

Subject: Insurance fraud – what progress has the industry made and are the resources being fully utilised?

Presenters	APPG	Others
<p>Martin Andrews, Director General, Credit Hire Organisation</p> <p>Steve Evans, Chairman, Credit Hire Organisation and CEO, Accident Exchange</p> <p>Neil Thomas, Director of investigative services at Accident Exchange and APU</p> <p>Plus for Q&A:</p> <p>Dave Wood, Head DCI and Maria Woodhall, Superintendent, Insurance Fraud Enforcement Department (IFED)</p>	<p>Jonathan Evans MP</p> <p>Heather Wheeler MP</p>	<p>David Morey & Paul Clarke (PwC)</p> <p>David Worsfold</p> <p>Others – approximately 10 interested parties, representatives of the industry and trade press</p>

1. Background

The CHO is a trade body, with 66 members, that represent the interests of Credit Hire Companies, which provide temporary vehicles to non fault parties following road traffic accidents.

Accident Exchange Ltd, through a dedicated service centre and with a fleet of 3,000 vehicles, help motorists who are involved in a non fault accident regain their mobility through the provision of a replacement vehicle whilst the driver's own car is being repaired or replaced.

APU Ltd, a sister company of Accident Exchange Ltd, aims to protect a fleet of some 3,000 vehicles, and to carry out road traffic collision and motor insurance fraud related investigations.

IFED is a specialist police unit dedicated to tackling insurance fraud. Funded by Association of British Insurers' members, but based at the City of London Police's Economic Crime Directorate, the team of detectives and financial investigators acts with operational independence while working closely with the insurance industry.

The Credit Hire Organisation (CHO) had circulated a briefing paper in advance of the meeting. This is attached for reference. It provides more detail for example selected insurance fraud cases.

As context, the Chairman reminded the Group of the significant progress in the insurance sector following the Prime Minister's support at the Insurance Summit some 3 years ago, including reference to the Legal Aid, Sentencing and Punishment of Offenders Act 2012, referral fees and whiplash claims, as well as the good work conducted by the IFED. He also referenced concerns being expressed regarding the extent to which insurance fraud is now potentially seen as a lower priority.

2. Presentations (key points):

i) Martin Andrews, Credit Hire Organisation (CHO)

- The Competition and Markets Authority had concluded that the replacement vehicle market was operating satisfactorily and did not propose further changes to the referral fee arrangements in that market
- A key objective was to reduce the incidence of insurance related fraud
- CHO want to work more closely with others to help to detect and investigate fraud cases

- CHO had identified fraud cases whereby the initial recognition arose from a call to access a replacement vehicle
- However, CHO has struggled to attract sufficient police interest to investigate such cases, allowing them to be taken to court
- Need clarity of working relationships, with reduced push back from the IFED where cases are not insurer referred.

ii) Steve Evans, Credit Hire Organisation Accident Exchange (AE)

- He referenced the Masi Naqshbandhi fraud case (see the CHO's briefing note for details)
- He noted AE's use of telematics devices in their fleet of replacement cars, which provides valuable data on car locations etc. This evidence has become more sophisticated over the years
- He referred to a case where the recovered car contained an extensive array of fraudulent documentation relating to the use of credit hire vehicles, ultimately leading to a successful prosecution (pre establishment of the IFED)
- Concerned that more recently, it is more difficult to engage effectively with police across the UK, where there often appears to be a lack of interest in insurance fraud. Also IFED seems reluctant to take on non insurer referred fraud cases. More generally, there seems to be a lack of effective "joined up" co-ordination on fraud identification and investigation
- Criminals are increasing more sophisticated in their activities, and use knowledge of the existing (un-coordinated) approach to detection to their advantage
- Current initiatives are "one dimensional" – there is a need for i) a more proportionate response capability and ii) better information flows and sharing of the value of these information flows.

iii) Neil Thomas, Accident Exchange and APU

- Local police stations typically lack expertise to deal with insurance fraud; local police seeking support from the IFED is not fruitful
- Criminals are well organised (use fake IDs, ID theft, car theft) and take advantage of police resource limitations
- Shared an example of the Merseyside police where working together had been effective. Need a system whereby there is quality engagement with the IFED and an ability to share evidence, especially where criminals are working cross police boundaries.

3. Q & A

A number of additional points were discussed:

- View expressed that the white collar crime units within police forces have de-prioritised insurance fraud; police resource cutting has impacted their ability to address insurance fraud
- Generally statistical data on fraud cases investigated by the different police forces doesn't differentiate insurance fraud specifically; more work is needed to improve fraud reporting. There is no reporting on fraud cases not investigated by local police forces
- Improved training of local police forces would help to better tackle insurance fraud crime
- IFED recognise the issue of de-prioritised local police efforts to address insurance fraud
- IFED is funded by ABI and Lloyds of London. Current budget is circa £4m p.a. – recently increased by circa £450k for the next three years.

4. The Group's view

The Group is conscious that insurance fraud ultimately reflects itself in insurance premiums paid by law abiding people, and supports efforts to reduce this crime through effective identification and investigation.

The Chairman committed to write to the Association of Police and Crime Commission to ask about the extent of insurance fraud investigation by the different police forces and whether insurance fraud has been raised with police constables as a priority area or not.

David Morey
11 February 2015