

# Change • Challenge • Opportunity

## Injury & Disability Schemes Seminar

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12 - 14 November 2017 • Sofitel • Brisbane





# The Magic Pudding is here!

**Dodgy Business Networks  
Targeting CTP and Motor  
Insurance**



# What is the Magic Pudding?

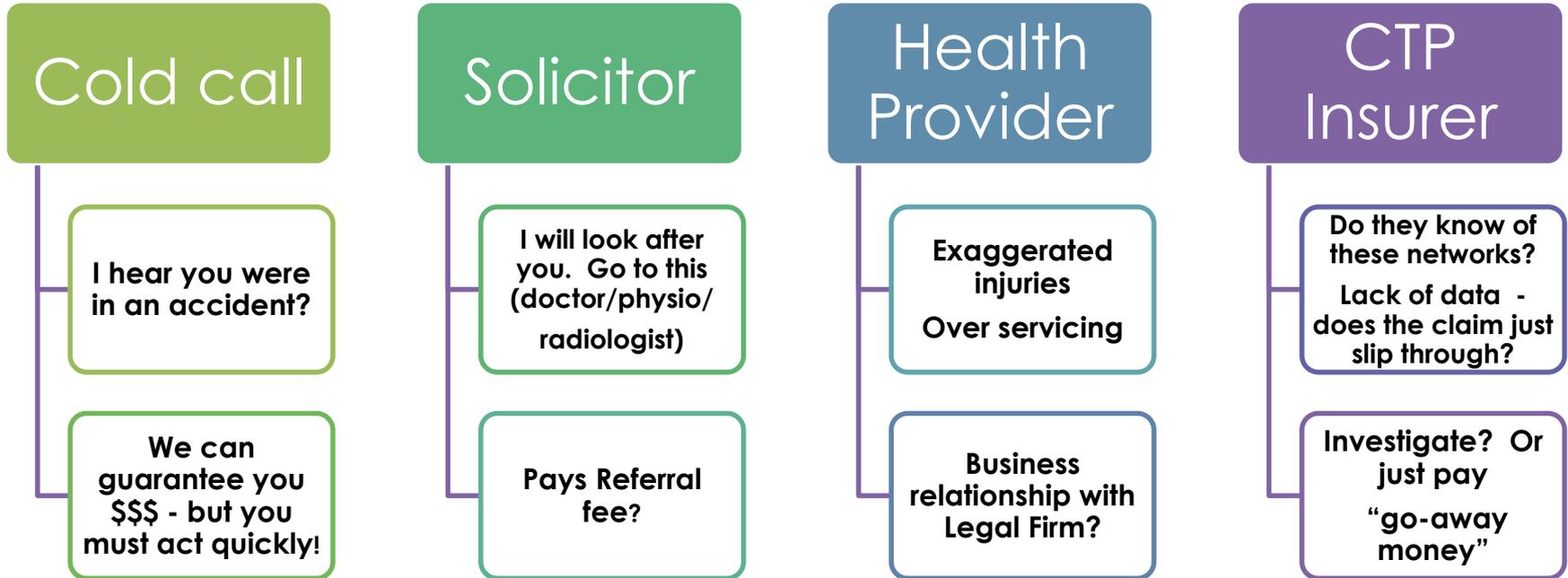
- We've been monitoring claim farming for several years
- Business models afflicting the UK motor insurance market have taken hold in Australia
- The UK has been trying to address claim farming, fraud and exaggerated claims for well over a decade
- It is ultimately the policy-holder that pays



