

SHIFT

POWER OF THE COLLECTIVE: THE RISE OF INSURANCE ASSOCIATIONS

BY SHIFT TECHNOLOGY

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Introduction

No single insurer is spared from fraud. Globally, fraud is estimated to cost the insurance industry hundreds of billions of GBP per year. This figure isn't just fraud on an individual or opportunistic scale, but also the result of insurance fraud networks who represent an industry unto themselves.

Fraud networks are sophisticated and well organised, often because they're spun out of organised crime groups (OCGs). There are corrupt car body shops, professional accident victims and even lawyers whose sole purpose is to pursue fraudulent personal injury claims.

These organisations are difficult to eliminate. If identified by one insurer, they target another. If targeted by law enforcement, they cross borders and find new jurisdictions. If arrests are made, the remaining bad actors recruit new partners and start afresh.

Insurers have begun to realise that they can't retain a competitive advantage from working to eliminate fraud in isolation. Fraudsters will always wait them out, try new tactics and victimise them again, because insurance fraud is lucrative. It often funds other organised crime activities, including the distribution and sale of firearms and drugs, as well



Ursula Jallow, the IFB's Director (left), and Terri O'Brien, President and CEO of Équité Association (right)

as human trafficking. As a result, fraud is now seen as a collective industry problem, which has resulted in the formation of diverse associations dedicated to harnessing the global power of insurance data and analytics to mitigate fraud and protect communities from these crimes.

Associations, such as the UK's Insurance Fraud Bureau (IFB), Canada's Équité Association, Singapore's General Insurance Association (GIA) and others, have joined forces with Shift Technology to optimise their fraud detection strategies. We spoke with Ursula Jallow, the IFB's Director, and Terri O'Brien, President and CEO of Équité Association, to learn how their associations work as umbrellas to protect their membership from insurance fraud.

“ Insurance fraud networks represent an industry unto themselves. They are sophisticated and well-organised – often because they're spun out of organised crime groups. ”

Why are associations so important to the insurance industry?

Ursula Jallow, IFB Director: Fraud networks can be extraordinarily resilient. Information sharing is the only way to shut down fraud at the industry level.

Terri O'Brien, President and CEO, Équité Association: Agreed. Every time an insurer detects and blocks a fraud network, the constituents of that group can attack a different insurer with similar controls that have not yet been exploited. You can't mitigate fraud when you're working in isolation.

“Insurance fraud is not a victimless crime and affects many people. The insurance industry acknowledges that this is an evolving threat that needs sophisticated and dedicated teams to address the issue. Collaboration is key to our collective success when fighting insurance fraud.”

– Terri O'Brien, President and CEO, Équité Association

Jallow: The need for data sharing isn't news to any insurer, but you need an association to coordinate data pooling and analysis. The not-for-profit aspect is crucial because it can look at the collective data objectively, identify cross-industry exposure and deliver alerts without favouring any one insurer over another.

O'Brien: Ursula makes an important point about impartiality. As we don't have a profit motive, we can also focus on important societal issues on behalf of the industry. We leverage our existing relationships with law enforcement, government and industry organisations to help our members better serve consumers.

What is your mission on behalf of your members?

Jallow: The IFB represents a central hub for sharing fraud data and intelligence. We use this position, alongside our unrivalled access to data, to detect and disrupt organised fraud networks. We have two primary objectives: the first is to help insurers identify and avoid fraud as well as its financial consequences. The second is to support regulators and law enforcement agencies in bringing bad actors to justice.

O'Brien: Équité contributes to a more equitable world by protecting Canadians from insurance fraud and related crimes. To that end, we use advanced analytics, best practices in intelligence gathering and coordinated investigations to provide best-in-class defence against insurance crimes.



Insurance Fraud Bureau	
Location	United Kingdom
Formed	2006
Employees	37
Product Lines	P&C (motor, property & liability - personal & commercial insurance)

Équité Association	
Location	Canada
Formed	2021
Employees	56
Product Lines	P&C (motor, property & liability – personal & commercial + cargo insurance)

What are your primary activities on behalf of your members?

Jallow: The IFB provides industry-scale data analysis in partnership with Shift Technology. This encompasses claims and policies in the P&C arena, with a sharp focus on motor, property and liability. We disseminate thousands of high-value fraud alerts per year on average – it's a vital source of intelligence.

