



**HFW**

# **FRAUD IMPACT: TYPES OF FRAUD AND THE ROLE OF DATA**

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**We have over 500 lawyers working across the Middle East, Europe, the Americas, Asia and Australia. We take a progressive approach to our roles in commercial business – thinking creatively and pragmatically to support our clients**

We are unapologetically, true sector experts. Clients come to us because of our deep industry expertise, and our ability to talk their language. We think about the commercial solution first, and then underpin our advice with a solid foundation of legal expertise

Our Middle East presence is strong, anchored by our office in Dubai, with associations in Kuwait, Riyadh and Beirut which all operate as fully fledged HFW offices. In September 2018 we opened our fifth Middle East office in Abu Dhabi Global Markets

Additionally, we have an exclusive alliance with Salem Al Maddfa advocates in the UAE which enables us to run and most importantly, manage local litigation in the UAE Courts





## OUR MIDDLE EAST PRESENCE

**HFW has been active in the Middle East for over 25 years and we have offices in Dubai, Abu Dhabi, Kuwait City and Riyadh, as well as a formal UAE association with Salem Al Maddfa advocates**

**Our regional offering is unique and sets us apart from our competitors:**

- Operational in the Middle East for over 25 years
  - 60 lawyers in the Middle East, including 19 partners and 31 Arabic speakers
  - One of very few international law firms in the UAE who run and manage local litigation in the UAE Courts local litigation in-house through its association
  - One of only two international law firms who have an office in Kuwait
  - 86 staff across the Middle East with 72 in Dubai, 4 in Saudi Arabia, 5 in Abu Dhabi and 5 in Kuwait
  - Extensive experience of working in other jurisdictions in the region where we do not have offices, including Yemen, Iraq, Jordan, Egypt, Oman, Syria, Qatar and Turkey
  - On the ground specialists in all of the HFW core sectors and recognised as market leaders in Chambers and Partners and Legal 500 directories
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- Revenue from motor insurance contributes to about 25-30% of premium income in the UAE market
- What is motor insurance fraud?
- Insurance fraud is where an insured knowingly submits false, multiple or exaggerated insurance motor claims in order to receive insurance payouts to which he/she is not entitled
- Motor insurance fraud is one of the leading types of fraud





1. Types of Motor Insurance Fraud
  2. The Effect of Motor Insurance Fraud
  3. Fraud Risk Management
  4. Fighting Motor Insurance Fraud
  5. The Role of Data
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### SOFT FRAUD

- Or “opportunistic fraud”
- Someone has a valid reason to submit a claim to their car insurance company but distorts the claim for financial benefit
- Most common type of insurance fraud

### HARD FRAUD

- More serious – committed by organised criminal gangs
  - Someone intentionally causes an incident that allows them to file a claim
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### QUOTE MANIPULATION/ APPLICATION FRAUD

- Applicants misrepresent or fail to disclose material facts at the point of quote to the insurance premium

### PAST POSTING

- A person becomes involved in an accident but doesn't have insurance. The person obtains insurance, waits a little time and then reports the vehicle as being in an accident in order to obtain compensation for the damages

### CONTRIVED ACCIDENTS

- Includes submitting a claim for damage sustained in a collision that did not occur as the result of an accident
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### VEHICLE SMUGGLING

- Purchase of a new vehicle with maximum financing. The vehicle is insured to the maximum, with minimum deductible for theft coverage. It is then shipped to a foreign port and reported stolen. The car is sold at its new location and the insurance is also collected for the theft

### INFLATED DAMAGES

- Some repair shops inflate estimated costs to cover deductibles. The insured is advised by the repair shop that the shop will accept whatever the company authorizes
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### INDUCED ACCIDENTS

- Organised criminals targeting innocent motorists by arranging collisions to facilitate compensation payment

### STAGED ACCIDENTS – “CRASH FOR CASH”

- Two or more individuals will deliberately crash their vehicles into each other, potentially resulting in claims for: damage caused, injuries sustained, car hire costs, etc.





## OTHER TYPES OF RELATED FRAUD

### PHANTOM PASSENGERS

- Individuals who claim to be injured passengers but who were not involved in the accident
- Can arise as a result of both genuine and staged accidents

### INSIDER/EMPLOYEE FRAUD

- Employees have a deeper understanding of internal processes and thresholds
  - This knowledge can help organised fraudsters operate without setting off alerts
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## THE IMPACT OF FRAUD IN MOTOR INSURANCE