**The magic  
pudding seems  
to never run  
out**

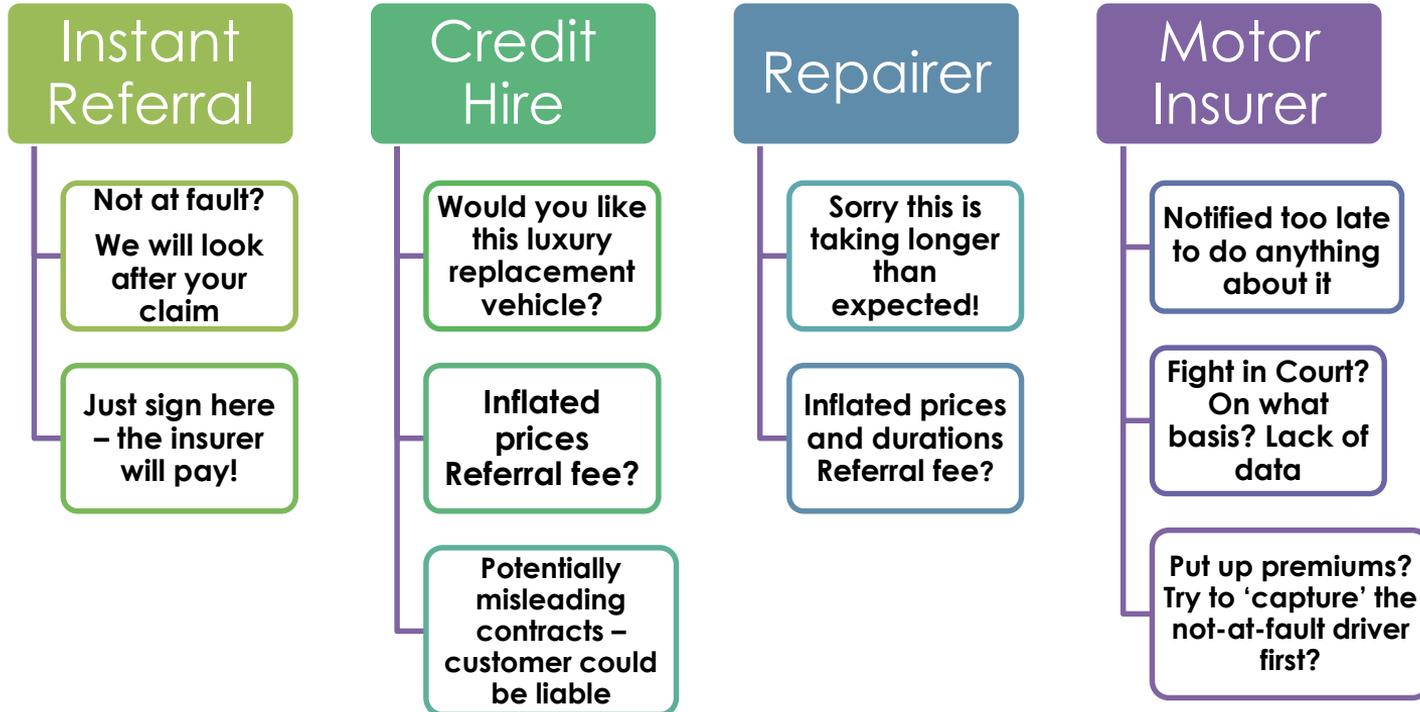


# How does it work in personal injury?



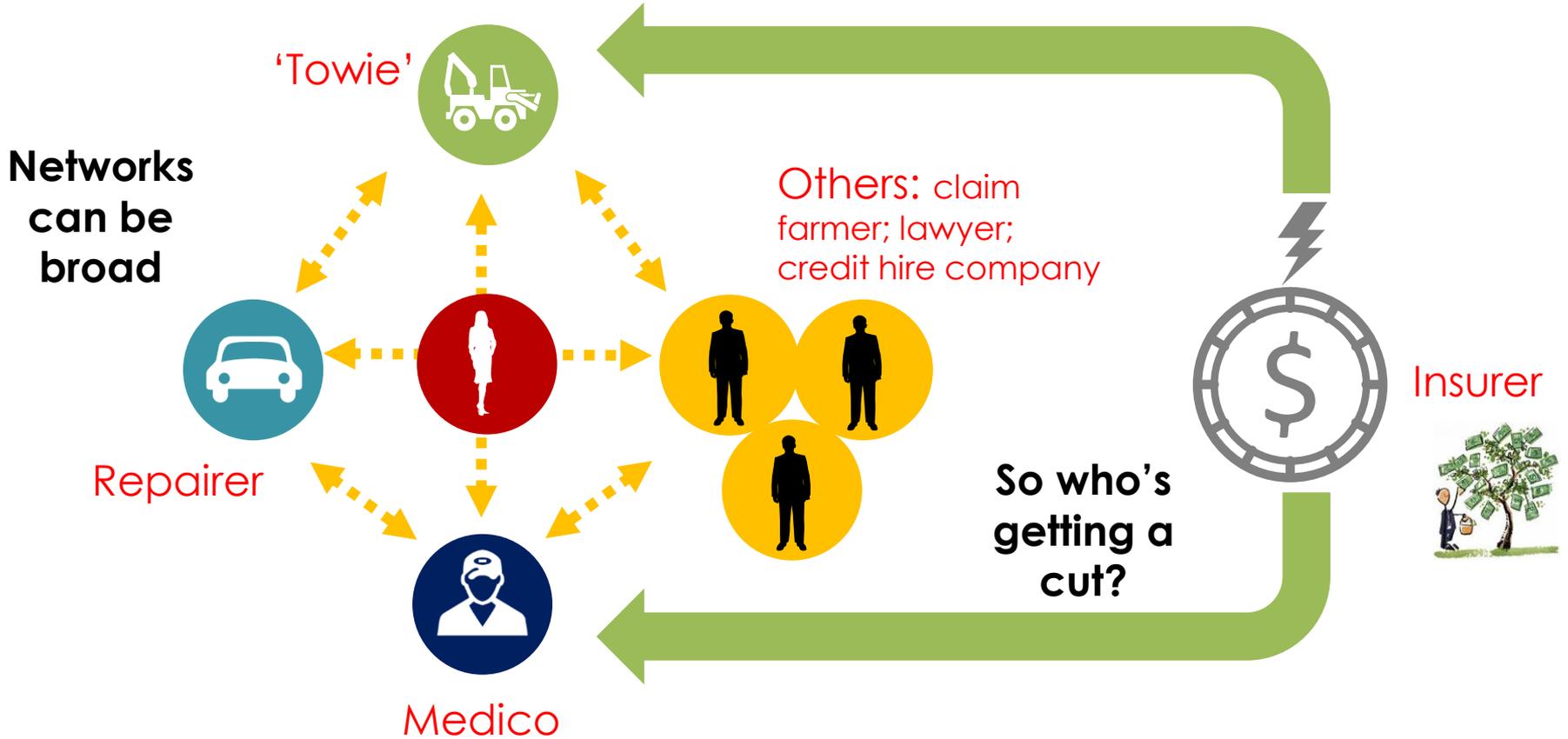


# How does it work in motor property?





# The web



## Where do they get your number?

- Some calls are random but some know the accident details
- Sources could be many: anecdotally, they **could** come from
  - First responders (tow truck drivers, ambulance etc.)
  - Insurance companies
  - Motor repairers
  - Credit hire companies
  - Others: medical and allied health providers?

# All sorts of sources and media

- Phone 
- Social Media 
- Advertising 
- Spotters 
- Cold calling
- Recruitment through Facebook
- Credit Hire companies
  - Aggressive advertising in Sydney, e.g. Right to Drive
- Vehicle repairers
- ‘Advisers’ or consultants within communities



# SOME BACKGROUND: THE UK EXPERIENCE



## By 2010 the UK market was dominated by Claims Management and Credit Hire companies

- £2 billion losses in UK motor in 2010
- 1 in 7 injury claims linked to 'crash for cash'
- 2,500 CMCs in 2011
- 5–8% p.a. increase in minor injury claims



### 2012 – 'Insurance Fraud Enforcement Department' established within London Police

- Funded by insurers, national remit. 40+ specialist staff.

