



Optimising Performance in the Insurance Industry:

Countering Fraud and Financial
Crime Threats in 2023

The real cost of fraud:

Understanding the impact of digital crime in the UK Insurance Industry

TransUnion's 2023 State of Omnichannel Fraud Report brings together trends, benchmarks and expertise from across our identity and fraud prevention organisation. It provides insight and recommendations to those responsible for preventing fraud and streamlining online experiences to elicit better business outcomes.



In the UK, our research showed the insurance sector experienced a 9% uplift in suspected digital fraud attempts in 2022.¹

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The real cost of fraud:

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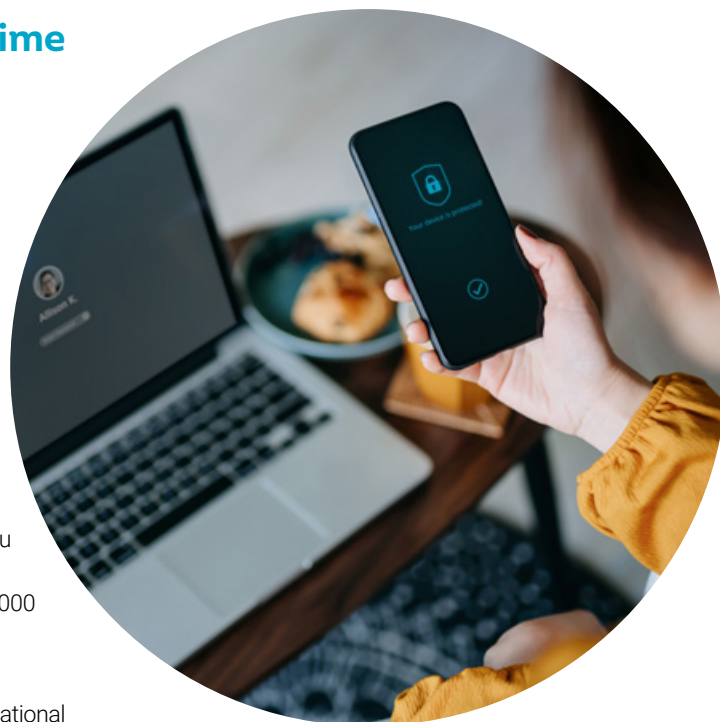
Globally, in 2022, fraud returned to something closely resembling pre-pandemic levels. However, with increased digital transaction volumes, the risk to organisations and individuals was even greater than before. Cybercriminals and fraudsters continued to show increasing sophistication – with stolen identity information at the centre of their strategies.

In the UK, our research showed the insurance sector experienced a **9%** uplift in suspected digital fraud attempts in 2022. Across the nine industries we report on, insurance was the top industry for fraud growth in the UK – as supported by industry figures. The Insurance Fraud Bureau (IFB) saw **+17%** increase in names added to its register of fraudsters in the 12 months leading up to July (2022),² and Aviva found more than 11,000 instances of claims fraud (worth more than £122m) in 2021, up **13%** from 2020.³

Fraudsters, of course, do not respect national boundaries, and in the international markets our global intelligence device network reports on, insurance was the third highest industry experiencing growth in suspected fraud – with policy/license agreement violations and application fraud (first- and third-party) the dominant fraud types.

Nick Dumonde, Head of Market Strategy for Insurance at TransUnion, stated:

“Our view is this surge in fraud has created a critical need for insurers to react to increasing threats by reducing their fraud risks and improving overall customer experiences (CX) through cutting-edge, multi-layered fraud, friction right identity and data solutions.”



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Top fraud and digital crime threats facing the insurance sector

With so many different types of insurance fraud, it's crucial to identify emerging trends and provide tips to help spot them. Working with our own datasets and research, and partnering with customers, TransUnion insurance SMEs have identified **three key criminal threats** currently facing the UK industry. These feature at different stages of the customer lifecycle, underlining the importance of knowing your customer (KYC) and building trust during transactions.



