


**Ghost broking:  
the not so phantom menace**

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### Learning objectives

By the end of the webinar, participants will be able to:

- describe what ghost broking is and how it is impacting the insurance industry and customers.
- identify the red flags and typical tactics used by ghost brokers.
- explain the risks of ghost broking to customers and implement a strategy to counter the risks.

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### ABI figures

- A total of 469,000 insurance frauds were “detected” by insurers.
- 98,000 were fraudulent claims. 371,000 were dishonest insurance applications.
- The number of fraudulent claims detected fell 6% on 2017.
- The number of dishonest applications for cover rose by 5%.

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“Fraudsters are constantly reinventing themselves and application fraud and liability are areas of growth that we now need to focus on.”

*Ben Fletcher, Director of the Insurance Fraud Bureau (IFB)*

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The following are the three typical examples of application fraud:

- Misrepresentation.
- Ghost broking.
- Identity.

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### What is ghost broking?

- A type of fraud through which an unsuspecting customer (though some policies are bought knowingly) is sold a fake insurance policy.
- The IFB states that ghost broking works as follows:
  - Policies are bought from legitimate insurance companies using false information and then altered before being passed to customers.
  - Fake policy documents designed to look like they have been issued by legitimate companies are created and sold on to customers.
- Another tactic is to take out a genuine policy and then cancel.

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## What is the scale of the problem?

- The City of London Police IFED have supplied the following figures for the period November 2014 to October 2017:
  - 850 reports linked to ghost broking.
  - Action taken in 417 cases.
  - Losses for individuals and companies totalled £631,000.
- IFED say that men aged 20 to 29 are most likely to be targeted and through social media (particularly Facebook and Instagram).
- However, the CII's research shows people over the age of 55 are also heavily targeted.
- Addresses in high net worth areas are likely to be targeted.

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## Stop press!

- New figures have just been released by Action Fraud!
  - In 2021 alone, £786,700 taken from victims.
  - January to August 2021: 351 reports.
  - Average loss per victim: £2,250
  - 34% of incidents involved 17 to 29 year olds.
  - But that means 66% 30 years old and above.

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## Cressey's Fraud Triangle

The Fraud Triangle



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**Rationalisation:** it is okay to commit insurance fraud

- there is no other way to turn
- it is harmless

**Motive/Pressure:** economic/financial hardship

**Opportunity:** an unchecked ability

- fraudsters have cracked data verification

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## What is the impact?

- People often don't know until they make a claim.
- For motor policies, the consequences can be severe:
  - points
  - fixed penalty notice
  - vehicle seized and possibly destroyed
  - loss of licence
- Personal loss for the customer.
- Reputational damage and financial loss for the insurer.

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## Some case studies

- Fake call centres and iPods for office noise:
  - Two men in their 40s targeted young drivers.
  - 4 websites, using Google Ads.
  - 600 policies issued worth 680,000GBP.
  - Tip off from the MIB.
  - “Mastermind” jailed for 3 years and “sidekick” for 12 months.

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- Wealthy addresses and cul-de-sacs in Scotland for cheaper car insurance.
- Never too young to be a ghost:
  - Gumtree. 4 adverts.
  - No buyers.
  - 12 month conditional discharge.
- Coronavirus essential worker discounts:
  - Hertfordshire/north London.
  - Offering discounts to essential workers during Covid.

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## Red flags

- Red flags include the following:
  - **Application fluency**: high level of familiarity with the application process.
  - **Expert users**: the average customer doesn't use shortcut and function keys, unlike experienced fraudsters.
  - **Low data familiarity**: cut and paste of data that should be intuitive.
- Behaviour-based identity proofing can be used without introducing friction into the user experience.

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## What can we do to counter the menace?

- Public education and awareness.
- Analysing behaviour *versus* verifying data (iovation).
- Cifas (reports of actual and attempted fraud).
- Report the policy to Action Fraud.
- CII's Good Practice Guide: Ghost Broking for Claims Professionals.

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## CII claims handing guidance

- Contact the victim by telephone!
- Report the purchased policy to Action Fraud (the Police's national crime and cyber-crime reporting centre).
- Report the "broker" to the FCA.
- If there is a third party motor claim report client's and third party's claim to the MIB.

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- Continue to investigate as liabilities may arise under the Road Traffic Act.
- Support the victim – signpost.
- Ghost broking is not traditionally seen as a claims issue but it is very much at this stage that it becomes a reality.
- We can all do our part to ensure that ghost brokers are no longer a reality at application or claims stage!

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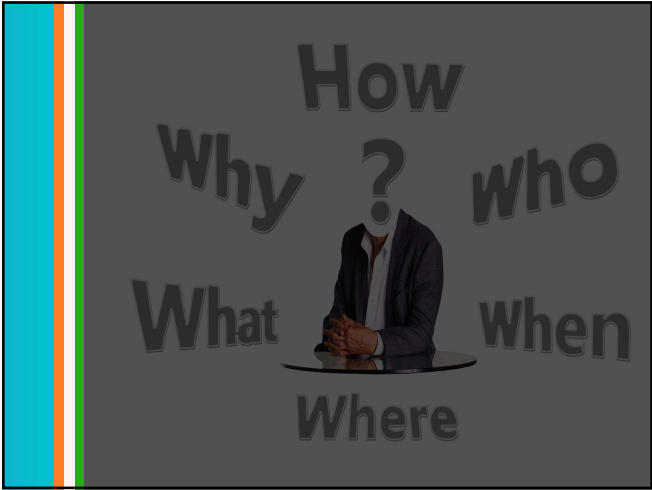
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