### 2013 – LASPO Act:

- fixed legal costs for small claims
- banned referral fees
- reduced conditional fees



## Greater regulation and enforcement

### 2014 – Tougher regulation of CMCs

### 2015 – Criminal Justice & Courts Act

- Courts can strike out claims for dishonesty
- Lawyers banned from offering inducements to potential clients

### 2015 – Data pooling/Civil Procedure changes

- Lawyers must search claims database before lodging a claim



### 2015 – Insurance Fraud Taskforce established

### 2015 – Cold calling

- Police request disruption of 180,000 phone lines, bank accounts and websites

### 2017 – IFB's 500<sup>th</sup> conviction

Claims management firms moving into new areas e.g. bogus liability claims, false food poisoning claims against hotels & tour operators

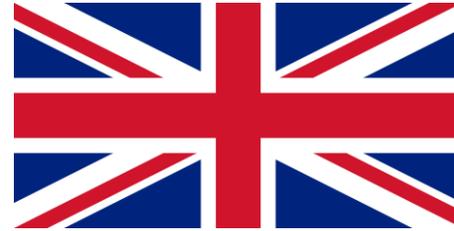
## June 2017 – Civil Liability Bill

### After much delay – new legislation to go ahead from October 2018

- Reforms to minor injury claims of < 2 years duration - soft tissue and psych
- Available compensation for injuries reduced to £225 - £3,700
- No legal costs payable for claims < £5,000
- Whiplash claims must be verified and assessed by accredited MedCo specialist
- No settlement offers without independent medical evidence