Application fraud

This continues to accelerate at quote and application stages with IFB and insurers indicating a **15%–20%** increase in identified fraud during 2022.⁴ Quote manipulation and fronting remain a significant issue; **17%** of motorists have admitted fronting a policy.⁵ For example, a parent may put themselves as the main user of a car when in reality it's their child.



Ghost broking

This fraud type is part of the application process, but the scale of the issue requires it to be called out as a separate point. There's been an increase in ghost broking using stolen identities, creating issues for consumers and insurers. The next section of this guide considers the problem of ghost broking in further depth.



Claims

Up to **20%** of claims are suspected to be fraudulent and can involve injuries/staged accidents, non-disclosure of relevant information, policy hacking and multiple claims for same incident. Zurich reported it prevented 3,460 fraudulent claims worth £69m in 2021,⁶ demonstrating the threat to insurers and the benefit shutting down fraudsters represents.

TransUnion research showed nearly half of consumers abandoned an online application for a financial or insurance product. Nearly 50% of those cited their key pain points as being asked to fill out too many forms and being frustrated by the process. These insights emphasise the importance of non-intrusive checks that quickly detect suspicious behaviour whilst establishing trust with genuine customers and helping streamline their journey.

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Recommended fraud and ID solutions for the insurance sector



Bank and Card Verification:

Better prevent fraud across your payment processes. Tap into powerful data analytics to increase first-time pass rates by validating bank information provided. Access multifaceted insights relating to card ownership and fraud risk to help optimise operational processes. Proof of concept work points to TransUnion's solution matching **15%–30%** more accounts than other providers.



Device Risk with Behavioural Analytics:

Leverage device history, user behaviour insights, device-to-device and device-to-account associations from our global network to better detect and prevent instances of fraudulent behaviour. By successfully screening suspicious form fill behaviour and device associations, additional fraud prevention steps can be applied to these transactions without impacting on the user journey for legitimate customers.



Utilise unique TransUnion previous identity search history data:

Use to establish real time trust in transaction, whilst identifying probable frauds where submitted data might be inconsistent, associated with other identities or have usage velocity warnings.



Email and Mobile Verification:

Assessing the risk associated with an email and/or mobile being used during a transaction. For example, has the email been associated with fraud? What is the phone's behaviour and status on the network. Has the email and /or mobile been previously associated with alternative identities?



Fraud Analytics Solutions:

Risk insights and analytics for stopping fraud before it impacts your business.

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Sector focus: Motor insurance

The UK automotive sector is a vibrant environment. The number of cars on Britain's roads increased +124K in 2022, taking the total number to 35M, the first increase since the start of the COVID-19 pandemic.⁷

Additionally, since 2020, the sector has contended with supply-side issues stemming from the pandemic. High consumer demand and low stock of used vehicles has seen the average price of a second-hand motor rise **2.3%** compared to mid-March 2022, according to Auto Trader, with the average price of a car advertised for sale on Britain's largest used vehicle website at £17,720.⁸ Adding to the mix are fluctuating petrol prices, the emergence of hybrid and electric vehicles, and rising insurance costs (the average price paid for motor insurance rose by **8%** in Q4 2022, according to the ABI⁹).



Tackling ghost broking

As car insurance costs increase and the cost of living hurts consumer wallets, an emerging issue for the UK automotive industry is ghost broking. Ghost broking involves a fraudster (pretending to be a genuine insurance broker) selling fake car insurance. Ghost broking scams have risen in recent years, typically taking place on social media or facilitated through word of mouth or local businesses. Policies are bought from legitimate insurance companies using false, compromised or stolen information (fraud rings can go as far as using genuine identities from Companies House) before being sold to customers. This enables consumers to obtain insurance in instances where they may not be able to afford it, are vulnerable or are criminals. If the car is involved in a crash, the right policy won't be in place, but the insurer may still be liable for third-party costs.



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Sector focus:

Motor insurance

LV= General Insurance recorded a **143%** rise in ghost broker cases it referred to police in the last year.¹⁰ With increasingly detailed stolen identity data circulating on the dark web, insurers are finding standard identity verification alone is no longer enough to stop ghost broking. To better counter this threat, insurance companies should consider using multi-layered fraud and identity solutions at the application stage that complements their desired customer experience. Leading insurers are including Device Risk with Behavioural Analytics – in addition to bank, card and identity verification – to ensure the payee is connected to the policyholder. Additionally, insurers might run digital risk assessments on the emails and mobiles being used by the applicant during a transaction.



