

Spotting staged accidents



Staged accidents are on the rise and we're here to help protect you and your customers from fraud.

What's a staged accident?

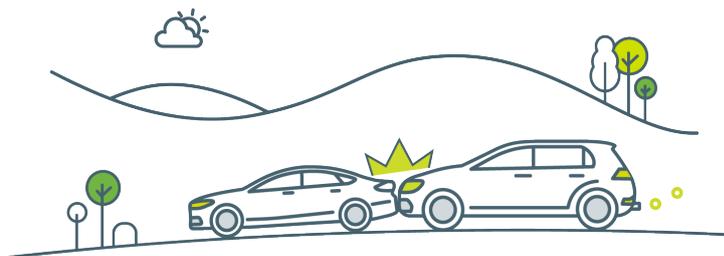
A staged accident is when the people involved plan an accident so they can make claims for damage to the vehicles.

Apart from the obvious safety issues, staged accidents can cause unnecessary work for emergency services and the NHS. They can also result in innocent drivers targeted in these premeditated 'accidents' losing their no-claims bonus and seeing their premiums rise.

The impact of fraudulent insurance claims on the cost of insurance is well documented. Insurance payments made on staged accident claims are considered to be the proceeds of crime, and have a detrimental impact on society. The money paid by insurance companies on these claims is often used to fund further criminal activity so we need to be vigilant and stop them in their tracks.

How big is the problem?

A clear increase: LV='s Claims Crime Prevention Team retained 20% more suspected staged accident motor claims for investigation in the second half of 2021 than during the first half of the year.



Less money, more problems: people experiencing financial pressures can be tempted to stage accidents to get a pay out from their insurance company.

Organised crime: following the easing of COVID-19 travel restrictions, organised crime has accounted for some of the increase in these types of claims.

New laws, different crimes: the implementation of the Civil Liabilities Act 2021 (May) has potentially changed the behaviour of some would be fraudsters. With whiplash and minor personal injury compensation claims now less lucrative than before, claims for staged accidents are on the rise.

The truth is non-negotiable: we're investigating claims where our policyholder and/or the suspect has given false information about the accident circumstances, and where photographs or poor-quality engineering evidence is provided showing damage to the insured and/or third-party vehicle. Often, the damage has been caused intentionally and isn't as they described.

Sometimes the claimant is hoping for a full total loss settlement for the market value of the vehicle. In other cases, the fraudster wants cash in lieu of a repair settlement.

How staged accidents affect you and your customers?

In terms of organised fraud, insurance policies are often taken out very soon after buying a vehicle purely for the purpose of staging an accident.

In many cases, claims are reported within a few days of the start of the policy. The insurance premium payment defaults, and the broker has to cancel or void the policy.

We know fraudsters are contacting brokers and insurers, pretending to be the policyholder and changing the contact details on the policy. In some cases, the callers even try to add additional drivers, or another vehicle to the policy. Sophisticated fraudsters are able to get details of insurance policies using compromised data, or by using social engineering to get people to disclose details of their insurance policy.

In many instances, the caller changes the contact details and reports an accident which has resulted in damage to a third-party vehicle. Often, the caller will say they don't want to claim for any damage to their vehicle and just needs us to deal with the damage to the third-party vehicle.

Where a genuine customer has been the victim of account takeover, it may not be identified until the policy renews. This can have an impact on the customer journey and relationship.

How to prevent exposure to staged accidents



- 1. Contact us:** your customer service teams and claim notification teams can report any suspicious callers, policies or claims to us at financialcrimeintelligence@lv.co.uk. Let us know the claim or policy number and tell us why you're concerned, and we'll look in to it.
- 2. Verify policyholders:** use robust identity verification and payment verification controls to avoid being targeted by criminals trying to take out insurance policies or taking over existing ones just to stage accidents and make claims.
- 3. Increase verification steps:** introduce caller verification controls such as password protection, security questions, device recognition and voice recognition software. This will help protect you and your customers.
- 4. Add fraudsters to the blocked list:** reduce exposure to organised fraud - blacklist any recurring telephone numbers, email addresses, payment cards or devices that have been used in connection with fraudulent activity.



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