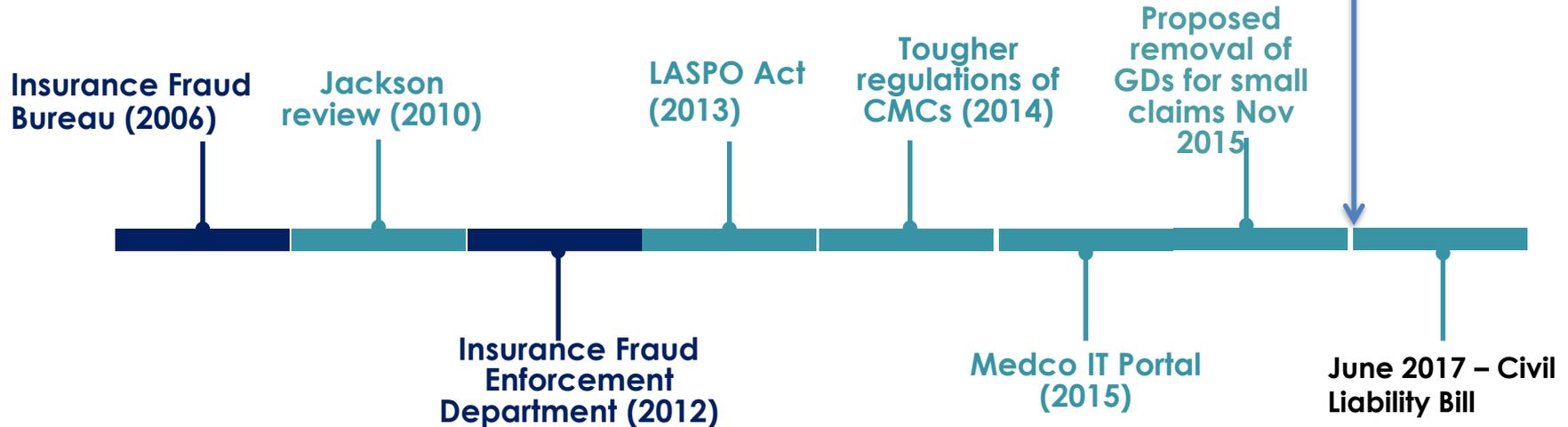


Queen's speech  
confirms whiplash  
reform and court  
modernisation



UK response – more than  
a decade of effort – and  
it's not over yet!

In 2016, the  
industry spent >  
£200 million  
tackling fraud





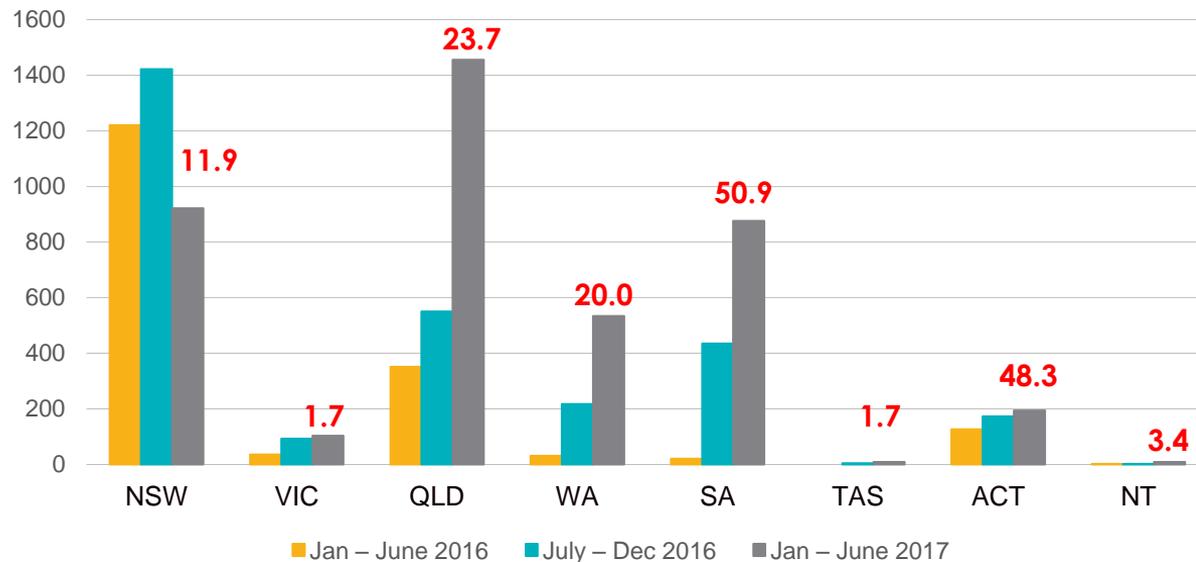
# THE SITUATION IN AUSTRALIA



## The situation in Australia

Complaints  
per 100,000  
population

ACCC 'Compensation Tout' Complaints



- Almost 9000 complaints Australia-wide in the 18 months to June 2017
- $\approx 50$  complaints per 100,000 population in SA and ACT
- *What % of people would make a complaint?*

## Regulators have started to collect information...

### WA:

Since 2015, **ICWA** has logged 322 motor injury insurance claims it suspects were due to claims harvesting

- “People pretending to be from a crash-investigation company or the ICWA make cold calls to members of the public to gather information (and) promise crash victims sums of money if they lodge a claim through a specific law firm”

### SA:

Please be wary of uninvited contact relating to potential motor vehicle accident claims. You may or may not have been involved in a motor vehicle accident. They may offer to refer you to a claims, compensation, government or legal service. This contact may be deceptive or misleading ... **We strongly encourage anyone receiving such contact to protect their personal information.** Do not complete any forms that are sent to you without verifying the source....

