

Subject: Organised Crime and Insurance Fraud

Note of key matters:

Attendees:

Presenters	APPG	Others
Sir Stephen Lander, Chairman of SOCA	John Greenway Baroness Turner Baroness Gibson Lord Davies	David Worsfold David Morey (PwC)

1. SOCA briefing

Sir Stephen Lander briefed the Group – a copy of his briefing note is attached to this note for reference. Key messages included:

- The Home Secretary sets strategic priorities for SOCA; Current effort on organised crime is split: 40% drugs; 25% immigration; 10% fraud; 15% other; 10% support to law enforcement
- The SOCA workload inherited was substantially drugs related; so it is shifting towards these targets
- The Impact report (see below) refers to the annual cost of fraud estimated at some £13 billion. Organised crime relies upon systemic facilitation services (e.g. provision of false IDs) and there is a correlation between some of these and particular ethnic groups
- A key part of SOCA's work relating to fraud revolves around the use of, and provision of information to law enforcement bodies, Suspicious Activity reports – in 2006 220,000 reports were made. Going forward there is a need to better equip reporters to help to identify the nature of suspicious activity (c.f. only 60 of these 2006 reports referred to insurance fraud; largely as the current reporting system doesn't drive out an analysis of the suspicious activity by the reporter)
- SOCA looking at options for better data-mining to allow a more focussed response to data analysis/comparison.

Sir Stephen referred to the publication of the 'The Nature, Extent and Economic Impact of Fraud in the UK' report prepared for the Association of Chief Police Officers – the press release on this (dated 7 March) says:

"An Independent study reveals the true cost of fraud in the UK.

Fraud is costing the UK economy a minimum of £13.9 billion a year, a specially commissioned report has revealed.

The findings of the report, researching the true cost of fraud, will be revealed to members of parliament this Wednesday (7 MARCH) when Mike Bowron, Commissioner of Police for the City of London & ACPO Lead for Economic Crime, together with the Attorney General, Lord Goldsmith, attend a parliamentary breakfast.

The report, commissioned by the Association of Chief Police Officers' Economic Crime Portfolio Group, consisting of representatives from both public and private bodies, analysed key data drawn from global reports and national surveys to assess, as accurately as possible, the true economic cost of fraud in the UK.

Morgan Harris Burrows LLP compiled the report, which took a year to produce, in association with Professor Michael Levi of Cardiff University. The independent study

provides a comprehensive breakdown of the various sub-sectors of fraud and conservatively estimates this to be in the region of £13.9 billion per year.

Mike Bowron, ACPO lead on Economic Crime and Commissioner of the City of London police, said:

"Professor Levi and his team have conservatively estimated that in 2005 fraud cost the UK £13.9 billion. But this figure excludes some major areas of criminality, such as income tax and EU fraud, where statistics are simply not available. Adding estimates for these into the mix, it is likely that fraud represents a £20 billion annual loss to the UK. To put this figure into perspective, such losses would pay for an additional 200,000 police officers or save every man, woman and child £330.00 per year.

"It used to be said 'No one walks down the street in fear of being embezzled.' Well increasingly they do. Whereas once the average Briton dreaded being burgled or having their car broken into, they are now worried about identity fraud, mass marketing scams and other forms of financial crime that have a serious impact on our lives. Long gone is the notion that fraud is a victimless crime."

Sir Stephen also referred to the Government Fraud Review report to be published by the Attorney General imminently, and to the need for additional funding to respond to the proposals contained therein (the Fraud Review publication is not yet publicly available as of the date of this note).

As part of discussion, the following additional points were also made:

- The insurance industry could do more to help the fight against fraud; it was suggested that not all insurers currently use available agencies to confirm the validity of prospective customers; it may be appropriate for some insurers to look at their customer contracts to ensure they are able to act in a way consistent with the aim of making it more difficult for criminals to use the industry to launder money; enforced use by insurers of certain available databases might also help (e.g. there is a database recording information on all written off cars which is not currently used by all insurers); in addition, as Identity Fraud is also key in the fight against fraud generally, insurers could undertake ID checks.
- Greater emphasis on issues such as induced accident fraud will necessitate a greater level of funding.

2. APPG's view

- Whilst the Group recognises SOCA's statutory plan and prioritisation targets, it believes the extent of joined-up effort on fraud prevention and detection required should be recognised as a priority not only as it a crime on society as a whole, but also because it is likely in many cases to be linked with other criminal activity (e.g. drugs and organised immigration crime).
- The Group remains concerned about the extent of organised motor insurance fraud, and continues to be supportive of the need to provoke political response to the growth in staged and induced accidents affecting innocent third parties. In particular, the Group supports the need for greater police participation in such identifiable cases, which itself requires a greater emphasis on fraud within policing priorities.

DL Morey

8 March 2007