

Industry working group explore the use of behavioural science to tackle insurance fraud

An industry working group, tasked with developing a communications strategy to combat insurance fraud, has appointed behavioural experts to carry out experimental research into the impact different approaches could have on fraud levels.

The work will target opportunistic fraud in personal general insurance lines and the research will explore how changes to various parts of the customer journey could positively change customer behaviour. It will also assess the potential impact of a public attitude campaign.

Opportunistic fraud includes the provision of false information at application stage and exaggeration of genuine claims. It is believed to account for a significant majority of the total value of undetected fraud which could cost the industry as much as £2 billion. Tackling this type of fraud has been a long standing challenge to the industry and forms one of the key recommendations of the Government's Insurance Fraud Taskforce (IFT) report.

One of the many complex challenges faced by the industry is identifying ways of interrupting dishonest behaviour, or inadvertent mistakes, while reassuring honest customers and avoiding any barriers to the timely payment of legitimate claims.

Behavioural experts, Decision Technology, were appointed for their innovative approach to running trials within a simulated environment which provides a safe space for testing multiple interventions without disrupting live insurer processes or customers.

The industry has never done this type of research before. Test results should enable the relative commercial impacts of each intervention to be measured across different insurance products and lifecycle stages.

Recommendations for the long term approach to addressing the problem will be drawn from the results and presented to the industry in the first half of 2018.

David Hertzell, Chair of the Insurance Fraud Taskforce said "Tackling opportunistic fraud requires significant and sustained behaviour change which presents immense challenges. It is impossible to accurately measure whether or not an opportunistic activity has been prevented;

finding ways to measure how effective individual techniques can be is therefore vitally important. I am looking forward to seeing the results and how they may be put into practice.”

Amanda Blanc, Chair of the Insurance Fraud Bureau and CEO AXA UK said “Introducing interventions into the customer journey is an area where we need to tread very carefully. Consumer trust is fragile and we know that the vast majority of insurance customers are honest. However, it is important that we find a way to reduce the cost of fraud which ultimately impacts the premiums that those honest customers pay. This piece of work is an exciting step forward in helping to identify and measure where we can have the greatest impact.”

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Notes to editors

1. Opportunistic fraud is often undertaken by otherwise honest individuals who see, what they perceive to be an easy opportunity. Opportunists are usually aware that their actions are dishonest but may not fully appreciate the offence they are committing or the potential consequences.
2. Organised fraud, is systematic, planned and premeditated fraud. Often committed by organised criminal gangs with proceeds used to fund other serious crimes. It includes activities such as ghost broking, crash for cash and significant or multiple bogus or inflated claims.
3. Association of British Insurers (ABI) is the trade body for the insurance and long term savings industry. Funded by members’ subscriptions on a not-for-profit basis, it was formed in 1985 and has 250 member companies. Its role is to help inform policy debate, be a public voice for the sector and support customer understanding of the sector’s products and practices.
4. The Insurance Fraud Bureau (IFB) is a not-for-profit organisation specifically focussed on preventing and detecting organised fraud. It was established in 2006 as the insurance industry’s central hub for sharing organised fraud intelligence. Initially focused on tackling organised motor fraud, the IFB’s remit has been extended in recent years to detect fraud in other product lines, including property and liability.
5. The Insurance Fraud Enforcement Department (IFED) is a specialist police unit dedicated to prosecuting insurance fraudsters.
6. The working group is a collaboration to develop an industry communications approach to help prevent opportunistic fraud. It is co-ordinated by IFB and ABI and membership includes representatives from:
 - The Association of British Insurers,
 - Insurance Fraud Bureau
 - Insurance Fraud Enforcement Department
 - AXA
 - Aviva
 - Zurich
 - RSA
 - LV=
 - Motor Insurers’ Bureau.

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