If you receive uninvited contact please contact us, the CTP Insurance Regulator

### Qld:

**MAIC** is collecting details of cold-calls and claim farming efforts in an attempt to stamp out the practice in Queensland. Claim farming is the process by which a third party cold-calls an individual to encourage them to make a compensation claim and then sells these claims to law firms. If you have received an unsolicited phone call encouraging you to make a CTP claim, please complete the form below.

**Law Society President, May 2017** “the practice is clearly unethical and a clear breach of the Australian Solicitors Conduct Rules...thankfully the professionalism of Qld lawyers means that the practice is a rarity in this State”



## Example: email marketing to legal firms in NSW – June 2017

- “I'd like to introduce myself and our company R H Data Solutions Ltd
- Working across 5 different sectors we have the UK's largest social media campaign with an audience of over 5 million people daily.
- We are producing over 180 clients per day in the UK which is built of MVA, employers cases, occupiers liability cases and clinical negligence cases which is pretty much the maximum potential.
- We moved onto Canada only 6 months ago and now produce over 60 clients per day which is split between 4 companies- **which brings us to Australia....”**



## Email marketing to legal firms in NSW

- “We have started working in Australia working with claims management companies
- but are **now looking to work with solicitors** as we are greatly looking to increase our campaign as we are just scratching the surface
- ...we expect to produce over 80 clients per day within 2 months as long **as we can work with the right firms...**
- Our **agreement** is set up as an internet marketing agreement **for compliance purposes.”**



## Email marketing – “what we do”

- “Our software allows us to assign our marketing accounts on Facebook specific destinations as specific times.
- In the UK we currently **post over 140,000 times per day**.
- The adverts that are sent out will allow client to enquire directly with the branded marketing account so we can vet each client
- Once we have generated enquires we will **perform vetting via Facebook messenger between the client and our in house agents**.
- Once a client has fully met criteria they will be sent over and **logged on your Google spreadsheet to deduct the balance....**
- We would ask you to speak to the client as soon as possible. If the client does not want to pursue a claim send it back (we will) replace it almost immediately
- Orders are always made the day before and have to be placed before 5pm to ensure you receive the clients the following day.
- **We can increase each campaign to a maximum of 20 clients per day within 24 hours** e.g. if you wish to order 60 clinical negligence clients per day we will need at least 3 days grace but you will receive an increase of 20 clients per day”.

## “client vetting” via Facebook Messenger

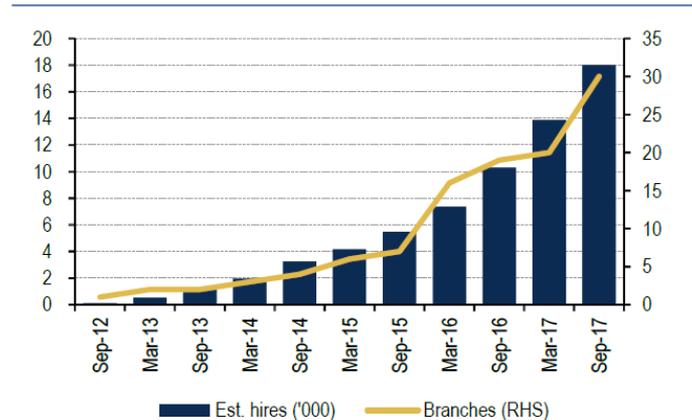
- “Ongoing injuries, minimum soft tissue damage”
- “Psychological damage will significantly enhance the prospects and value of a claim (Sleeping pattern effected, nightmares, anxious when in a car, flash backs etc. More detailed the better)” (sic)
- “Any form of past/current eco loss will significantly increase the value of the claim especially if med cert is not strong”
- “Over-65s need to be in employment and has sought regular treatment” (sic)
- “The fees are 30% only if successful, so there's no risk!”

## “Credit Hire”

- Market dominated by ‘Right2Drive’ (Ecplix)
  - 81% income growth FY16 – FY17
  - 30 branches across Australia/NZ
  - 11 branches opened in the last year
  - plans for >40 by March 2018
- ‘highly effective customer capture model’
- ‘could be the fastest growing contributor to rising motor claims costs...potential to grow 5-fold in coming years’\*
- Insurers have limited influence over the not-at-fault non-customer

\*(Bank of America Merrill Lynch 3/10/17)

### 2013-17: Estimated R2D hires and branches



Source: BofA Merrill Lynch Global Research estimates, company report

## Link between 'Credit Hire' and CTP??

- Right2Drive customers contracts include:
  - consent to their details being passed on to a 'CTP legal practitioner'
  - Consent for a lawyer to "assist in any claim I may have for injuries"
- Right2Drive deny they receive any financial incentives from claims relating to personal injuries, and "will review their terms and conditions"\*

