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Chartered Institute of Loss Adjusters

Anti Fraud Special Interest Group

Member Survey - 2013

Results Analysis and Commentary

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Introduction

The purpose of this survey was three fold:

1. To ascertain the views of the Institute's members on how well the Insurance industry responded to fraud;
2. To ascertain what more the Institute could do to support its members in combating fraud;
3. To obtain opinion that would be beneficial to the wider Insurance arena.

In creating this survey, the Chartered Institute of Loss Adjusters Special Interest Group on Fraud considered that it was important to examine the various areas that it believed were essential to have an effective strategy when it comes to tackling the risk of Fraud. The Group had the belief that the Institute members had a valuable and unique part to play in providing practitioner based, informed opinion on how well they considered the insurance industry were performing around the key components required to have an effective response to the strategic threat of fraud.

By sharing the results of the survey with its members and the wider insurance community, it is hoped that new and improved links can be developed at high level within the Insurance Industry as well as provide a forum to enable CIL A Executive strategic thinking to be designed more in line with members demands when dealing with the practical experience of detecting, and investigating fraud within a dynamic claims environment.

The Special Interest Group on Fraud were pleased to note that 248 responses were received to this first ever comprehensive fraud survey from the Members indicating that the subject matter was of particular interest to the them. The vast majority of those surveyed took the time to expand their thinking in the anecdotal commentary boxes provided. As well as providing some key insights into how the members view fraud at the present time much comment was gleaned from the survey as to how the CIL A's Special Interest Group on Fraud can operate in the



future to meet the specific needs of its members and it is hoped that a future survey will chart progress made.

General Overview

- An encouraging 62.1% of members who responded considered that the insurance Industry was better at measuring fraud than it was 2 years ago but 53.9% did not think that the industry and their suppliers were measuring fraud using definitions common to all, and 67.6% considered there was insufficient publicity surrounding the publication of results by the industry.
- Whilst around 50% of members thought those who were tasked with countering fraud had the necessary authority and management support to investigate it, an overwhelming 70.8% thought that the insurance Industry could do more to incentivise adjusters to investigate fraud more thoroughly.
- 92.9% would like to see more collaborative training between insurers and adjusters and 74.1% believe that an industry wide recognised professional qualification in fraud would be beneficial. Nearly 63% did not think the insurance industry provided sufficient specialist training to those that are expected to make decisions on potentially fraudulent claims.
- Nearly every member that responded would like the industry to do more to share topical news in fraud, trends, and examples of good practice. 59% of members who responded did not feel they could locate with ease data, intelligence and guidance on best practice when tackling fraud, and a further 52.5% considered that information when found was not focussed on the day to day practicalities of adjusting or investigating fraud
- Whilst 55% considered that the Insurance Industry had improved its general approach to fraud by attempting to create an anti-fraud culture, 68.9% doubted that this had been successful as acting as a deterrent, although 54.1% did feel that the Industry had improved by identifying new scams and new areas of risk targeted by fraudsters.
- The survey revealed mixed views from Members when asked if the Police over the last 2 years had been more supportive when reporting concerns over possible insurance fraud. A similar response was received when asked



if the establishment of the Insurance Fraud Enforcement Department had improved support and cooperation. Close to half of those surveyed however did not feel that sanctions imposed by insurers over the last 2 years had increased.

- When looking at the past activities of the CILA in regard to Fraud, going forward members were looking for the CILA to;
 - Deliver and arrange training with contributions from insurers
 - Provide feedback on successful investigations by way of case studies
 - Generally more effective engagement with other organisations and agencies who investigate fraud to share best practice.

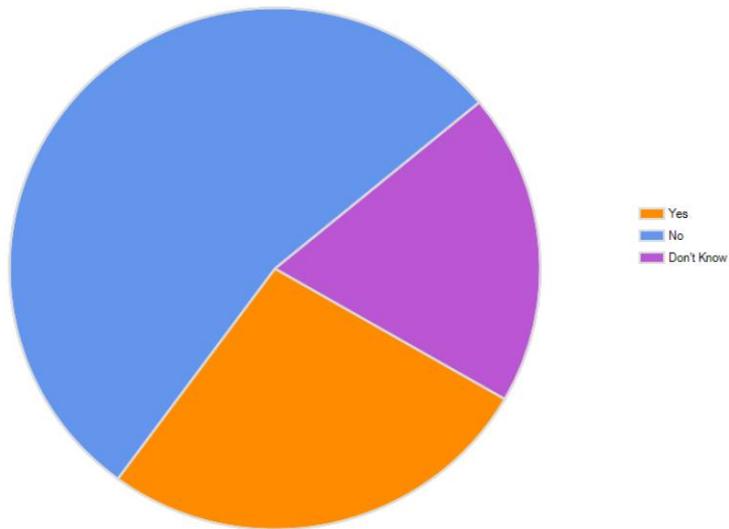
Detailed Analysis

Measurement

Over the last few years the Insurance Industry has attempted on more than one occasion to define and measure fraud. Accurate measurement of fraud will going forward enable those tasked with tackling it to make better decisions regarding the budgetary investment required to tackle ongoing fraud.

