal services regulatory framework, and that there is scope to make more progress within the existing framework. Meaningful change to the regulatory framework would be controversial and would likely require significant primary legislation. Given the uncertainty generated by the UK's withdrawal from the EU, and lack of primary legislation, it is unlikely any significant change will be considered in the short to medium term.</p> <p>The SDT is a statutory Tribunal established under s.46 of the Solicitors Act 1974, and the intention of the legislation, as amended by the Legal Services Act 2007, is that the SDT should deal with the most serious cases and the SRA should have powers to deal with less serious matters. The SDT plans to consult in the autumn on rule changes, including a proposal to determine alleged disciplinary breaches using the civil standard of proof rather than the criminal standard as at present.</p>
15	<p>The SRA should take a tougher approach to combatting fraud including by</p> <ul style="list-style-type: none"> making clear that it will give an appropriate focus to combating financial crime through 	<p>2016 update: (1) <i>The SRA's regulatory decisions are published on its website in accordance with its <u>publication policy</u>. In March 2016 it published a <u>warning notice</u> which reminds practitioners that they must act only on valid client instructions. It has highlighted the issues raised in the warning notice in its <u>2016/17 Risk Outlook</u>. The Risk Outlook sets out the priorities to which it will allocate our resources over the year</i></p>

its existing powers, including naming and shaming

- considering requiring solicitors to undertake client identification checks in cases other than just those where they handle client money
- working with the CMR Unit to enforce the referral fee ban

The SRA has prioritised the personal injury market for a thematic review. It has undertaken independent research about the market and is currently visiting firms it oversees to build its understanding and evidence base around good and bad practice. This will help the SRA to effectively target its regulation

The SRA's recent consultation on draft Codes of Conduct set out that it expects firms and individuals to only act for clients on valid instructions from the client. The SRA are reviewing responses to its consultation and continue to work with the CMR Unit to facilitate investigations.

2017 update: (1) In September 2017, the SRA published a warning notice to solicitors involved in holiday sickness claims, which included identifying observed behaviours suggesting firms are failing in their duties to act in accordance with the Principles and Outcomes of the Code of Conduct for solicitors.

The SRA has been working closely with the CMR Unit and the IFB to share information about CMCs and law firms. Based on information received from all sources, the top 5 reasons for PI related complaints (12 months to Oct 2017) are:

- Client Care: Incompetence/negligence/delay
- Fraud: taking on and progressing fraudulent claims
- Client Care: Inappropriately acting/refusing instructions
- Failure to protect client money
- Publicity: cold calling or other improper marketing

Following information received from the IFB and other sources, the SRA intervened into firms:

- Firm A – Intervention 2 December 2016
- Firm B – Intervention 22 March 2017
- Firm C – Intervention 30 March 2017
- Firm D – Intervention 18 May 2017
- Firm E – Intervention 24 May 2017