Fed by the analysis, the IFB also coordinates cross-industry investigations into fraud networks. As a Specified Anti-Fraud Organisation (SAFO) in the UK, constituted through the Serious Crime Act 2007, the IFB is equipped to work hand-in-hand with law enforcement agencies and regulators. At any one time, the IFB is coordinating in excess of 100 complex investigations, with an industry value of £70 million.

Beyond our complex investigations, the IFB also spearheads multimedia public campaigns on behalf of the UK insurance industry, deterring fraud by highlighting the consequences.

Did you know?

Since its inception, IFB investigations have contributed to 1,300 arrests, 670 convictions totalling 600+ custodial years in prison and more than 33,000 hours of community payback.

O'Brien: We provide much of the same services as the IFB, with several key additions. Outside the insurance industry, we're best known for vehicle recovery. This is where we use our vehicle identification services to help law enforcement recover stolen vehicles.

Away from our public face, however, we provide member insurers with an Investigation Coordination and Support Service. Here, our members collaborate with each other and with Équité investigators to target large-scale crime rings. It's the only service of its kind in Canada.



Finally, Équité is building Canada's first insurance analytics platform. The completion of this project will see consortium data automatically integrated with the Shift solution, providing better capabilities for detecting fraud and identifying criminal activities.

Did you know?

Équité Association's Investigative Services Division has roots dating back over 100 years. Starting as the Investigation and Loss Information Bureau in the 1920s, the division has evolved over the years to adapt to the ever-changing needs of the industry.

How is your remit different to that of insurers?

O'Brien: Équité Association was inspired by the IFB in the UK and the NICB in the US. Like them, we pursue organised criminal fraud, as opposed to opportunistic or individual activities. We often find that such fraud is part of a wider portfolio of organised crime – often perpetrated by international crime syndicates.

“ Viewed in isolation, a single claim may appear entirely legitimate. But when you filter it through data from other insurers, it can become part of a pattern of fraud. The vehicle, the property, the claimant or the accident victim may all have ties to bad actors which have appeared elsewhere.”

– Ursula Jallow, IFB Director

Individual insurers might not have connections to international law enforcement agencies. Now, Équité harnesses the strengths and abilities of our members, law enforcement and other government agencies from across the country to start a new chapter in the Canadian landscape. It's one of the most efficient ways to solve this pervasive issue.

Jallow: Well said. As Terri pointed out, the IFB identifies fraud which insurers can't find on their own. I think that the most important thing to add here is that the IFB – and associations like it – aren't interested in gaining a competitive advantage. When individual insurers fight fraud, they're usually interested in lowering costs and improving the customer experience for themselves alone. When the IFB fights fraud, however, it coordinates data from multiple insurers to improve conditions for the entire industry.

In Focus: IFB Investigations

The IFB manages a portfolio of cross-industry investigations on behalf of its members, valued at approximately £70 million. The OCGs masterminding the fraud are commonly linked to more serious crimes in society, including drug & people trafficking, and in the most serious cases, terrorism. Sadly, several innocent motorists have lost their lives in deliberately induced accidents – a common modus operandi of “crash for cash” gangs in the UK.

Case Study: Operation Klister

A joint investigation by the IFB, the Eastern Regional Special Operations Unit (ERSOU) and the Insurance Fraud Enforcement Department (IFED) uncovered a prolific OCG committing “crash for cash” fraud on an industrial scale in the UK.

In total, 16 people were convicted and sentenced to a combined 32 years' imprisonment for orchestrating nearly 80 “crash for cash” collisions around Luton, in Bedfordshire.

The group would deliberately cause accidents by slamming their brakes on in front of innocent motorists, or by crashing cars together away from the public eye to submit fictitious, inflated claims for damage and injuries.

With its unparalleled access to UK insurance data, the IFB was able to identify the network of suspicious claims. By working with its members, the IFB mitigated this highly organised fraud network, which was valued in excess of £1.2 million in potential losses to UK insurers.

What are the unique challenges faced by associations when working on behalf of an industry?

“ Insurers own terabytes, maybe even petabytes of data, and none of it is in a common format.”

– Ursula Jallow, IFB Director

Jallow: Insurers own terabytes, maybe even petabytes of data, and none of it is in a common format. To analyse it, we need to put it all into an agreeable format – but we also need to handle it in a responsible way.

