



The Insurance Fraud Register

What, why, when

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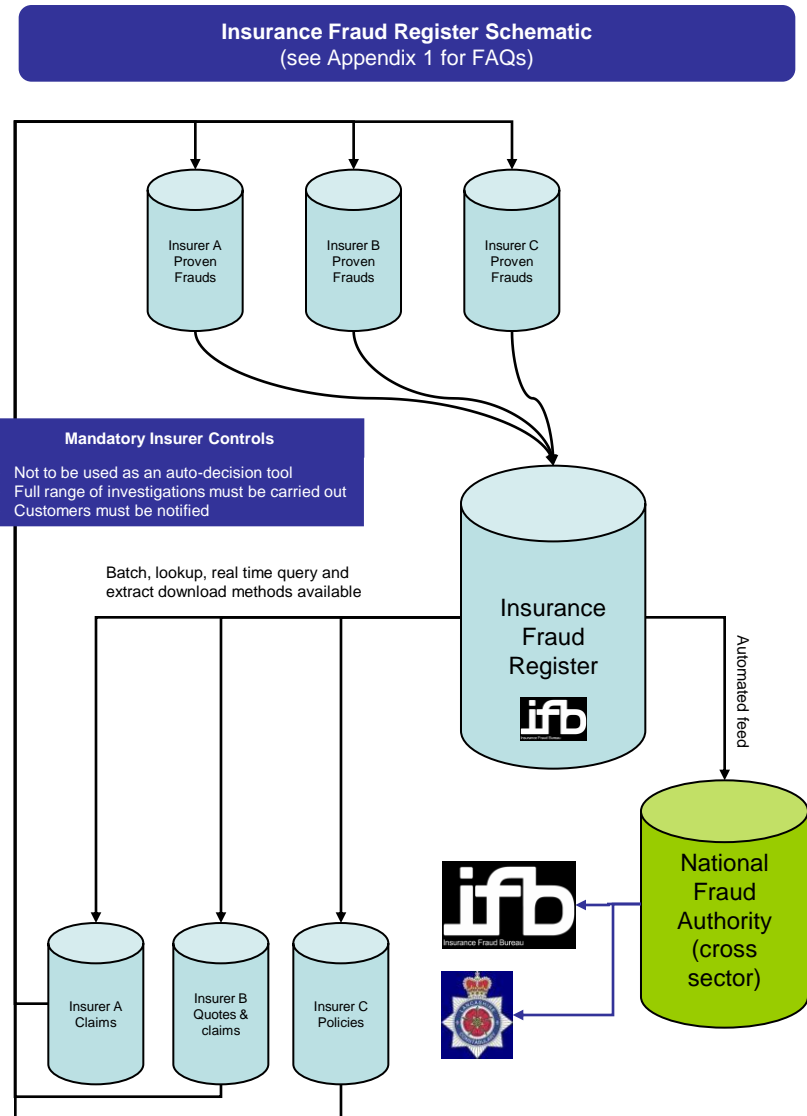


Project Rationale

- Of £840m fraud in 122k transactions prevented in 2009, most is detected post event.
- At least £1.9bn of fraud remains undetected. Customers pay for this, increasing average premiums by £44 / policy. The industry has no way of managing customers who “cross the honesty line” and then move between insurers.
- Fraudsters fear criminal prosecution. This deterrent is not readily available to the industry for opportunistic fraud as the cost of reporting fraud to the Police outweighs the benefits normally achieved.
- There is already an expectation that the industry will deliver detailed fraud data to the National Fraud Authority.

Insurers should be able to routinely access details of known fraudsters for risk management and loss reduction purposes throughout the contract lifecycle

- Some industry suppliers already record and share some of this information on an ad-hoc basis. There are no controls around this activity, exposing the industry to unacceptable reputational risk.
- An industry owned initiative reduces risk by introducing a robust, enforceable governance regime, generating critical mass and improving consistency to ensure that customers are treated fairly.
- An Insurance Fraud Register will have deterrent effects.





Business Case

The IFR **improves regulatory and consumer confidence** by ensuring that fraudsters face tangible consequences. It **reduces industry risk** by introducing **proper governance**, improving control over sensitive insurance fraud information to **generate critical mass** and deliver strong **financial returns**.

For Consumers:

- Meets expectation that the industry proactively manages the cost of insurance
- Many believe we already have this database – and would expect us to run a properly controlled system
- A visible deterrent – those who commit fraud will face tangible consequences

For the Regulator:

- Meets FSA best practice and policy for firms to manage fraud on a collaborative basis
- Demonstrates improved commitment to reducing financial crime
- Delivers on the expectation that the industry will deliver detailed data to the National Fraud Authority

For Insurers

- Reduces reputational risk. Delivers a robust governance framework to regain control over sensitive fraud data
- Deliver the functionality the industry needs, and consolidates governance within a trusted industry Centre of Excellence
- Provides automated, low cost fraud reporting to the Police
- Provides a single platform for fraud data sharing across GI, Life and Healthcare sectors

Financial:

- Net benefit of up to £25m in five years (range of £4.1m to £25.2m depending on take-up and growth rates)
- Break even after a maximum of two years



IFR Pilot – Core Questions Addressed

Do the financials stack up?