		<p>They have recently published a warning notice reminding law firms of their obligations when handling holiday sickness claims. The SRA's Personal Injury thematic review report will be published before end of the year.</p>
<p>16</p>	<p>Insurers should provide the SRA with evidence regarding claimant law firms suspected of insurance fraud and the SRA should investigate and act robustly. The IFB should act as a single point of contact between insurers and the SRA</p>	<p>2016 update: (1) <i>The IFB is working to ensure that data is shared with the SRA and has also endorsed the SRA's <u>warning notice</u>. The SRA is also currently investigating several matters where an allegation of insurance fraud has been made against a firm. The SRA will continue to work with the IFB/insurers to give confidence that information they provide will be considered to inform investigations.</i></p> <p>2017 update: As a direct result of engagement between the Chair of the IFT and the senior management team at the Solicitors Regulation Authority (SRA), insurers have designed a new process, which has been formally in place since September 2016.</p> <p>This revised process has been successful, seeing the insurance industry make 76 referrals to the SRA. Whilst little detail can be provided about the live and ongoing investigations at a granular level, the process has led to referrals being escalated and reviewed by the supervisory team. The level of investigation will vary from monitoring through to active forensic investigation leading to potential intervention. 6 insurance related firms have been subject to intervention.</p> <p>For example, ABTA Members have been providing the SRA with evidence of claimant law firms which do not appear to be adhering to the Code of Conduct and/or are suspected of involvement in fraud. The SRA is investigating several companies following up from these reports, and liaising with the CMR Unit where appropriate.</p>
<p>17</p>	<p>In implementing the whiplash reforms outlined at Autumn Statement 2015, the government should consult on introducing a mandatory requirement for referral sources to be included on CNFs and claims should only proceed where CNFs are complete. Insurers should share data with the SRA and CMR if they suspect claimant representatives of breaching the referral fee ban</p>	<p>2016 update: (1) <i>The Government position on this issue will be addressed in part 2 of the government response to the Ministry of Justice's consultation on 'Reforming the Soft Tissue Injury ('whiplash') Claims Process', which will be published in due course</i></p> <p>2017 update: (1) Insurers continue to pass information to them where they suspect a breach of the referral fee ban.</p> <p>The CPL Board has agreed as a pilot exercise to add a field to the Road Traffic Accident CNF that will capture the referral source. The intention is that the field be mandatory</p>

		but with a “prefer not to say” option, and that the data in this field be fed direct to the IFB but not provided to insurers. It is intended that this change be included in the next Portal release, planned for 2018.
18	The ABI, in conjunction with the IFB, should produce guidance to its members setting out what forms of direct contact is acceptable with the alleged claimant if they suspect that legal representatives are acting without instruction	<p>2016 update: (1) <i>Guidance is incorporated into Chapter 6 (Best Practice Guidance) of the ‘IFB Counter Fraud Best Practice Guidance: Claims Farming published in February 2015. This Guidance will be revisited in light of publication of the Strategic Threat Assessment.</i></p> <p>2017 update: (1) New Guidance (see Recommendation 19) is incorporated into Chapter 8 (Best Practice Guidance) of the revised ‘IFB Counter Fraud Best Practice Guidance: Claims Farming’ which was published in October 2017.</p>
19	Claimant and defendant representatives (APIL, MASS, FOIL and ABI) should produce a standard letter in conjunction with the SRA and IFB for insurers to send to claimants directly to verify whether they have instructed a firm to represent them	<p>2016 update: (1) <i>Whilst some guidance is provided in the BCG1 Guidance Note, the Claims Portal Board are currently considering more detailed guidance to include proposed wordings that insurers should utilise that would be acceptable to the Claims Portal Ltd behaviours committee. This matter is due for further discussion at the next board meeting in November.</i></p> <p><i>(2) The SRA will continue to engage with organisations to seek information about firms that are possibly acting without valid instructions.</i></p> <p><i>The ABI and IFB have commenced work to agree text of a model letter, to develop a list recommending what should/should not be discussed by telephone and recommending evidential requirements. Draft narrative will be discussed with the SRA, prior to buy-in being sought from other listed stakeholders. Agreed text will be incorporated into revised IFB Counter Fraud Best Practice Guidance.</i></p> <p>2017 Update: (1) Guidance for insurers on direct contact with claimants which incorporates a model letter, together with ‘Dos and Don’ts’ advice was agreed in October 2017.</p> <p>(2) In the period, Oct 2016 – Oct 2017, acting without valid instructions was one of the top 5 reasons for reporting a firm to the SRA. Their new Code of Conduct will</p>