Chad Reimers, Head of Fraud at TransUnion in the UK believes new technology is an opportunity to reduce the insurance sector's fraud risk:

“Device Risk with Behavioural Analytics is a next-generation provider of real-time insights. It can help insurers become agile and drive greater value for their customers by reducing friction, thus improving CX whilst detecting behavioural fraud and risk. Through a simple installation, the platform reveals points of friction, hesitation and data familiarity as applicants digitally interact with an online quote or claim process. Genuine users show clear knowledge and confidence with their own data, but even the most sophisticated fraud users or organised crime gangs will exhibit tells that flag a risk when using stolen or compromised personal data.

“Our insurance customers have an appetite for new sources of data and insights to help them make smarter decisions while providing consumers with great experiences. As we launch this solution in the UK, we think it can be a game changer. It can give users the ability to scientifically measure and explain the friction and fraud behaviours their customers are exhibiting in real time. With the cost of fraud hurting both insurers and their customers in multiple ways, this advancement is a material step change in the way sectors can counter digital crime.”

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What's next for insurers wanting to stall and counter criminal threats?

There are several levers insurers can use to strengthen efforts to better detect and prevent fraud.

From a technology perspective, advanced data solutions can help spot the signs of fraudulent behaviours. At TransUnion, our recent product releases included CX-friendly tools that can identify device spoofing or unusual and subtle behavioural changes during the application process signalling fraudulent activity, as well as cutting-edge document verification solutions to counter increasingly sophisticated fake documentation. In addition, our proprietary global device intelligence database is helping our customers counter increasingly sophisticated criminal activities.

At TransUnion, we believe in Information for Good®. The value of informing consumers of the risks of carrying out fraud should not be underestimated. For example, educating them on certain facts: Customers using ghost brokers get added to the insurance fraud database, making it difficult to get insurance in the future; inflated claims increase premiums for all customers; and there are legal repercussions and penalties if they're discovered driving without insurance.

At a strategic level, leaders in the insurance sector should also think about ways to link to other industries and share outcome data in an effort to better spot scammers. They should work with partners that can support with fraud analytics and data sources and help engineer optimal fraud strategies that deliver business-wide benefits. The fact nearly half of consumers have abandoned an online application for a financial or insurance product emphasises this need to work with experts who understand how to craft an optimal customer journey. Additionally, regulatory changes like the new Consumer Duty may impact insurers and how they price and provide consumers with access to their products. The common denominator is, of course, the need for insurers to have access to rich, accurate data sources and better consumer insights.



Time to take action?

If you'd like to get an expert view of how fraud and digital crime is impacting your business, or understand how our TruValidate™ solutions could complement your fraud strategy, get in touch:

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Glossary

This guide blends proprietary insights from TransUnion's global intelligence network, third party research, TransUnion UK's Consumer Pulse study, and a specially commissioned TransUnion consumer survey in 18 countries and regions globally. TransUnion TruValidate™ suite comprises identity and fraud products that secure trust across channels and deliver seamless consumer experiences.

¹ [TransUnion's 2023 State of Omnichannel Fraud Report](#)

² [Insurance Fraud Bureau \(IFB\)](#)

³ [Aviva](#)

⁴ Data from anonymous UK insurers

⁵ [Aviva](#)

⁶ [Zurich](#)

⁷ www.autoexpress.co.uk

⁸ www.thisismoney.co.uk

⁹ www.abi.org.uk

¹⁰ www.nationalworld.com



TransUnion TruValidate™

Our TruValidate™ solutions encompass identity, device and behavioural insights to help organisations confidently and securely engage consumers at each stage of the customer journey, helping improve conversions, reduce fraud losses and deliver enhanced, friction-right user experiences.

For more information on how to enhance your fraud prevention strategies, get in touch:



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