



Society of  
Claims  
Professionals  
Standards, Professionalism, Trust.

# Good Practice Guide

January 2019

## Ghost Broking for Claims Professionals

Foreword	2
Introduction	3
Good Practice	5
Conclusion	6
Appendix - Primary Source Material	7

This paper is in response to members' requests to provide a summary of good practice within one source document and is based upon the Society of Claims Professionals' understanding of the regulator's rules and current stance. Whilst a summary, it is not intended to be exhaustive and should not be relied upon at the exclusion of other sources of information.

in association with



## Foreword



**Jon Cawley**

Head of Claims,  
NFU Mutual

With organised crime and the never-ending evolution of criminal practices, we have seen a rapid expansion of the methods used to obtain money by deception. It is fundamental to our industry and for claims professionals to actively develop their knowledge of all such practices, in order that we can ensure we are providing the most effective support and protection for our customers and the public. Your drive and dedication to keep your knowledge and skills at the leading edge of the issues that affect our industry is key to ensuring we continue to build public trust in what we do, with the additional rewards of accelerating your career development. Ghost broking is one such issue that increasingly affects our industry.

The term 'Ghost Broking' is used to label the situation where a fraudster deliberately fakes insurance documentation, schedule and often certificate of insurance to sell to an unsuspecting buyer. The phrase may seem almost light hearted but the consequences to the victim of the scam can be truly devastating. The purchaser of the false insurance documents may find they have no cover in place for an arising claim and may also face an investigation by the police for having no compulsory insurance in place for their motor vehicle.

There may also be further far reaching issues faced by the innocent third parties who are injured or suffer losses as a result of a road traffic collision. The trauma of the accident may be further impacted by the distress caused by the uncertainty of whether their genuine claim will be met.

Our industry and our claims professionals have a responsibility to help protect consumers from the scourge of ghost brokers. Clients need to know that they can trust legitimate firms to act fairly and provide helpful advice should the client find they are a victim of a ghost broker.

This note provides claims advisors with an important view of the impact ghost broking has upon the claims process. It provides the areas of responsibility for a claims advisor that may arise when they have to consider a claim involving a fraudulent policy created by a ghost broker. This document provides some practical guidance to claims advisors as to how they can help protect consumers and help enhance the integrity of the insurer they represent, helping build trust in our industry that can so easily be damaged by these criminal practices.

## Introduction

### What is ghost broking?

Ghost broking is a type of fraud where an unsuspecting client is sold a fake insurance policy. As car insurance is generally sold at highly competitive rates, fraudsters have taken advantage of people trying to find a good deal who may not be as experienced buying insurance, or face higher premiums due to their personal circumstances. By taking advantage in this manner, supposed clients believe they have insured their vehicle properly, paying for a policy that does not exist.

The Insurance Fraud Bureau (IFB) explain how ghost broking scams work:

- Policies are bought from legitimate insurance companies using false information and then doctored before being sold on to customers.
- Fake policy documents designed to look like they have been issued by legitimate insurance companies are created and sold on to customers.

By forging documents from real firms, or falsifying client details to get artificially lowered prices, victims of the scam will not realise they have purchased invalid cover until they have either been stopped by the police or need to make a claim.

There is also the possibility that an employee within a firm may be falsifying genuine documents to sell illegally. It is rare that a ghost broking scam is committed by an insider, however it is not impossible.

### Who is at risk?

Fraudsters tend to approach people who are either unfamiliar with buying car insurance or those who are not technologically savvy. New drivers aged 17-24 are often targeted by ghost brokers due to their inexperience with purchasing insurance policies. They are also targeted because they would normally pay higher premiums due to their age and/or income. Fake adverts are sometimes published on student websites, university notice boards, social media or internet forums and marketplaces. Advertisements that are difficult to trace their point of origin should be a red flag for those considering the product on offer. One other giveaway sign is if the broker is only contactable on a mobile phone number or on messaging apps such as WhatsApp, Snapchat or Facebook.

People over the age of 55 are also heavily targeted by ghost brokers due to their unfamiliarity or inexperience with digital technology. They may be tempted by advertisements in pubs, bars, newsagents or car repair shops, or cold calls from someone impersonating a broker. Tempting offers of low premiums and cheap coverage often lure unsuspecting victims who do not question the legitimacy of the advert or offer.