		<p>make it a regulatory requirement for all firms to carry out due diligence on all matters and only act where valid client instructions are in place.</p>
<p>20</p>	<p>The government should establish a stronger regime for CMC regulation and ensure that it has adequate resources and powers to do its job effectively. In particular the regulator should</p> <ul style="list-style-type: none"> • effectively police the referral fee ban • prevent the use of "phoenix" companies • consider how to deal with those organisations providing claims management services outside the regulated sector • liaise with the ICO regarding the abuse of data protection rules • maintain a robust regime to ensure those regulated are run by fit and proper persons 	<p>2016 update: (1) <i>In a Written Ministerial Statement published on 26 May 2016, the government accepted each of the recommendations addressed to it, including recommendation 20. As announced at Budget 2016 and following the recommendations of Carol Brady's independent review, the government will transfer regulatory responsibility for CMCs to the Financial Conduct Authority.</i></p> <p><i>The new regime will be tougher, ensuring that CMC managers are responsible for the actions of their companies and allowing authorities to tackle damaging behaviour. Responsibility for dealing with complaints about CMCs will be transferred from the Legal Ombudsman to the Financial Ombudsman Service.</i></p> <p>2017 update: (1) The Financial Guidance and Claims Bill, which was introduced in Parliament in June 2017, will give effect to this transfer. The Bill will also introduce fee restrictions and measures to combat cold calling.</p> <p>The FCA will plan to prevent struck-off directors from resurfacing – or phoenixing – as a new firm by setting threshold conditions and applying the Senior managers and Certification Regime. Overall, this will ensure individuals are accountable for their conduct and competence. The FCA also has the power to put in place due diligence rules in relation to the way that firms acquire leads for new customers. The FCA will consult on the details of its rulebook in due course.</p> <p>The Government is confident that the FCA will work closely with the ICO, SRA and other relevant regulators to deliver a comprehensive and robust regulatory regime.</p> <p>Overall these measures will strengthen the regulation of CMCs, including reducing incentives for CMCs to pursue speculative and fraudulent claims.</p> <p>The ICO proactively works with CMRU to address claims management companies undertaking unsolicited electronic direct marketing, and potential abuses of data protection law.</p>

<p>21</p>	<p>The government should</p> <ul style="list-style-type: none"> develop and deliver a coherent regulatory strategy to tackle nuisance calls that encourage fraudulent personal injury or other claims, in partnership with the CMR, IFB, ICO, ABI, Ofcom and SRA put the ICO's Direct Marketing Guidance on a statutory footing 	<p>2016 update: (1) <i>The ICO leads a multi-agency group – Operation LINDEN – and has operational working arrangements with Ofcom, MoJ CMR, FCA and including IFB and SRA. The ICO also attends roundtable meetings organised by DCMS. The ICO revised its Direct Marketing Guidance (DMG) in March 2016 and the government introduced a clause in the Digital Economy Bill to make DMG statutory.</i></p> <p>(2) <i>The government has announced an additional measure aimed at tackling cold-calling: forcing cold callers to display their number when contacting consumers. Government action has been accompanied by proactive steps from regulators, including Ofcom launching a text-to-register service for consumers to sign up to the TPS, and the ICO continuing to levy significant financial penalties on rogue firms. More broadly, the government's Joint Action Plan is helping to deliver better coordination between the two regulators and serves as an early example of improved regulatory collaboration.</i></p> <p>2017 Update: (1) <i>Invitations to Operation Linden have been extended to ABI, IFB and SRA to assist with tackling nuisance calls in the insurance sector. In January 2017, the ICO assumed responsibility for the Telephone Preference Service (TPS). Since April 2017, the ICO has issued 20 civil monetary penalties amounting to £2,030,500 against organisations making or sending unsolicited electronic marketing calls or messages. There is a further £1.4 million in penalties currently being considered. Over the same period, the ICO has also issued nine Enforcement Notices against organisations to compel them to comply with the law around marketing calls or face criminal prosecution.</i></p> <p><i>Since June, several search warrants have been executed on premises in the North West, in connection with a complex and ongoing investigation by the ICO into personal injury claims about road traffic accidents and the theft of data from car repair centres.</i></p>
<p>22</p>	<p>The ICO should</p> <ul style="list-style-type: none"> work with regulators operating in countries where nuisance calls are commonly sourced to tackle nuisance calls internationally 	<p>2016 update: (1) <i>The ICO has international working relationships with FTC (USA), and OPC and CRTC (Canada) among others. The ICO is the ExCom member of UCENET - meeting in Paris in October to co-ordinate operational plan to tackle unsolicited marketing messages.</i></p>

