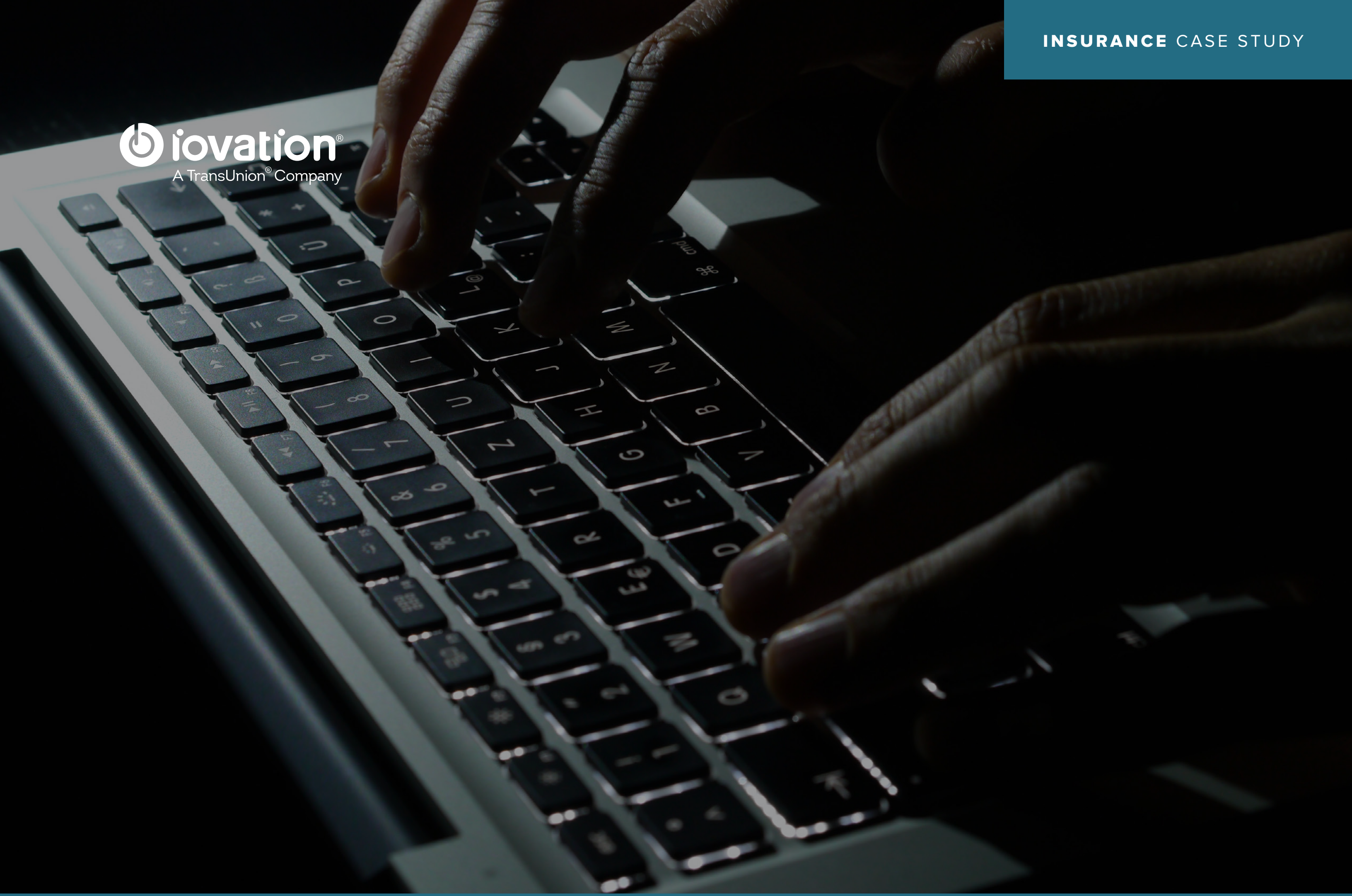

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THE AA INSURANCE CASE STUDY

THE AA INSURANCE PROSECUTES A GHOST BROKING FRAUD RING

CHALLENGES

Fraudsters used careful organization and processes to hide from conventional detection and investigation techniques, stretching the motor insurer's anti-fraud resources.

SOLUTIONS

iovation's fraud prevention service, combined with collaborative insight from the Fraud Force Community, pieced together the ghost broking scheme to build the case for prosecution.

RESULTS

iovation's sophisticated device intelligence proved instrumental in the arrest and prosecution of a five-member ghost broking ring. Three pled guilty, and a fourth was sentenced for four counts of fraud.

AA

IOVATION'S SERVICE AND PEER COMMUNITY LEADS TO CONVICTION OF ORGANIZED GHOST BROKERS COMMITTING INSURANCE FRAUD

"We knew we weren't dealing with honest customers, but couldn't quite tell why," recalls Stephanie Driscoll, Fraud Operations Manager for the AA Insurance.

