

Insurance Fraud Taskforce: report 2016

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 2016 report sets out the progress made during 2016 on the original 26 recommendations put forwards by the Insurance Fraud Taskforce. The report was discussed at the November 2016 roundtable meeting, and completed in February 2017.

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>The FCA published two documents in October 2016 (a Feedback Statement and Policy Statement) 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.</p> <p>New FCA rules on consumer insurance policy renewals, to be 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.</p> <p>The ABI has a number transparency initiatives to improve consumer understanding of insurance products, including:</p> <ul style="list-style-type: none"> • <u>home and personal motor premium trackers</u> – 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 • <u>claims success rates</u> – 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 insurance. This sets out what home insurance is; what is/is not covered; how the premium is calculated; and how to make a

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>

		<p>hassle-free claim</p> <ul style="list-style-type: none"> • '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 the gripes motorists have about the price of motor insurance <p>The ABI and IFB have met with the CII to discuss its 'Made Simple' service, and the IFB is working with CII to design FAQs on insurance fraud.</p> <p>The ABI and BIBA renewed their <u>Code of Good Practice</u> 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.</p> <p>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.</p>
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>The ABI states that developing a long-term cross-industry public communications strategy requires a significant commitment from the industry over a long-term period of ten years or more, and will require a number of distinct phases. The first phase was to define comprehensive terms of reference – outlining those different 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.</p> <p>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.</p> <p>The ABI and CII have concluded that research on behavioural economics should be considered as</p>

		part of the long-term communications strategy.
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 • increasing membership of existing anti-fraud scheme and databases including MyLicence and CUE 	<p>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 have agreed to participate, with work underway to extend membership to non-ABI insurers</p> <p>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</p> <p>The Counter Fraud Data Alliance (CFDA) is an initiative to share proven fraud data between public and private sector organisations. The insurance industry are 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</p> <p>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 than strictly tackling fraud. The ABI is considering submitting further applications (late 2016).</p> <p>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.</p> <p>The ABI has secured funding to appoint an external agency to devise a methodology to identify the value of application fraud.</p> <p>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:</p> <ul style="list-style-type: none"> • 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

		<ul style="list-style-type: none"> • CUE data available at the point of quote via the central CUE solution, work expected to start in Q3 2017 <p>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).</p> <p>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.</p> <p>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 and CUE Mobile.</p>
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	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.
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	The ABI revised cross sector its Application Fraud Good Practice Guide in April 2016. It also rolled out a ' <u>Checklist</u> 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.

² General Data Protection Regulation (GDPR)

6	Insurers should ensure Board level ownership of counter fraud activity	This was addressed as part of the ABI's Checklist on Effective Counter Fraud Practices .
7	The ABI should consider how it resources its counter fraud activity and whether more priority should be given to this task	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.
8	The ABI should discourage the inappropriate use of pre-medical offers	This issue has been addressed in part 1 of the government response to the Ministry of Justice's consultation on ' <i>Reforming the Soft Tissue Injury ('whiplash') Claims Process</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	This was addressed as part of ABI's Checklist on Effective Counter Fraud Practices . In June 2016, the ABI welcomed the launch of the Forum of Insurance Lawyers (FOIL) Statement of Competence 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.
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 	This issue has been addressed in part 1 of the government response to the Ministry of Justice's consultation on ' <i>Reforming the Soft Tissue Injury ('whiplash') Claims Process</i> '.

	lodged after a specified period of time has elapsed since the alleged accident ³	
11	The insurance industry should remain vigilant to emerging fraud and should coordinate its engagement with government through the ABI	<p>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.</p> <p>The ABI held a cyber-insurance fraud panel discussion at its fraud conference in September 2016.</p>
12	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>In November 2015, the ABI approved:</p> <ul style="list-style-type: none"> • a revised funding model and levy for the IFB to 2020 • building new cross-industry intelligence sharing infrastructure to share intelligence in efficient, compliant manner; and to extend current remit to liability/property lines • extending the remit of IFB into other product lines, starting with property and liability in 2017, and in other areas
13	The Claims Portal Limited should give IFB access to Claims Portal data	<p>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.</p>
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 	<p>The government committed to consider whether the SRA's enforcement powers should be strengthened, including potentially increasing its fining powers. .</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

	cases put before the Solicitors Disciplinary Tribunal	
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 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 	<p>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</p> <p>The SRA has prioritised the personal injury market for a <u>thematic review</u>. 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</p> <p>The SRA's recent consultation on <u>draft Codes of Conduct</u> 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 CMRU to facilitate investigations</p>
16	<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>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 a number of 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.</p>
17	<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>This issue has been addressed in part 1 of the government response to the Ministry of Justice's consultation on <i>'Reforming the Soft Tissue Injury ('whiplash') Claims Process'</i>.</p>
18	<p>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</p>	<p>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.</p>

	without instruction	
19	<p>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>	<p>Whilst some guidance is provided in their 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.</p> <p>The SRA will continue to engage with organisations to seek information about firms that are possibly acting without valid instructions.</p> <p>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.</p>
20	<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>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. 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.</p>
21	<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 	<p>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</p>

	<p>the CMR, IFB, ICO, ABI, Ofcom and SRA</p> <ul style="list-style-type: none"> put the ICO's Direct Marketing Guidance on a statutory footing 	<p>DMG statutory.</p> <p>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.</p>
22	<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 coordinate a communications strategy to inform consumers what giving consent to use of their data means in practice 	<p>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.</p> <p>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.</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>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.</p>

<p>24</p>	<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>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.</p> <p>Aggregators recognise they have both a commercial incentive (through better quality leads) and moral obligation to tackle insurance fraud.</p> <p>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.</p> <p>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:</p> <p>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</p> <p>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</p>
<p>25</p>	<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 point of quote. This</p>	<p>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:</p>

	<p>initiative should be coordinated by the IFB</p>	<p>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</p> <p>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</p> <p>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</p> <p>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.</p> <p>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>
<p>26</p>	<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</p>	<p>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.</p>

<p>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>	
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