- 6% match rate against IFB datasets
- 91% of policy matches not currently detected
- 28% of claims matches not currently detected
- Potential to more effectively manage 47,000 policies over 5 years
- Many intangible benefits. The IFR will be a powerful deterrent to opportunist fraudsters

Legal issues addressed?

- Close liaison with the Information Commissioner's Office – no issues raised
- Comprehensive Information Sharing Agreement & Membership Rules produced, by group headed by the Chair of the ABI Data Protection Panel
- Being finalised by a specialist firm of solicitors
- Application of the IFR rule book will be a requirement of membership
- Non compliance will result in sanctions being applied

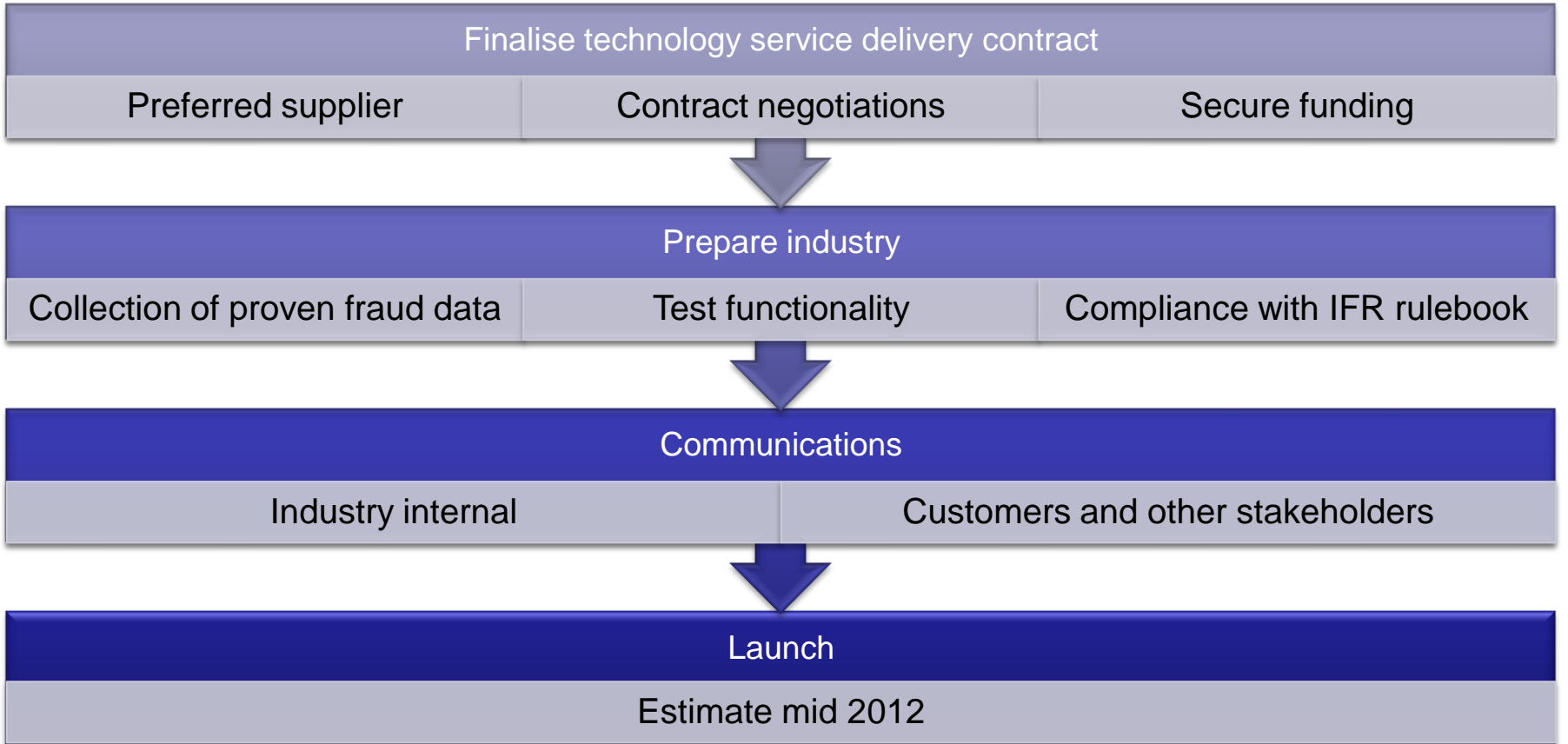
Evidence of TCF

- Key operational guidance in the IFR User Manual
- IFR should not be used as an auto decision tool
- IFB will oversee the IFR, with a link to the GIC via the Chairman of the IFB Board
- Close monitoring by the Information Commissioner
- Compulsory audit protocols will be imposed



Recommendation

Implement the Insurance Fraud Register





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