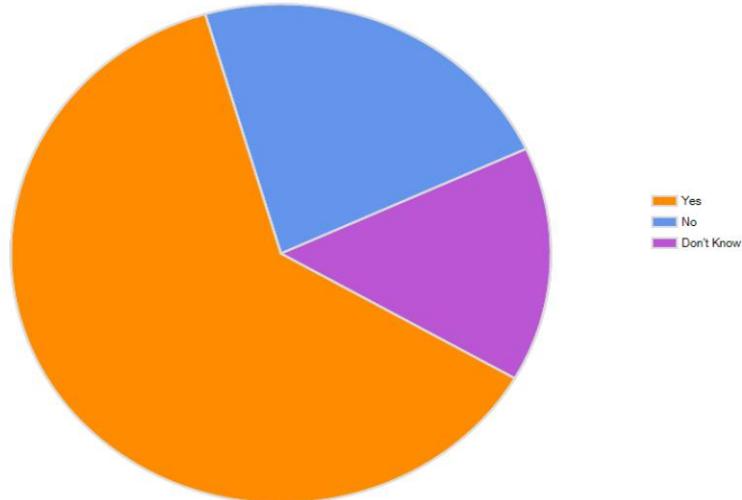
The Member survey revealed that the majority did not feel that that the industry and suppliers were however all using a common basis for measurement. A good number made the point that any definition of fraud can only achieve consistent application through improved and continual education and that the interpretation of fraud can differ from alternative perspectives. What one group will class as fraud may well differ from another and others observed that interpretation will vary dependent on that groups definition.

The Industry and their suppliers are looking at fraud using a definition common to all?



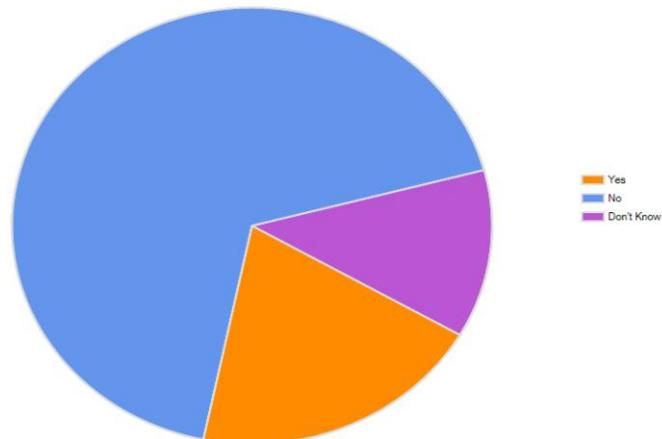
Despite these observations however the survey confirmed that the overwhelming majority believed that the insurance industry had improved their ability to measure fraud over the last two years. There was evidence of concern however that these measurements will increasingly become meaningless unless higher levels of consistent interpretation are achieved.

The Insurance Industry is better at measuring fraud compared with 2 years ago?



Once again the overall majority did not feel that there was sufficient publicity around results and many looked for more frequent updates with some suggesting some basic raw data would be helpful, but concern remains that some insurers may still be reluctant to share such information.

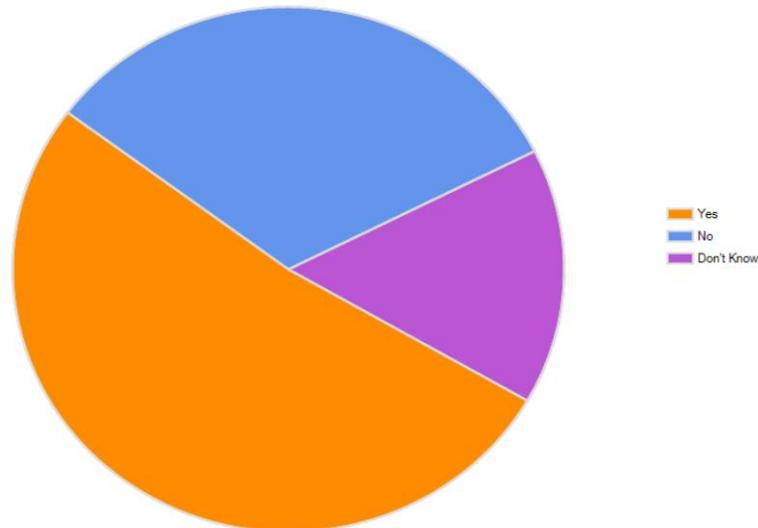
There is sufficient publicity of statistical information on the industry's performance in this sector?



