



ENSURING PROTECTION

FRAUD

Breaking boundaries

A European approach to countering insurance fraud



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With a growing scale of digital possibilities, insurance fraudsters are increasingly creative and, importantly as well, increasingly able to cross borders without much effort. At the same time, strategies to combat fraud remain predominantly national, due to the realities of judicial systems and relevant legal frameworks.

The increasingly digital and cross-border nature of insurance fraud raises questions about the potential benefits of more European or international approaches to combatting fraud. While this sometimes seems like a long way off, the goal of Insurance Europe's Insurance Crime Platform is precisely to facilitate a European perspective by fostering information exchange between national insurance associations.

The costs and impacts of insurance fraud

Insurance fraud rarely grabs the headlines. However, it is a crime that is far from victimless and that can have far-reaching implications for both individuals and the insurance industry. The figures are telling: estimates indicate that detected and undetected fraudulent activities combined account for approximately 10% of total claims expenditure in Europe. And while the prevalence of insurance fraud varies across countries, it affects all national markets, and spans all insurance business lines, from motor to property and health insurance.

The impact of insurance fraud on honest policyholders is often overlooked, even though they are directly and sometimes severely affected. Indeed, fraudulent activities generate losses for insurers, which are ultimately passed on to customers through higher premiums. Insurance fraud is thus putting pressure on the affordability of insurance for all. Beyond the financial implications, insurance fraud also creates other

issues, such as legitimate claimants facing unnecessary scrutiny or delays, thereby undermining the trust of policyholders in the insurance industry.



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Fighting fraud

The fight against insurance fraud has traditionally been waged at the local or national level, rather than within a broader cross-border, European, or international framework. This is primarily because laws governing the fight against fraud are typically established at the national level. There are, however, also relevant laws at the EU level. Unfortunately, these tend to make it more challenging to fight fraud. This is the case, for instance, of the General Data Protection Regulation (GDPR) and of rules around the use of new technologies, for instance, the EU's new Artificial Intelligence Act, which constrain the industry's ability to collect or process essential data and statistics. The sector remains nevertheless hopeful that future EU legislation could help insurers to combat fraud. In this regard, the insurance industry keenly awaits a European Commission initiative to give insurers and other third-party service providers access to data generated by cars.

While the key relevant laws are largely national and law enforcement remains a national prerogative, there are however noteworthy instances of successful cross-border collaboration in the fight against fraud. This includes, typically, ad hoc cross-border coalitions to dismantle specific fraud cells; it may also take the shape of regional protocols, involving judicial agencies, police forces, as well as insurers and insurance associations from several countries. Such initiatives are seen in regions like the Nordics or Central and Eastern Europe and underscore the potential for effective cross-border strategies in addressing the complexities of insurance fraud. Information exchange is a pivotal aspect of such efforts, and this is also where Insurance Europe's Insurance Crime Platform comes into play.

At European level, Insurance Europe's Insurance Crime Platform serves as a hub for the exchange of information on key developments, in a context in which fraud patterns spread across borders quickly. Exchanges of information and views are also taking place with relevant bodies, such as Europol and Interpol, the transnational law enforcement agencies.

At the global level, discussions on insurance fraud are gaining momentum as well. The inaugural Global Insurance Fraud Summit, held in 2019, marked a significant turning point, kicking off ongoing dialogues among experts and industry organisations worldwide, insurance fraud and crime bureaus, and regulatory bodies. Since its inception, this summit has evolved into a recurring item on the calendars of these stakeholders, serving as a platform for exchanging insights and exploring innovative strategies to combat fraud effectively. The European insurance industry is playing a growing role in these summits.

Whether it is through Insurance Europe's Insurance Crime Platform or gatherings such as the Global Insurance Fraud Summit, the community of insurance fraud experts embodies a vibrant network of professionals. And while the solutions are not straightforward, the shared commitment to finding tangible solutions is there. Only by joining forces and working together will there be significant improvement in the fight against insurance crime.