

## Spotlight: Fraud at the vets

### Spotlight: Fraud at the vets

Sam Barrett

31 August 2016

- £1.9m of pet fraud detected in 2014, up from £420,000 just five years before
- Fraudsters have successfully claimed for imaginary pets and imaginary treatment
- Cross-industry data sharing is essential to combat pet fraud

Pet claims fraud is on the rise and insurers are developing or contemplating new tools against it: a database, cross-referencing strategies and pet photographs on policy documents.

Whether it's a tooth extraction for a tabby cat, chemotherapy for a Cockapoo, or anorexia treatment for a python, insurance provides considerable reassurance to the UK's pet owners. But, with claims rising, it's a market that's also providing opportunities for fraudsters.

Figures from the Association of British Insurers show that pet insurers paid out a record £657m in claims in 2015, 9% higher than the previous year. This is encouraging growth in the market, especially as nearly four million cats and dogs now have cover. Unfortunately insurers have also highlighted a similar trend in incidents of fraud. The ABI reports that £1.9m of fraud was detected in 2014, up from £420,000 just five years before.

While this may represent less than 3% of the total claims paid, it's something the insurance industry is keen to address. Claire Laver, partner at DAC Beachcroft, says pet insurers take fraud very seriously: "The size of the market means it's not as

prevalent as in the motor insurance market. But it doesn't matter how prevalent it is, fraud is fraud, and the insurers will do whatever they can to detect and prevent it so they can protect their innocent policyholders."

Pet insurance fraud takes many shapes, but the most common type involves the policyholder withholding or misrepresenting information. According to Laver, for example, around 80% of the fraudulent claims her firm sees involve pre-existing conditions. "An owner might take out a policy and misrepresent the truth, leaving out conditions and treatments the pet has already had so they're able to claim for them in the future," she explains.

Some policyholders might see this - incorrectly - as stretching the truth rather than fraud, but there are also instances where individuals have taken more proactive steps to defraud the insurers. This can include submitting claims for treatment that hasn't taken place or bumping up the amount paid out by sending the same claim to several insurers.

"The most expensive frauds tend to occur when the customer has fabricated veterinary treatment or the loss of a pet," says Andy Pearce, head of operations at Petplan, a subsidiary of Allianz.

As well as imaginary treatment, fraud can also involve a pet owner using one policy to cover several animals. For example, an owner may have three cats but only take out a policy for one, fraudulently using this to pick up treatment costs for the other two felines.

### Ramping up the cost

There can also be instances where the vet, or someone within the practice, behaves fraudulently. This could mean ramping up the cost of treatment or claiming for interventions that haven't taken place.

Third-party claims are another area where fraud can

potentially creep in. "Where someone has been injured by another person's pet, there is a risk that they exaggerate their injury or falsify their losses," explains Laver. "It's not as large an area for claims but, as the size of a claim can be significant, insurers do need to be mindful of this."

To illustrate this, when Petplan last analysed this aspect of the market, it found that almost £2m of the total it paid out in 2008 was for liability claims for dogs. Although a relatively small proportion of the total amount paid out, the size of some of these claims shows just how chunky they can be: one of the claims paid out in 2008 was for £60,000 to cover the personal injury, loss of earnings and legal fees that ensued when a policyholder's Border collie chased a postman out of the garden, causing him to fall over a wall and injure his back.

Although fraud may still be a small issue for the pet insurance market, ensuring it is identified wherever possible is essential to prevent it from becoming a major issue.

It may be easy to take a hard line on fraud, but insurers are also mindful of the emotive nature of this product. Neil Richards-Smith, managing director of NCI, explains: "When a pet is unwell, it can be a very stressful time for their owner. As a result, we have a five-day turnaround for our claims, so this means that fraud detection has to be effective, allowing genuine claims to be processed quickly and efficiently."

Claims handlers form the first line of defence for many of the insurers. Lee Dainty, director of pet claims at RSA, says they play an important role in helping to ensure the right balance is struck. "We train our staff to be empathetic and work with both the pet owner and the vet when a claim is made. This helps to make the claims process as transparent as possible but can also make it easier to detect fraud indicators."

Among the things that insurers highlight as potential warning signs are aggressive behaviour or policyholders insisting that money is paid into their

bank as quickly as possible.

Insurers also employ simple checks to help identify potential fraud. At NCI, when bills are submitted directly by the veterinary practice, claims handlers will check with the policyholder how much the treatment cost. This helps to identify any cases where the vet is submitting inflated bills, enabling them to be investigated without any aggravation to the policyholder.

Many will also keep their knowledge of veterinary practice up-to-date by retaining panels of practitioners. Then, if they receive a claim that seems inappropriate or larger than expected, they can seek a second opinion and challenge it if necessary. "It can be a genuine mistake," adds Richards-Smith, "but if it keeps occurring we'll keep an eye on them."