Authority and Support

More than half of those surveyed thought that those tasked with investigating fraud at insurers were getting the necessary authority and support from their management. There was concern however that increasingly customer service departments were all too frequently not supporting their own specialist fraud staff and several considered the stance of the FOS where fraud was alleged was not particularly supportive.

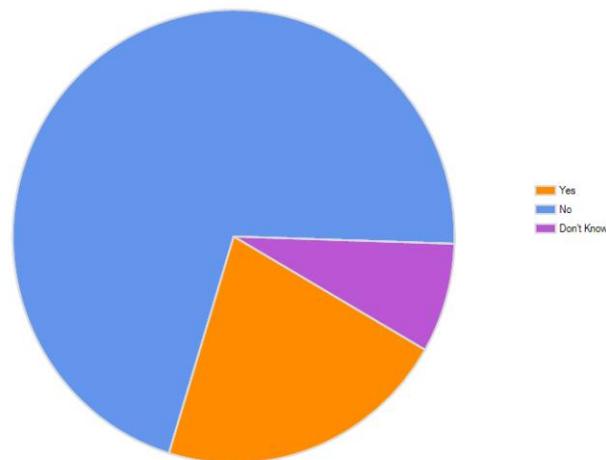
Those tasked with countering fraud with Insurers have the necessary authority and support to investigate alleged fraud?



When asked if the insurance industry created sufficient incentive to Loss Adjusters to investigate fraud thoroughly, the vast majority considered that more could be done. Unsurprisingly, perhaps many considered this was an issue that needed to be tackled but what was clear from the comments was that there had to be a clear distinction between identification of possible fraud and alerting clients to actually investigating it to secure evidence. The majority accepted that within existing fee scales it was reasonable of most clients to expect a loss adjuster to identify and report potential fraud. Indeed many considered inclined to comment that they were already doing just that and provided case studies. The concern was more around the need for additional consideration or incentive to then investigate

suspicions, which can often be time consuming and labour intensive.

Do you consider that the Insurance Industry is providing sufficient incentives to Adjusters to investigate fraud thoroughly?

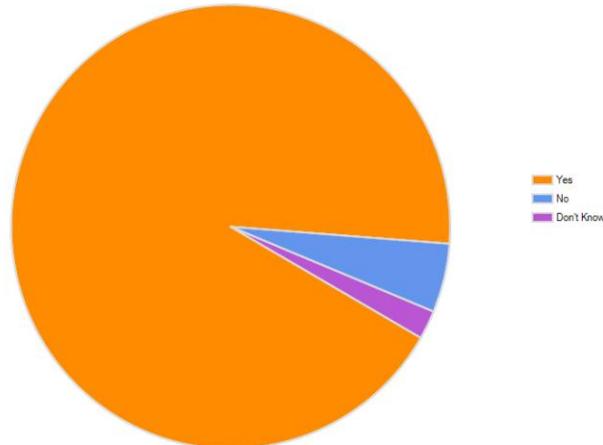


Specialist Training and Accreditation

The majority surveyed considered that the insurance industry did not provide sufficient specialist fraud training to those that are asked to make decisions on potentially fraudulent claims and also suggested that an industry recognised qualification would be useful, but an overwhelming 92% of those surveyed agreed with the statement that more collaborative training between insurers and adjusters when it comes to tackling fraud would also be beneficial.

Member respondents seemed to indicate that collaborative training would result in more sharing of good practice as well as data and would help in adopting a more common approach to fraud. Several pointed out that underwriting as well as claims departments should be involved in this collaborative training. It was heartening to see that

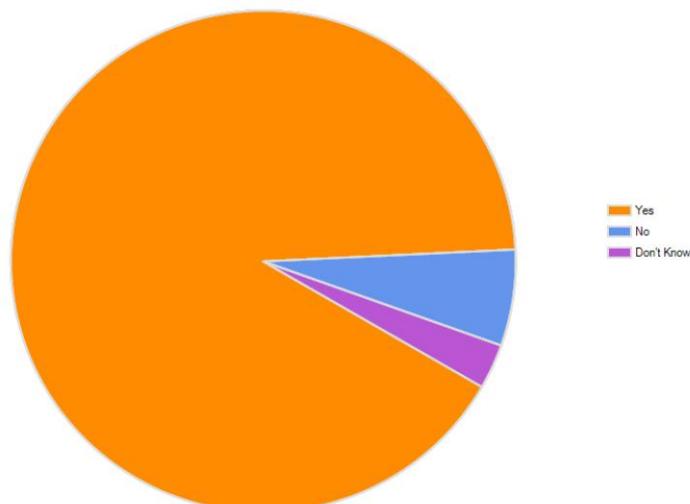
Would more collaborative training between Insurers and Adjusters be beneficial?