- Fraud drives up:
    - the cost that insurance companies must pay
    - the premiums that companies charge their policyholders
  - The insurance industry is suffering losses because of fraudulent claims
  - Honest policyholders may also end up paying higher insurance premiums
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- Any company which fails to protect itself appropriately faces increased vulnerability to fraud
  - Insurance companies should have some level of fraud controls and assessment e.g. “Special Investigation Unit”
  - Red Flags of Insurance Fraud
  - Those that have identified their most significant fraud costs have made great strides in attacking and reducing those costs
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- A good quality internal collection of information “Data mining”
  - The development of prevention and detection measures
  - Increasing internal control operations
  - Centralisation and information sharing with other insurers
  - Use of database of incidents for established scams
  - Awareness of the customers
  - Awareness-raising and training of employees
  - The contribution of professionals and experts
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- Data is fundamental to the identification of fraud
- The power of collaboration
- Ultimately data can be used to benefit insurers and consumers
  - Reduces fraudulent claims
  - Reduces premiums





## SHARING OF DATA TO COMBAT FRAUD A GLOBAL SNAPSHOT

### UK

- Insurance Fraud Register (IFR)
- Motor Insurance Anti-Fraud and Theft Databases
- MyLicence

### Malaysia

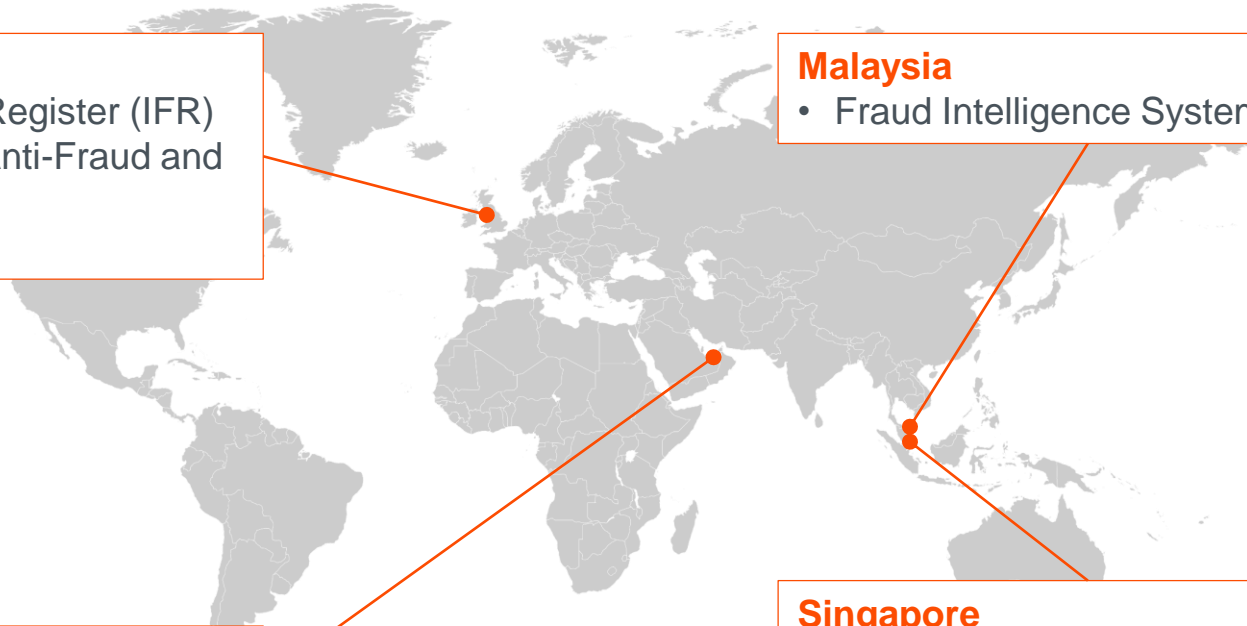
- Fraud Intelligence System

### UAE

- Database

### Singapore

- Fraud Management System
- Insurance Fraud Tip-off Scheme





## SHARING OF DATA CHALLENGES

- Data protection and privacy
- Increased regulation
- Increasing awareness of legal landscape and expectations
- Privacy vs benefit
- Transparency





## SHARING OF DATA THE LEGAL LANDSCAPE IN THE UAE

### INTERNATIONAL

- EU General Data Protection Regulation (GDPR)

### FREE ZONE

- Dubai International Financial Centre: Law No. 1 of 2007 – Data Protection Law (as amended) and Data Protection Regulations 2005 (as amended)
- Abu Dhabi Global Market: Data Protection Regulations 2015 (as amended)
- Dubai Health Care City: Health Care Protection Regulation 2013

### FEDERAL

- Law No. 2 of 2019 on the use of information and communication technology in the health sector
  - Telecommunications Regulatory Authority Regulatory Policy on the Internet of Things (IoT)
  - Constitution of the UAE
  - Penal Code (Law No. 3 of 1987)
  - Cyber Crimes Law (Law No. 5 of 2012 (as amended))
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- Scope of collaboration
  - Anti-fraud management
  - Automated recovery process
- Legal framework
  - Roles and responsibilities
  - Data security and privacy
  - Service levels
  - Supervised by the Insurance Authority
- Appointment of service provider(s)



*HFV*

THANK YOU

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