On a different note, as I mentioned we can't show a hint of favouritism in terms of who we protect. At the same time, different insurers have different perceptions of risk. One insurer may be highly sensitive to risk and would like a lot of alerts – another one, not as much. Both of these insurers need to benefit equally from their participation.

Lastly, fraud strategies change much more rapidly than investigative strategies. Bad actors don't need to build business cases or seek board sign-off to change how they work. Therefore, we need detection and

alerting strategies that remain resilient no matter how fraudsters vary their approach.

O'Brien: Fully agree with what Ursula said. Many, even most, of the challenges that apply to the IFB in the UK apply to Équité in Canada. For example, I mentioned that we're building the country's first insurance analytics platform, and standardising data to become part of this infrastructure. We also have a diverse group of insurers with different definitions of success, as well as a pool of bad actors adopting ever more sophisticated techniques.

Any parting thoughts?

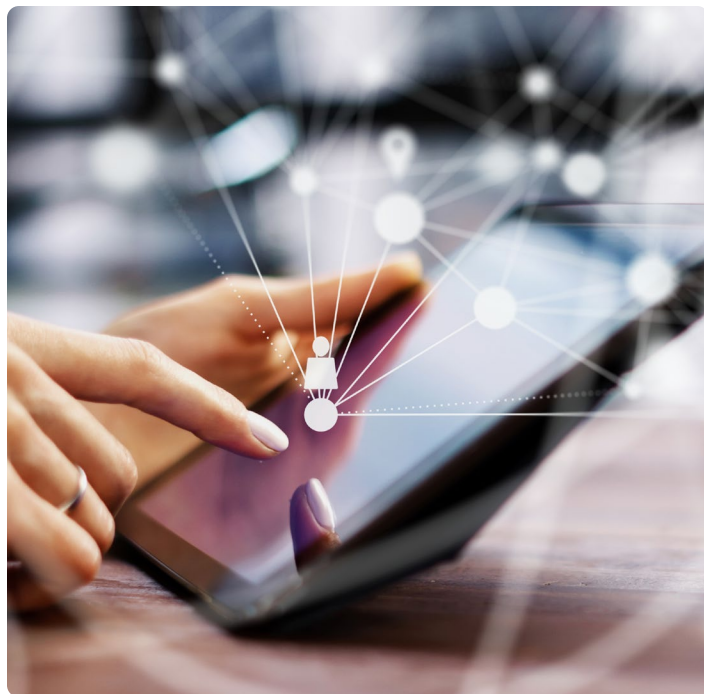
O'Brien: To summarise, fraud is elusive by its very nature, and criminal organisations have been swift to take advantage of new technologies that can make them harder to find. Associations are designed to shine a light on insurance fraud. To do this, we need to keep focusing on partnerships with organisations such as Shift that offer the technologies and strategies we need to make an impact.

Jallow: Fraud can't be defeated by organisations that don't collaborate. Associations sit at the heart of the insurance industry's counter-fraud strategy because they use tools designed to meet the challenge of centralising insurance data. We rely on Shift's agile, AI-powered fraud detection capabilities to keep our association at the forefront of fraud disruption.

Shift Technology helps associations tackle industrial-scale fraud

Fraud isn't static – and fraud tactics move much faster than any insurer can pivot. For insurers, changing their fraud-detection tactics means getting buy-in, a budget and an implementation plan. Meanwhile, fraudsters have total freedom to pursue what works. In that respect, the contest between fraudsters and insurers is inherently unequal.

With that in mind, insurers and insurance associations need to find solutions that provide agility in the face of changing insurance fraud tactics. Instead of



changing solutions, the solutions themselves need to adapt automatically when bad actors evolve their techniques, move across borders or begin targeting other organisations.

Shift Technology uses its AI solutions to help insurance associations share data, collaborate on investigations and create a spotlight under which no fraud can escape. By banding together, insurers can fight much more fraud than they can individually. In other words, Shift provides a collaborative solution to help insurers solve a collective problem.

SHIFT

About Shift Technology

Shift Technology delivers AI decisioning solutions to benefit the global insurance industry and its customers. Our products enable insurers to automate and optimise decisions from underwriting to claims, resulting in superior customer experiences, increased operational efficiency, and reduced costs. The future of insurance starts with Decisions Made Better.

Learn more at www.shift-technology.com/en-gb