Developing effective relationships with other organisations

The majority considered that they were unable to locate with ease data, intelligence and guidance on best practice when it comes to tackling fraud and not enough when accessible was focussed on the practicalities of day to day adjusting or investigations. Over 90% considered that the insurance industry should do more to update adjusters on topical news in fraud, current trends, and sharing of best practice. Many considered that there was a general lack of knowledge as to what information can be shared and disclosed when tackling fraud and several would like to see more information sharing within the adjuster community itself.

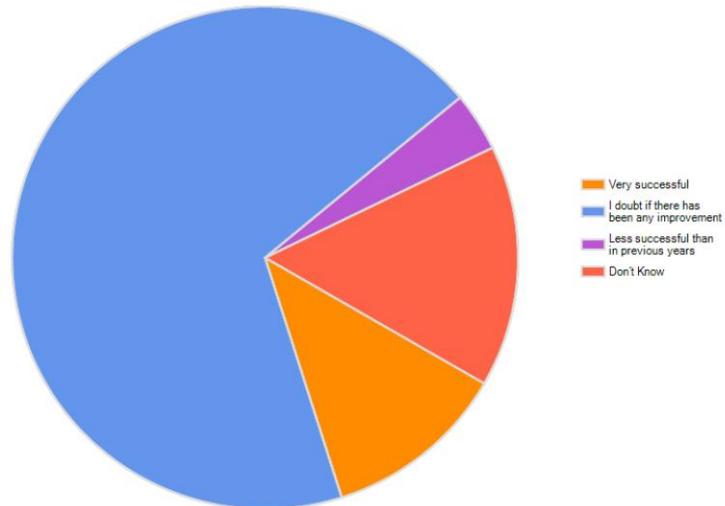
Do you consider that the Insurance Industry should do more to update you on topical news in fraud, current trends, and sharing of best practice?



Culture, Deterrence and Prevention

The anecdotal responses in this section suggested that when considering the attitude of the public towards insurance, many did not believe that any real progress had been made in changing their willingness to combat fraud in recent years and as a result the industry was not still not making progress in deterring fraudsters. When considering insurers approach to fraud within their own departments, however, the majority of respondents considered that the industry had made progress in creating an anti-fraud culture although several considered that there was an increasing trend to avoid specific allegations of fraud as this approach was deemed to be unsupported by Customer Service Departments or even the Financial Ombudsman Service.

Over the last 2 years how successful do you believe that the Insurance Industry has been to deter many people from committing fraud?



A good majority supported the opinion that the insurance industry had made progress in preventative fraud by learning new scams or ploys or reacting by understanding more in regard to external motivators. There was also a very mixed response when asked about police involvement when fraud is alleged and if the creation of the Insurance Fraud Enforcement Department had brought about increased support. Many commented that the climate for Police involvement had changed and factors such as the costs of supporting a criminal prosecution came into play as well as insurers increasing desire to “manage” fraud away rather than prosecute being seen as contributory factors. The majority welcomed the arrival of the IFED but considered that in reality their efforts would be concentrated on organised crime as apposed to Opportunistic fraud, which still remained the biggest problem for the insurance industry.



Acknowledgements

To understand more about what it is that a Loss Adjuster does go to the hyper link below;

<http://www.cila.co.uk/public/what-we-do>

Our gratitude and thanks are sent to the Chartered Institute of Loss Adjusters Special Interest Group on Fraud for all their hard work in the designing and implementation of these surveys. In turn, the SIG would like to record their thanks to the CIL A generally for their support and encouragement around this project but specifically to our current President Kevin Wood MA(Oxon) ACII FCIL A CDir and past Presidents for their interest, Executive Director Malcolm Hyde BSc (Hons) Dip (Fr) FCII FCIL A for his specific help in liaising with the Executive Council, Alison Gamble CIL A Technical Marketing Manager for her general advice, and finally Rob Didcock the CIL A's webmaster for his technical input. Most crucially however it was the Members themselves who responded to the survey that the Chartered Institute of Loss Adjusters Special Interest Group on Fraud wanted to thank for their participation, encouragement and support. Many provided comment and helpful feedback, which the SIG will take on board when conducting any future surveys.