	<ul style="list-style-type: none"> • coordinate a communications strategy to inform consumers what giving consent to use of their data means in practice 	<p><i>The ICO's communications strategy will focus on statutory Direct Marketing Guidance (DMG) when the Digital Economy Bill goes through Parliament, and will highlight differences with the GDPR.</i></p> <p>2017 update: (1) The ICO continues to be part of the Unsolicited Communications Enforcement Network (UCEnet). Earlier this year, the group undertook a 'Sweep' to look at the way in which affiliate marketing companies operate in different jurisdictions, and the results are to be published on the ICO's website in the future.</p>
23	<p>The government should consider introducing a fixed recoverable costs regime for noise induced hearing loss (NIHL) claims</p> <p>The Taskforce endorses and supports the CJC's investigation into how a fixed recoverable costs regime for NIHL cases (and perhaps other similar cases) might work, and how the handling of NIHL claims might be improved by both claimant and defendant representatives (including how evidence is obtained and presented), and recommends that this work should include consideration of quality standards and/or other thresholds for medical evidence</p>	<p>2016 update: (1) <i>The Civil Justice Council (CJC) working group, consisting of claimant, defendant and judicial representatives, continues to consider this matter. The working group consists of claimant, defendant and judicial representatives. The CJC working group is expected to submit its final report for approval by the CJC early in 2017. It would then be for MoJ to consider how to take this forward.</i></p> <p>2017 update: (1) The CJC reported in summer 2017; its recommendations were endorsed and supplemented by Lord Justice Jackson in his 'Review of Civil Litigation Costs: Supplemental Report – Fixed Recoverable Costs' published on 31 July 2017. The Government is considering the way forward on Lord Justice Jackson's recommendations and on NIHL. The Government is also taking action to extend fixed recoverable costs for package holiday sickness claims. On 9 July 2017 the MoJ announced an intention to clamp down on bogus holiday sickness claims. The MoJ subsequently launched a Call for Evidence in October 2017 and proposed to extend the existing regime of fixed recoverable costs to holiday sickness claims. The proposals are being considered by the Civil Procedure Rule Committee with the aim of bringing new rules into force in early 2018.</p>
24	<p>Aggregators should establish the use of existing fraud databases and data sharing schemes on a consistent basis in order to improve the industry's ability to detect fraud at the point of quote</p>	<p>2016 update: (1) <i>HMT met with the top four aggregators (by market share in general insurance products) to discuss the findings of the Taskforce report, and to establish a collective view on recommendations 24 and 25.</i></p> <p><i>Aggregators recognise they have both a commercial incentive (through better quality leads) and moral obligation to tackle insurance fraud.</i></p>

		<p><i>As a sector, they welcome the Taskforce’s report and want to play a proactive and constructive role in reducing fraud going forward. Aggregators recognise they have different responsibilities and incentives from insurers in the fight against fraud – being one step removed from the final impact of fraudulent activity. For example, they are well placed to detect certain behavioural patterns that insurers cannot see such as ghost broking and fraud across product lines but hold limited fraud data due to a historical reluctance of the industry to share fraud data with them.</i></p> <p><i>Aggregators support the use of fraud databases and data sharing schemes to detect fraud at the point of quote in principle, however recognise the following practical barriers to use:</i></p> <p><i>The aggregators state there is no commercial incentive for aggregators to sign up to MyLicence as very few insurers either use MyLicence or provide discounts for a customer who provides their Driving Licence Number (DLN). It is not possible to make the licence number collection compulsory, as this creates a more cumbersome customer journey and possible loss of custom. Aggregators are also not allowed to keep DLNs because of data protection legislation, so must request this information for each quote. This causes issues for some aggregators when quoting for a renewal which could make the process of repeat switching harder for returning customers</i></p> <p><i>Aggregators have concerns that CUE data is not accurate enough, or in the correct format, to use for real time quote generation, however they would welcome a conversation with the MIB and ABI on next steps. Aggregators also have concerns about the cost of CUE and state there is a case to provide free access to aggregators, as doing so would reduce administration costs for insurance partners, and lower loss ratios. Aggregators also recognise that CUE’s reciprocity principle may be a barrier.</i></p> <p>2017 Update: (1) No update.</p>
25	<p>Aggregators should proactively engage with insurers and come to a collective data sharing agreement to tackle insurance fraud in order to detect suspicious consumer behaviour at the</p>	<p>2016 update: (1) <i>Aggregators recognise they are well placed to detect suspicious consumer behaviour at the point of quote, and that there is value in sharing more data with insurers and the IFB for the purposes of disrupting fraud. However, they recognise the following practical barriers:</i></p>