### **Right2Drive website: "Four simple steps"**

- Step 1 - Book a car
- Step 2 - We deliver the car to you
- Step 3 - Return the car, when yours is repaired
- Step 4 - We take care of the bill with the at-fault party

### **Daily Hire Fees:**

- Audi A4/ Mercedes C200 \$172.48
- BMW 528i/Volvo XC90 \$260.48
- Range Rover SUV \$557.48
- **Estimated typical cost: \$2,100 per vehicle**

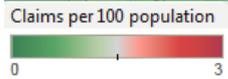
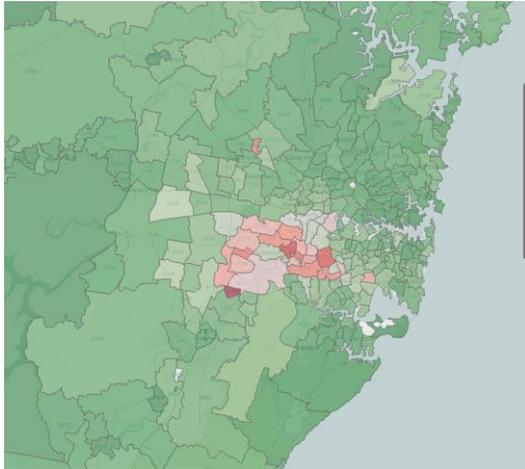
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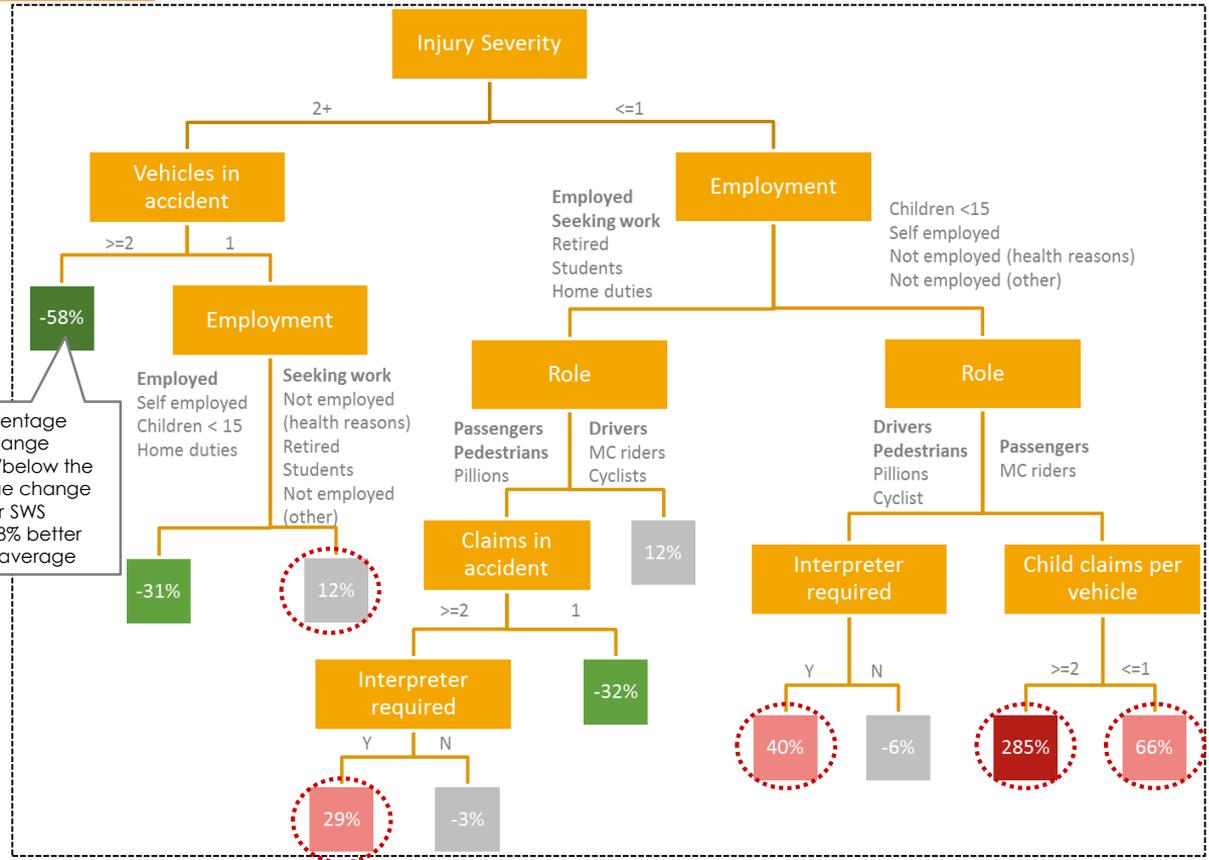
# THE NSW STORY..