### What are the potential consequences for victims?

Driving without car insurance is a criminal offence. Unfortunately, if a client makes a claim from a fake policy, they may not be given the benefit of the doubt and prosecuted as if they had not purchased a policy at all. The City of London Police outline the potential consequences of purchasing a ghost broking policy:

- liable for claim costs
- £300 fixed penalty notice
- 6 points on a driving licence
- car seizure
- purchase of valid insurance policy
- £150 minimum to retrieve impounded vehicle
- possible vehicle destruction
- initial purchase of invalid insurance policy

Ignorance is not always accepted as a valid reason, especially as some fake insurance policies are obtained knowingly by 'clients' as a way of superficially demonstrating they have bought car insurance. As a result, more accountability is being placed on the client to ensure that their insurance policy is valid and purchased from a genuine broker. As third-party motor insurance is compulsory for all drivers in the UK under the Road Traffic Act 1988, failure to obtain a genuine policy could be deemed a criminal offence.

The impact of ghost broking fraud is not just restricted to the client who has bought a fake policy, there could be additional distress caused to any third party who was also involved in the road traffic collision. Being involved in a collision can be very stressful and could be made worse if there are concerns that one of the parties does not have a valid insurance policy to cover their third-party liabilities. This will add a further layer of complexity to the claim.

## What are the potential consequences for insurers?

Claims may have to be settled if the insurer has Article 75 status or they are the insurer of last resort. In these cases the insurer may have a right of recovery against the ghost broker or the client who was using an inauthentic policy. This could be under either civil and/or in criminal proceedings.

There could also be costs that an insurer has to incur to investigate the case and the costs of obtaining a statutory declaration.

Where a ghost broker has targeted a specific insurer, this may lead to indirect reputational damage for that insurer.

## How can ghost broking be prevented?

As ghost brokers often impersonate or forge documents from legitimate firms, it can be hard to determine whether it is genuine or not, especially if the client is vulnerable. Clients are therefore recommended to:

- Check the seller has a legitimate website, a UK phone number and address
- Check if the broker is registered with the British Insurance Brokers' Association (BIBA)<sup>1</sup>
- Check with the insurance company directly if the broker is registered there
- Check if the insurance advisor is registered with the Financial Conduct Authority (FCA)<sup>2</sup>
- Report suspicious adverts to the Cheatline on 0800 4220421
- After purchase, check if the vehicle is genuinely registered on the Motor Insurance Database<sup>3</sup>

The City of London Police are also trying to raise greater awareness of ghost broking with students by distributing leaflets and attending events at universities to highlight the issue. By attempting to make ghost broking common knowledge, people will hopefully identify and recognise a scam and report it, rather than purchase one in error and learn the hard way.

## What happens if a client makes a claim from a fake policy?

When a client needs to make claim, chances are they will already be distressed. Delivering the bad news that their insurance policy is fake will be a further blow. At this stage it will not be technically possible to process the claim, even if the client was unaware.

However, rather than turn the client away, establish what can be done. First of all, the purchased policy should be reported to Action Fraud<sup>4</sup>, the national fraud and cyber-crime reporting centre. This will allow the police to file a report that could be used as part of a wider investigation. This should help to determine whether the victim is genuine or in collusion with the ghost broker. It can also be used to determine whether the client is a victim of identity theft if their personal data has been tampered with or stolen.

An internal report should also be instigated to investigate whether the fraud is an inside job. A series of fraudulent claims originating from the same insurer could lead to reputational damage. If certificates have been falsified, an investigation will help to determine where they were obtained. When information is collected, the claims officer should then be able to guide the client in completing a template letter detailing their case. Their claims record will still need to be updated but also given information on how to protect their personal data.

If the policy was purchased from an unauthorised firm then this should be reported to the FCA. The FCA state that:

*“Almost all firms and individuals offering, promoting or selling financial services or products in the UK have to be authorised by us.*

*However, some firms act without our authorisation and some knowingly run investment scams.”*

Therefore it is important to treat all unauthorised firms suspiciously and to report them at the first instance. In January 2019, the FCA issued a warning about Glc Car Insurance<sup>5</sup>, an unauthorised firm believed to be carrying out regulated activities that required authorisation. By publishing this warning, anyone presented with a claim from this firm should be able to recognise it immediately as a red flag and report it to the relevant authorities.

