

Tackling Insurance Fraud

Presented by :

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Introduction

- WPA

Private Medical Insurer
260k Policyholders
4th Largest UK PMI Provider

- My background

Accountant	(CIMA)
Auditor	(MIIA)
Fraud Investigator	(Cert in FM)
Risk Manager	
Current Chairman	HICFG

Tackling Insurance Fraud

- What is Fraud ?
- How big is Fraud in PMI ?
- Examples of PMI Fraud
- Why is Fraud difficult to tackle ?
- Where we were
- What we have done
- What we are doing now
- The essentials in tackling fraud

What is fraud & how big is it ?

- Difficult to define, at present there is no specific offence of fraud, so have to use other offences, eg Theft Act 1968 or the Forgery & Counterfeiting Act 1981 to prosecute.
- Nobody really knows how big UK Insurance fraud is, or how much it costs, most estimates are around 2%-5%. Worst hit are Home & Motor Insurers. PMI fraud is thought to be at lower end. 'Soft' frauds, (e.g. exaggerated claims) and newer type frauds that have not come to light are hardest to quantify.

Examples

Policyholder frauds:

- Non-declaration of pre-existing conditions
- Made up invoices by policyholders
- Overseas claims (Difficult to get evidence)
- Single event claims under multiple policies

Provider Frauds:

- Upcoding & Unbundling (Exaggerating)
- Making up treatment
- GP Fraud (Transfer costs from GP fundholders to insurers)

Salesperson Frauds:

- Theft of client monies

Why is Fraud difficult to tackle ?

- Deterrents Few convictions, insurance fraud is publicly acceptable, marketing dpts & Mgrs oppose 'barriers to sales', costs of proper upfront checks.
- Identifying Fraud - Comes back to what is fraud?
 - Difficult when paying claims fast & cheap
 - FOS approach (Some frauds can be acceptable in certain cases)
- Getting Evidence - Hard to prove from an office, PACE interviewing required, medical providers have top solicitors so civil recovery costs rise, language barriers, scanned documents, few plead guilty, Legislation barriers DPA 1998, Human Rights Act 1998, RIPA Act 2000

Why is Fraud difficult to tackle ?

- Police Interest - Requires lots of resource
Very few fraud squads(& skills)
Often cross constabularies
Don't understand issues
Govt set targets none are Fraud
- CPS/SFO - Is prosecution in Public interest?
Amount involved (SFO usually £1m+)
Has defendant offered to repay ?
(If so less likely to prosecute)
Likelihood of success
Has to be a criminal offence

Why is Fraud difficult to tackle ?

- Courts - Small fines, custodial sentences rare
Fraud trials can be complex
- Reputation - Senior management won't publicise
 - Staff often 'offered' resignation
 - Zero tolerance policies don't work
- Establishment - Challenging GP's & consultants
'Old boy network still prevails'
GMC - generally weak sanctions
- New technology - availability of 'novelty docs',
USB storage devices, Internet crimes difficult to trace

Where we were (1999)

- No overall policy ad hoc case by case basis
- Fraud discovered by chance
- Controls not geared to risks
(Policyholders were still reimbursed directly for claims)
- No in-house skills or knowledge
- No industry approach
- No intercompany communication

What we did

- Had a 'brainstorming' session - How to defraud
- Reviewed key controls - How to prevent / identify
- Trained ALL staff
- Looked at rest of the insurance industry
- Opened discussions with competitors
- Set up HICFG (Health Insurers Counter Fraud Grp)
- Joined CIFAS (UK's Fraud avoidance system)
- Joined IFIG (Insurance Fraud Investigators Group)
- Aim to join the Claims underwriting Exchange (CUE)

What we are doing now

- Sharing data with the NHS

(eg consultants on NHS sick leave who are still doing private medical work)

- Using statistical data more

(Data mining for known fraud types and characteristics)

- Challenging Consultants based on audit evidence

One insurer aims to save £1m in 2005

- Actively pursue criminal prosecutions, civil recoveries and for medical providers 'striking-off'

- Using media to our advantage

- publicising activities
- publicising success

The Essentials in Tackling Fraud

- Need an anti-fraud culture (endorsed at top)
 - Have a Fraud Policy accessible by all
- Have a person responsible for financial crime
 - Train that person / department
 - Make resources available
- Identify specific risks & review internal controls
- Look Industry wide (fraud not a competitive issue)
- Regularly review situation

Conclusion

- Fraud will always exist but can be better managed.
- You can reduce the likelihood of your firm being targeted by proactive risk management



The End

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