## Detecting fraud and referral networks in NSW



Percentage change above/below the average change for SWS e.g. 58% better than average



Law Firm D,  
Doctor B and  
Medical Centre A

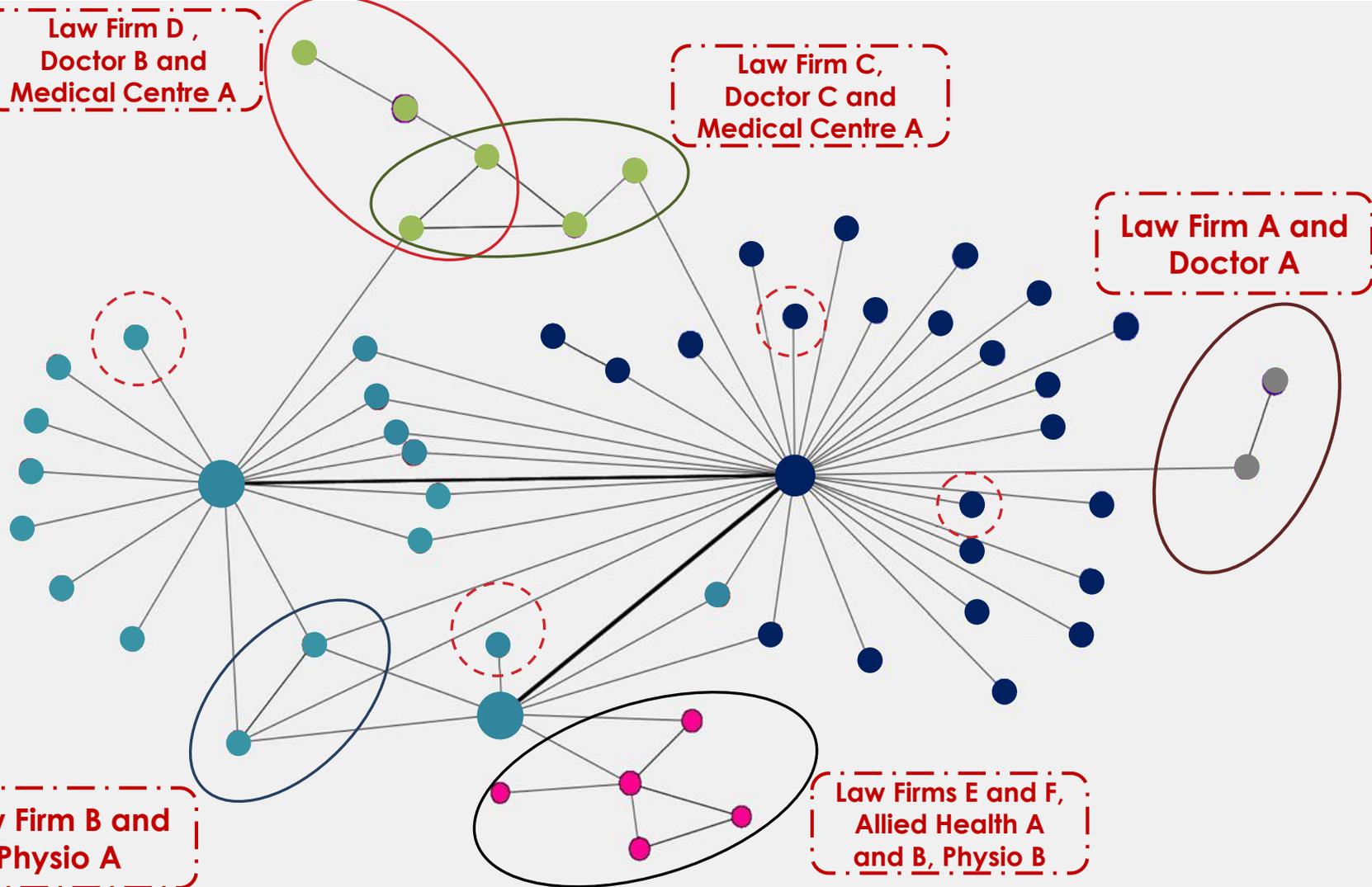
Law Firm C,  
Doctor C and  
Medical Centre A

Law Firm A and  
Doctor A

Law Firm B and  
Physio A

Law Firms E and F,  
Allied Health A  
and B, Physio B

Using the segments in previous slide, we found networks: we know that at least a couple of these identities have been charged under Strike Force Ravens





## Fraud Task Force

- Multi-agency group set up Aug 2016
- Police **Strike Force Ravens** – access to variety of data sources

