

Can UK lessons help address insurance fraud in Ireland?

Interview with Alex Johnson



Insurance fraud in Ireland has become a significant problem. Against the backdrop of opportunistic fraud, organised criminal groups have been taking advantage.

Alex Johnson, Senior Fraud Analyst BAE Systems, discusses his work with Insurance companies across the UK and Ireland, the challenges being faced by Irish Insurers and the opportunities to tackle the fraud problem.

Q: What's the economic backdrop to the rise in Insurance Fraud?

A: Since around the time of the financial crisis of 2008, there has been significant strain on the finances of much of the general public. As in many other countries, this created more of an appetite to conduct opportunistic types of fraud. In addition it was difficult for many Insurers to make investments and this led to a situation where insurance premiums were spiralling.

Against this backdrop of opportunistic fraud, organised criminal groups have been taking advantage. Fraudsters have been driven away from targeting UK Insurers, who have over recent years, invested heavily in their fraud defences. However in order to maintain a revenue stream they have taken some of the same schemes and applied them to new markets, such as Ireland. In some cases, the organised fraud gangs have moved completely out of the UK and into Ireland.

It is difficult to quantify the impact of fraud, but it is recognised as a significant factor. The Ministry of Finance set up the Cost of Insurance Working Group to examine this and refers to the impacts of fraud in the [Report on the Cost of Motor Insurance](#).

Q: Why has fraud become more prevalent?

A: The Insurance sector in Ireland has been a relatively early adopter of technology – there are quite a number of financial technology companies based around Dublin and much of their technology is designed to make various financial services more consumable – including making it easier to get insurance. However, the easier you make things for genuine customers to get through any process, the easier it is for the criminal minded as well. They are the fastest to exploit any disruptive innovation.

Until recently, uptake of counter-fraud solutions based on data analytics by Irish insurers has been slow compared to UK counterparts. Consequently, it was hard to work out social connections and whether this indicated fraud. For example, whether someone who crashed a car into another person's car was socially connected to them and therefore a fraud risk. There is the shared claims database, [InsuranceLink](#) but this enables only simple matching,

Mobilising everyone in the insurance industry to **share intelligence and build best practice together** will help Irish insurers tackle the threat.

Q: Can you provide examples of the common types of fraud in Ireland?

A: In Personal Motor, we see three common types of Modus Operandi (MO) for organised fraudsters. Firstly, staged accidents where all parties involved are known to each other. Secondly, fictitious accidents involving third-parties who produce fake documents to support a claim. And thirdly, induced accidents where a deliberate crash is set up against an innocent person.

Organised crime also appears to be widespread in the application process. We see examples of highly sophisticated 'ghost broking', where phoney brokers take payments from applicants who believe they have bought genuine policies. Authentic-looking policy documents are issued, but the policies are often never underwritten and the fraudsters make off with the funds.

When it comes to committing fraud, what we have seen is there are generally three aspects that fraudsters think about. One is: "How can I turn a one-off hit of cash into a recurring cash flow?" Two: "How can I make sure that stream of cash is more profitable or lower risk, so the bad thing that happens to me if it goes wrong isn't that bad?" And three: "How do I diversify my revenue stream?"

The profitability or return on investment for fraudsters in Ireland is very attractive as pay outs for injury claims can be high.

It's also relatively easy to manipulate identities when it comes to data points such as addresses in Ireland. When you register an address, you often don't need a postcode, so the way you are represented in data is more 'fuzzy' than it would be in the UK.

Q: How does this compare with Insurance fraud in the UK?

A: It's getting harder to make money from insurance fraud in the UK because fraud defences have improved. There's more collaboration between insurance companies so it is somewhat harder for fraudsters to exploit the gaps in defences.

The pay outs in Ireland can also be very high. Taking whiplash claims as an example, these can often be five times higher than in the UK. It's a very attractive proposition for fraudsters to do exactly what they would do in the UK, but make three, four, five times as much every time by moving to Ireland.

If these fraudsters change aspects of their identity, the connection between individual claims will be difficult to spot. Deploying the same kind of analytical techniques as used in the UK will prove powerful. The UK has been very effective at helping insurers find collusive, 'fraud-ring' behaviour and that approach can apply in Ireland where there's a similar set of problems.

Q: What's the Outlook and how can these challenges be addressed?

A: The fraud community in Ireland is keen to combat fraud using similar methods to the UK and that should be championed across the Industry.

The good news is that the UK's experience suggests this sort of problem is entirely manageable if the appropriate controls and measures are put in place. There are differences between the UK and Irish legal and judicial frameworks, but at least four approaches could work well:

- Individual insurers have to invest in fraud teams and analytical tools to more accurately identify fraudsters and better leverage their own and third-party or industry data sources
- The creation of a dedicated policing unit, funded by the industry to investigate and prosecute insurance fraud. The UK's Insurance Fraud Enforcement Department (IFED) is an example of this approach
- Forming an industry body (such as the IFB) to tackle organised insurance fraud through the secure and lawful sharing of data and the application of data analytics at an industry level
- Establishment of an industry database of known fraudsters such as the Insurance Fraud Register in the UK

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