point of quote. This initiative should be coordinated by the IFB

Aggregators already share varying amounts of fraud data, for example to help with individual investigations and to respond to Data Protection Act (DPA) requests. However, they state that data-sharing is resource intensive and only one way. For example, aggregators do not receive any intelligence or data in return, therefore this offers no return on invested time and effort. Aggregators would welcome more data-sharing if they received IFB data in return

Aggregators highlighted a tension between the commercial and fraud arms of insurers that may lead to some insurers not wanting aggregators to take action against fraudulent applications. For example, if an aggregator's action was to be applied to their whole panel of insurers, some insurers believe that this restricts the competitive advantage of their individual fraud prevention services

Aggregators state that there is no return on investment for implementing fraud checks already carried out by insurers pre-quote or post-sale. Insurers will not stop using these services themselves, so the financial obligations are unlikely to be met by the insurers but simply sit with the aggregator. This also adds no value due to a duplication of customer checks

The IFB hosted a roundtable with the top four aggregators. Opportunities for collaboration were discussed in broad terms including mutual data sharing arrangements and media/consumer education programmes. However, issues with the current landscape (including specific elements of the current financial arrangements) were flagged by attendees as significant barriers to long-term collaboration. Engagement has continued with aggregators on a 1-2-1 basis with a view to initiating pilot data sharing projects to assess the value of aggregator data in enhancing the industry fight against fraud, with a view to building a longer-term model. Formal pilot projects are expected to be completed in H1 2017, at which point further updates will be provided.

Three major aggregators have signed-up to revised industry Application Fraud guidance and GoCompare participated in an intelligence sharing panel session at the ABI's Fraud Conference in September 2016.

		<p>2017 update: (1) Insurers and aggregators continue to talk about how to address this recommendation, both at industry events and on a 1-2-1 basis.</p> <p>IFB had previously agreed an approach whereby it was going to develop a pilot with one of the large four aggregators and then invite the others to take part. This approach has been delayed because of changes to the management and personnel at that aggregator, but is still being discussed as the most favourable way forward.</p> <p>The newly created General Insurance Fraud Committee (GIFC) will review and discuss this topic when it meets in January 2018 and, if not satisfied, that there is a clear way forward, it will seek to agree an alternative.</p>
26	<p>The government should establish a legacy vehicle to ensure that Taskforce recommendations are implemented</p> <p>The legacy vehicle should continue the effective dialogue between different stakeholders regarding insurance fraud and should be made up of industry representatives similar to that of the Taskforce. It should review progress against these recommendations and fraud developments generally and should report to government once a year initially for 3 years. It should produce an annual report to government on progress and areas that need to be improved.</p>	<p>2016 update: (1) <i>In a Written Ministerial Statement published on 26 May 2016, the government accepted each of the recommendations addressed to it, including recommendation 26. To this end, HM Treasury and the Ministry of Justice chaired a roundtable on 10 November 2016 and provided a written update to ministers.</i></p> <p>2017 update: (1) As per this report, HM Treasury continues to report on progress made by industry on the recommendations of the Insurance Fraud Taskforce for 2017. This will be the final progress report.</p>