

Fraud blog: Fundamentally Honest

Fraudulent fire and water insurance claims – on an upward trajectory?

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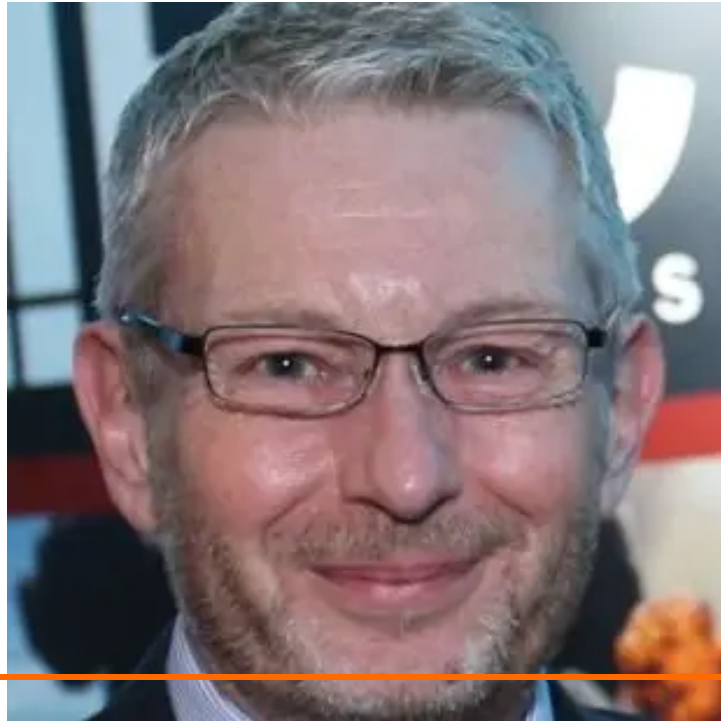
This blogpost was written by guest author [Chis Shorten](#), Client Relationship Manager at [Jensen Hughes](#) and provides some useful insights into the indicators for fraudulent claims and the importance of early investigation.

Insurance fraud continues to be a prominent and often discussed concern across the marketplace. Rarely a week passes by without a news article or LinkedIn post highlighting the frequency of occurrence and cost implication in claim settlement costs beyond the legitimate boundaries of liability.

In this post we focus on fire and water-for-profit property damage claims, in which forensic investigators are proven to be a powerful asset for insurers when it comes to tackling the rising costs of these types of claims. Fire and explosion claims are frequently forensically investigated if (amongst other factors) there are concerns regarding fraud. However, in the case of seemingly fortuitous escape of water (EoW) claims, forensic investigation is often overlooked but can be the key to identifying third party recovery opportunities and the presence of fraud indicators.

Is insurance fraud on the rise?

As recently [reported in Insurance Today](#), Aviva has recorded a 26% rise in the proportion of home insurance claims rejected for fraud, and detected fraud on ELPL claims was up by 5%. Similarly, analytics and technology provider, LexisNexis Risk Solutions, [surveyed 3,000 homeowner and renters](#) and found that two out of three are happy to 'bend the truth' to get a cheaper quote online. [Fraud data](#) from the Association of British Insurers suggests this manipulation typically consists of non-disclosure of previous claims.



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There appears to be a common trend between insurance fraud (notably arson) and times of financial hardship, which was reflected during the 2008 financial crisis.

Chris Shorten, Client Relationship Manager, Jensen Hughes

As such, there is a widely held view that the post-Covid era is likely to see a further increase in insurance fraud due to the varying levels to which individuals, families and business financially recover, or don't.

Insurance fraud indicators in property claims

With concerns around increasing levels of fraud, a loss adjuster will often be minded to commission a forensic investigation.

This is particularly the case with more common claims such as those relating to fire and escape of water. An investigator will be tasked with identifying the source of origin and thereafter, advising on the prospects for third party recovery or subrogation, and whether there is an evidence of the presence of insurance fraud indicators.

1. Fire-related claims

Arson continues to remain a significant cause of UK fires. Hence, it should be considered a possible cause for every fire investigated. The Investigator will carefully consider any indicators where arson may have occurred, such as:

- Signs of forced entry
- Presence of ignitable liquids
- Presence of incendiary devices
- Multiple seats of fire.



As with all fire investigations, information gathering is an essential part of the investigation where arson is suspected.

Sources of information vary and every possibility should be considered. Examples may include obtaining witness evidence, CCTV footage and fire alarm electric logs.

There are also circumstances to consider when undertaking a potential arson investigation. These include whether the fire protection or security systems were deactivated, any accounting discrepancies and whether the property in question was over-insured.

2. Water-related claims

Likewise, recent years have seen escape of water or 'wet arson' being used as the platform for committing insurance fraud. Past experience also indicates that these claims can be undertaken within multiple properties by organised fraud rings operating within local or large geographical areas.

Below are some of the key fraud indicators to be aware of when investigating a possible fraudulent claim.

There are a number of common issues experienced with escape of water investigations that can make investigating these claims particularly challenging. For example, evidence can be destroyed or disposed of prior to the investigator attending the scene. Difficulties can also arise when manufacturers or installers are permitted to recover or examine evidence before independent forensics are appointed. There can also be issues associated with poor quality documentation and photographing of the incident, and even tampering of evidence.



As such, as soon as the insurer is notified, it is important for the insurer to consider appointing an independent plumber to isolate the supply, mitigate loss and make safe.

Further, only essential remedial works should take place and the investigator should be appointed at the earliest stage of the claim to mitigate the opportunity for evidence to be destroyed or tampered with.

Comment

The timely instruction of a suitably skilled forensic investigation on appropriate cases can deliver impressive return on investment for insurers and loss adjusters, in the reporting of evidence that identifies insurance fraud and supports the process of repudiation and policy action.

However, more needs to be done to harmonise the complementary skills and tasks of the loss adjuster, the disaster recovery technician and the forensic investigation. That is to say, the right people attending in the right sequence at the right time. Unfortunately, forensic investigators are very familiar with being instructed on a case some weeks after the event when the fire or water damaged property has been stripped out and the evidence has been taken away in a skip.

Contact Chris Shorten

You can get in touch with our guest author Chris Shorten via [email](#) or [LinkedIn](#) and find out more about Jensen Hughes [on their website](#).