If there is a third-party claim, the third party and the client should be redirected to the Motor Insurers' Bureau (MIB). The driver may not be intentionally uninsured as the policy details may be incorrect or void, but the claims process still has to follow the same procedure in line with the uninsured drivers' agreement.

An insurer still needs to investigate the details of the policy carefully with the underwriters. Claims advisors should familiarise themselves with an insurer's responsibilities and duties<sup>6</sup> as insurers may still have liabilities under the Road Traffic Act, even if the policy has been incepted using false and inaccurate details.

1. <https://www.biba.org.uk/>

2. <https://register.fca.org.uk/>

3. <https://ownvehicle.askmid.com/>

4. <https://www.actionfraud.police.uk/>

5. <https://www.fca.org.uk/news/warnings/glc-car-insurance>

6. [https://www.cii.co.uk/media/6632643/p94\\_bulletin\\_nov\\_2015.pdf](https://www.cii.co.uk/media/6632643/p94_bulletin_nov_2015.pdf)

## Good Practice

### 1. Raise awareness.

Even though a claim can't be made if a client has purchased a fake policy from a ghost broker, it would still be in the public interest if industry bodies, insurers and the police work together to improve people's awareness of being sold fake policies. Try to identify and compile common observations about how people are tricked into buying a policy from a ghost broker. Also mention the potential consequences of doing so to encourage greater vigilance from potential policyholders.

### 2. Don't be part of the problem; be part of the solution.

Even if you can't legitimately process a claim, the least helpful thing you can do is turn your client away and leave them to sort out the issue themselves. It also doesn't inspire public trust for your firm if you are unwilling to help clients, especially if the source of fraud is from within. Establish an effective process that you can follow if a client tries to make a claim against an invalid policy:

- Establish if the claim is genuine
- Identify if the client is a victim of identity theft
- Report the fake policy to the police
- File an internal report
- Suggest contact Citizens' Advice Bureau
- Consider other insurance options

### 3. Support victims of ghost brokers

Most victims of ghost brokers will require support following the discovery of a fake policy. Whilst the victim will not be a genuine customer, remember that they may well become one if you are able to demonstrate outstanding customer service. If the victim's details have been stolen to front the policy they may only become aware when a claim is made. The following are recommended:

- Contact victims by telephone and have standard scripts available for claims advisors to reassure victims, explaining what has happened (avoid the use of post, as the victim is likely to have received unwanted and confusing letters already);
- If there has been a claim, ensure CUE is updated to reflect the victim's true claims history;
- Provide victims with contact details for Action Fraud or Cheatline; and
- Provide victims with details of how they can protect their personal data.

### 4. Share fraud insights.

To be able to identify and report suspected ghost brokers it is important that such information is shared. It is not possible to recognise any criminal patterns in isolation. By sharing and comparing similar fraud insights with other insurers and the IFB, ghost brokers and ghost broking rings will be identified and halted much quicker.

### 5. Maintain good data practices.

To ensure that client data is not compromised, or to prevent an act of internal fraud, ensure that all data controllers and processors are easily identifiable and up to date with maintaining good controls and security practices. Encrypting data and testing databases should be a minimum precaution. This should prevent hackers from stealing or altering data, as well as being able to identify any unauthorised access.

### 6. Maintain knowledge of an insurer's legal obligations.

Ensure that claims are handled in accordance with the requirements of the Road Traffic Act (1988) and Article 75, leading to the swifter conclusions claims and helping to reduce an insurer's indemnity spend. There may also be other areas of the law that need to be considered, such as the Consumer Insurance (Disclosure and Representations) Act 2012 and or the Insurance Act 2015<sup>7</sup>.

7. [https://www.cii.co.uk/media/6087127/cii\\_policy\\_briefing\\_insurance\\_act\\_2015\\_21apr2015.pdf](https://www.cii.co.uk/media/6087127/cii_policy_briefing_insurance_act_2015_21apr2015.pdf)

## Conclusion

Ghost broking may not traditionally be seen as a claims issue. However, as the claims stage is where a fake insurance policy will be identified, it is important for claims advisors to be able to respond to this appropriately, even if they can't pay out a claim at that particular time.