Between February 2013 and March 2015, someone – or some group – had incepted and then immediately cancelled 83 new motor insurance policies as soon as they'd converted.

"Whoever was opening and closing these policies was quite careful," adds Chris Monk, the AA's Collections and Fraud Manager. "Among all those applications, there was very little repetition of key data such as contact information and even bank accounts. They were careful not to initiate more than four or five motor insurance policies per month."

Device ID and IP address provide initial clues

This level of diligence would normally have slipped by undetected. But Monk and Driscoll could see, using iovation's fraud prevention service, that only two devices – both with IP addresses in London – were submitting all the applications, some of which listed residences hundreds of miles away.

Still, the extra detail couldn't answer the core question: Why were these policies being cancelled as soon as they were opened? This is known as 'Not Taken Up' (NTU) in the industry.

Doing the unthinkable to fight crime

In recent years, the UK's motor insurance market, the third largest in the world, has experienced an unparalleled period of change due to economic conditions, technological advancements, and rising customer expectations. These circumstances have further entrenched the industry's long-held mentality: The fraud our competitors experience is fraud we don't have to deal with.

Combined with strict government regulations protecting customers' data, these factors made it taboo for Monk and Driscoll to ask professional peers at other insurers about the mysterious customers and their NTU policies.

Instead, they looked to iovation's peer-driven Fraud Force Community.

> **IOVATION'S DEVICE INTELLIGENCE AND FRAUD FORCE COMMUNITY GIVES US A REMARKABLE OPPORTUNITY TO DISCUSS FRAUD RINGS AND HOW TO COMBAT THEM. WE CAN HAVE THESE DISCUSSIONS IN THE COMMUNITY WHILE HONORING COMPLIANCE REGULATIONS AND OUR RESPECTIVE COMPANIES' POLICIES.**
>
> **Stephanie Driscoll, Fraud Operations Manager**
> The AA Insurance

As two of the Community's 3,500 members, Monk and Driscoll asked their fraud-fighting peers – in any region, in any industry – if they had seen these same suspicious devices on their digital properties.

Every device reflects the intentions of the person using it. iovation's device recognition technology uses thousands of permutations of device attributes to instantly identify a device and continue to recognize it over time, without requiring the user's personally identifiable information (PII).

Competitors becomes collaborators in Fraud Force Community

When the fraudsters began incepting and cancelling more policies each month, the AA's fraud team investigated. They listened to recordings of the fraudsters – five different voices, constituting a fraud ring – calling in to cancel the policies and then demand cancellation letters be sent out quickly.

The official cancellation letter included a no-claims bonus. For honest insurance customers, this awarded bonus – for not having filed a claim over the period of the policy – entitles them to a discount on their next year of coverage. The maximum bonus could reduce the premium by up to 70%.

iovation reveals unseen links

"When we asked iovation's Fraud Force Community about the devices associated with the NTU'd policies, we found that they had been interacting with another insurer who was an iovation client" explains Monk. "That launched a candid, productive dialogue. Without that, we might not have uncovered the full extent of the scam. iovation was key in linking many of the seemingly unrelated things that were going on."

That discussion in the Fraud Force Community pieced together a ghost broking scheme. The fraudsters were taking the AA's cancellation letters – with no-claims bonuses – to other insurers for a lower premium. The cheaper policies – their premiums lowered further with false information about the drivers – were then sold to unsuspecting victims.

Even though the AA wouldn't have had any obligation to claims made by those victims, a series of claims made on the fraudulent policies, along with the victims' public complaints in the confusion, could impact the company's sterling reputation.

Police build legal case with iovation intelligence

During the AA's investigation, the City of London Police submitted a request for information regarding one customer's insurance. As the police dug into the case, evidence from iovation revealed the ghost broking ring, its fraudulent policies, and the devices used to apply for them.

Over the next 12 months, the AA's internal investigation aligned with the police's, contributing to the strongest possible case against the fraudsters.

"The City of London Police needed something to tie all of the offending devices together. iovation's device recognition service did just that," says Monk.

Successful prosecution for conspiracy and false representation

In early 2016, Monk and Driscoll's teams were rewarded for their hard work. Three members of the ghost broking fraud ring pleaded guilty. Another was found guilty on two counts of Conspiracy to Defraud and two counts of Fraud by False Representation.

ABOUT IOVATION

iovation, a TransUnion company, was founded with a simple guiding mission: to make the Internet a safer place for people to conduct business. Since 2004, the company has been delivering against that goal, helping brands protect and engage their customers, and keeping them secure in the complex digital world. Armed with the world's largest and most precise database of reputation insights and cryptographically secure multi-factor authentication methods, iovation safeguards tens of millions of digital transactions each day.

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