Police followed the money – e.g. tracing bank transfers – and found evidence of:

- Staged accidents
- Claims for passengers who were not in the vehicle at the time
- Employment and pay records that were fabricated

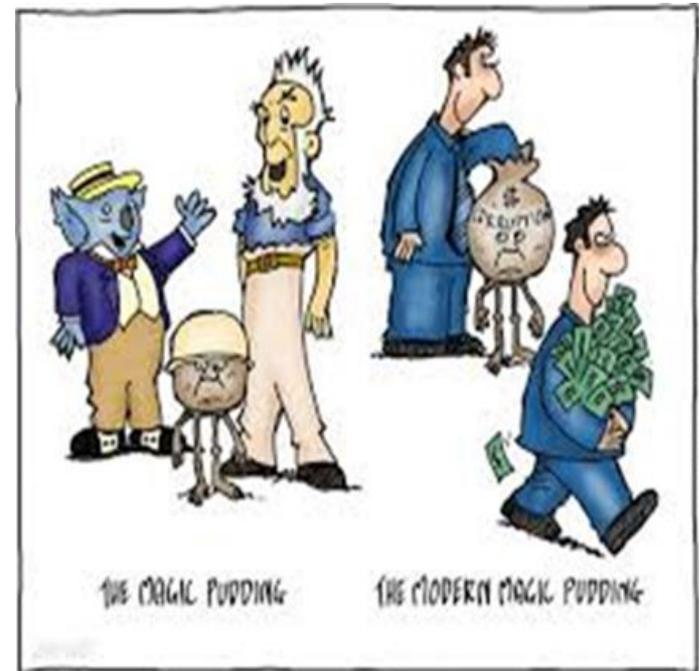
As at 5 Nov 2017:

- 17 arrests including a solicitor, health practitioners and an ex-insurance staff member
- > 120 charges
- Fraudulent claims > \$11 million
- Organised crime syndicates



## Success in NSW?

- CTP Insurer response includes
  - centralising management of target claims / providers,
  - changes to operating model to segment claims in a more sophisticated manner
  - re-defining claims staff KPIs
- Insurers more reluctant to settle for 'go away' sums
  - more CTP matters running at CARS or Court
- Continuing media interest and police involvement





**SO THE MORAL OF THE STORY IS....**

## Lessons for Australia

Claim Farming and Credit Hire businesses are well established here

Using opportunistic targeting and organised referral networks

The Cold Calling business is agile and quickly moves to find new markets

Impacting CTP claims frequency in States with fault-based common law schemes

Credit Hire is a successful customer capture model

Impacting Motor Claims costs, and likely to continue to expand

Involvement of legal /medical professions?

Referral fees are illegal but may be disguised



## Lessons for Australia

### Cross-Jurisdictional Multi-Faceted response

- Regulatory
- Educative
- Data driven
- With enforcement teeth

### Co-Ordinated Involvement

- Scheme Regulators
- Insurers & Industry bodies
- Police
- Professional bodies and Regulators incl. Telcos
- Privacy Commissioner
- ACCC

### Data- Driven response

- Links between Motor and CTP?
- Share intelligence
- Inform claim management strategy

### CTP Scheme Design is key

- What is driving these behaviours?
- Reduce incentives for minor injury claims
- Better informed and supported claimants

**The battle is just beginning here –  
Prepare for a long campaign on  
many fronts!**

- Dedicated resources
- Co-ordinated action
- Public education

**We cannot be complacent!**



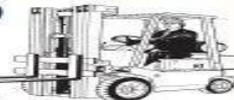


# Questions?

**NOT had an ACCIDENT  
at work that WASN'T  
your fault?**



You could **STILL**  
Claim **THOUSANDS** with



## **COMPENSATION DIRECT**

COMPENSATION DIRECT are the leading experts on getting you **MONEY** for **NOTHING!** And you get to keep **100%** of the cash.

**Just LOOK at these payouts!...**

- Didn't fall off ladder in stockroom ~ **£7000**
- Walked safely across warehouse floor ~ **£5000**
- Forklift failed to run over your toe ~ **£4500**

Don't worry where our fee comes from, just sign the papers and we'll do the rest.

*"I was cleaning the inside of a boiler. My boss gave me all the proper safety equipment and nothing happened. But Compensation Direct still managed to get £4500 out the bastard."*



Mr J, Hull

*"I was making a cup of tea in the kitchen of the office. The carpet wasn't threadbare, and as a result, I didn't trip over, not spilling hot tea on my legs. Compensation Direct got £7000 out of my bemused employer."*



Mrs B, Essex

**0800 800 8055**

If you've had a completely safe day at work, don't despair. Pick up the phone and call **COMPENSATION DIRECT** to get everything you don't deserve.