By tracing the origin of the fake policy, claims advisors may be able to help find the source of the issue as well as sharing any other information if similar claims have also been made. A fake policy should not be the end of the conversation. By trying to assist the client in reporting the situation, guiding them through any possible remittance and identifying what they can do next, claims advisors can at least demonstrate that they still acting in the best interest of their client.

Trying to sustain any reputational damage, either by ensuring good security controls are in place internally or showing a willingness to co-operate during a fraud investigation, will help to prove that claims advisors are proactive and their sole focus is not on how to reduce paying out claims.

## Appendix - Primary Source Material

### Association of British Insurers

Date	Name	Summary	Link
February 2015	Insurance Fraudsters	Case study 1: The ghost broker.	<a href="https://www.abi.org.uk/globalassets/sitecore/files/documents/publications/public/2015/fraud/insurance-fraudsters-a-study-for-the-abi.pdf#page=38">https://www.abi.org.uk/globalassets/sitecore/files/documents/publications/public/2015/fraud/insurance-fraudsters-a-study-for-the-abi.pdf#page=38</a>
22 August 2018	One scam every minute	Examining the true extent of insurance fraud in the UK.	<a href="https://www.abi.org.uk/news/news-articles/2018/08/one-scam-every-minute/">https://www.abi.org.uk/news/news-articles/2018/08/one-scam-every-minute/</a>

### City of London Police

Date	Name	Summary	Link
	Ghost broking	Advice and support regarding ghost brokers.	<a href="https://www.cityoflondon.police.uk/advice-and-support/fraud-and-economic-crime/ifed/Pages/ghostbroking.aspx">https://www.cityoflondon.police.uk/advice-and-support/fraud-and-economic-crime/ifed/Pages/ghostbroking.aspx</a>
	Ghost broking leaflet	Recognising and reporting ghost brokers.	<a href="https://www.cityoflondon.police.uk/advice-and-support/fraud-and-economic-crime/ifed/Documents/Ghost%20broking%20leaflet%20(Eng)%20FINAL.pdf">https://www.cityoflondon.police.uk/advice-and-support/fraud-and-economic-crime/ifed/Documents/Ghost%20broking%20leaflet%20(Eng)%20FINAL.pdf</a>

### Financial Conduct Authority

Date	Name	Summary	Link
28 March 2013	Beware of firms offering cheap car cover	How to spot and avoid this scam.	<a href="https://www.fca.org.uk/news/news-stories/beware-firms-offering-cheap-car-cover">https://www.fca.org.uk/news/news-stories/beware-firms-offering-cheap-car-cover</a>
11 January 2019	Glc Car Insurance	Why to be especially wary of dealing with unauthorised firms and how to protect yourself from scammers.	<a href="https://www.fca.org.uk/news/warnings/glc-car-insurance">https://www.fca.org.uk/news/warnings/glc-car-insurance</a>

### GOV.UK

Date	Name	Summary	Link
	Insurance Faud Taskforce: final report	Examples of real life insurance fraud.	<a href="https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/494105/PU1817_Insurance_Fraud_Taskforce.pdf">https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/494105/PU1817_Insurance_Fraud_Taskforce.pdf</a>

**Insurance Fraud Bureau**

Name	Summary	Link
Ghost Brokers	What is ghost broking?	<a href="https://www.insurancefraudbureau.org/insurance-fraud/ghost-brokers/">https://www.insurancefraudbureau.org/insurance-fraud/ghost-brokers/</a>
Don't Get Ghosted	Ghost broking infographics	<a href="https://www.insurancefraudbureau.org/media/1231/ifb-ghost-broking-infographics.pdf">https://www.insurancefraudbureau.org/media/1231/ifb-ghost-broking-infographics.pdf</a>

**NFU Mutual**

Name	Summary	Link
Clamping Down On Ghost Brokers	Fighting back against ghost broking.	<a href="https://www.nfumutual.co.uk/news-and-stories/clamping-down-on-ghost-brokers/">https://www.nfumutual.co.uk/news-and-stories/clamping-down-on-ghost-brokers/</a>