#### Risk indicators

Data is also essential in the fight against fraud. Pearce says Petplan uses a system of risk indicators to identify claim factors and patterns that may suggest suspicious circumstances. "We are here to pay genuine claims, so any with a flagged risk indicator go for further investigation to understand the reasons why they appear suspicious. When dealing with pet health, things aren't always black and white, so it's important to take the time to make the right decisions in these circumstances."

Insurers are also constantly evolving the strategies they deploy to deter fraudsters. "We look at the protection measures we have in place on motor to see whether they might be effective on pet," says Richards-Smith. "We don't believe that fraud is a major problem yet but we would prefer to address it before the horse has bolted."

As an example, NCI is currently piloting a couple of measures on its pet insurance business, such as credit scoring and address checks, which it already uses on motor. This pilot will show whether these checks can help it to identify fraud on pet insurance.

It's also looking to introduce pet photographs on its policies to stop policyholders from taking out one policy and then using it for treatment on another pet. Richards-Smith says this would make it very easy to check whether the insured animal had received the treatment that was being claimed for, without causing any undue concern to innocent policyholders.

Also playing an important role in deterring fraud is the Insurance Fraud Enforcement Department. Based on referrals from insurers, it has successfully investigated a number of fraudulent pet insurance claims, leading in several instances to prosecution. Laver notes: "It has greatly assisted the insurers in their fight against fraud, with prosecutions acting as a deterrence piece."

Cases have included a 22-month jail sentence for a woman in the West Midlands, Emma Fisher, who made a string of fraudulent insurance claims, often impersonating professionals and forging documentation to support her claims. This included targeting pet insurers by supplying a fake veterinary record to support a claim for the death of a Chihuahua dog.

More recently, IFED's investigations resulted in a married couple, Chelsea and Stellio Stafford, receiving 12-month suspended sentences and 180 hours of community service. The pair were reported to IFED when More Than identified a series of suspicious pet insurance claims.

In total, the couple made nine fraudulent claims for cancer for three Staffordshire bull terriers, their own dog Buster and two fictitious dogs called Angel and Winston. They'd forged invoices from their local vets to support the claims, and their use of poor grammar and incorrect terminology alerted the insurer. This included a claim for 'an airline (sic) fracture' which had resulted in Buster getting cancer and dying.

The consequences of fraud

The media has also helped to draw consumers'

attention to the consequences of committing fraud. As well as covering the IFED claims, television programmes such as the BBC One documentary series Claimed and Shamed have worked with pet insurers to highlight the issue. For example, Agria Pet Insurance has already appeared in the programme four times, highlighting the steps it has taken to detect fraud, and has recently finished filming the eighth series of the programme.

As well as adopting their own counter-fraud strategies, Hein Kuiper, chief marketing officer at Cardif Pinnacle, is keen for the insurers to work together to ensure this type of activity isn't allowed to take hold. "Due to the amount of money which is made from pet insurance claims these days, there's always a risk of abuse by the small minority," he says. "It's up to the industry to be vigilant and work together to stamp it out."

On an industry-wide basis, Cardif Pinnacle, alongside other pet insurers, is part of a working group coordinated by the ABI. This meets regularly to discuss key issues facing the industry, including fraud and what can be done to tackle it.

As well as these discussions, many would also like to see the pet insurance industry adopt more data-sharing practices. "The insurance industry shares information on other product lines; why not do the same for pet insurance?" asks Dainty. "This would protect policyholders and help to keep pricing sustainable."

For example, through the Claims and Underwriting Exchange, a database which was established in 1994, insurers can share motor, home and personal injury claims information. This helps prevent multiple claims and the misrepresentation of claims histories.

Pet fraud database

While there are no immediate plans for CUE to extend its services into pet insurance, other firms have stepped into this area. For example, in June, Crif

Decision Solutions announced the launch of a database, Pet Cache, which will enable insurers to share claims information to help them detect fraud more easily.

Available on a pay-per-click model or by subscription, the database enables insurers to interrogate claims data so they can identify any signs of fraud. It also gives them a more detailed view of the claim and the parties involved.

Although it is still early days, it has already received considerable support. "We intend to work with Crif on this initiative," says Dainty. "Sharing information makes sense and will benefit our policyholders."

But, while there are a variety of tools available to help beat the fraudsters, the insurers mustn't become complacent. "Fraudsters will never let up on finding new ways to exploit insurers for financial gain," says Pearce. "We have to remain vigilant and continue to invest in preventing fraud to protect the interests of our customers."

This is part two of a three-part series on pet insurance. Read part one on pet insurance opportunities in the UK and part three on solutions to combat pet insurance fraud.