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PRESS RELEASE

 **#InsuranceFraud**

6th Línea Directa Insurance Fraud Barometer (2022)

Covid leads to sharp jump in insurance fraud: Fraudulent insurance claims soar 21% in 2020

- **Despite lockdown, car insurance fraud skyrocketed during the "COVID year", representing nearly 7% of total claims, 21% higher than the year before. However, the average amounts claimed were especially low in this branch, at €1,130 per case (-13%).**
- **The most common fraud: car insurance involving young male precarious workers trying to include damages unrelated to the accident in the claim. More than half of the fraudsters admitted that they did it because of the economic situation caused by the pandemic (55%).**
- **Logistics disruptions caused by the lockdown undermined activity of organised networks. Even so, Línea Directa uncovered nearly 200 active criminal bands over the past two years and nearly 700 in less than a decade.**
- **These networks have highly hierarchical structures, with 2-3 heads per group, focus mainly on personal injury fraud and usually claim extremely large amounts, of up to seven times the cost of more general scams.**
- **Home insurance fraud rose modestly, to 2.7% of all claims in 2020. Simulations or attempts to receive compensation for damage occurring before signing the policy are the most common scams in this branch. The average cost was €687 per false claim, 12% less than in the previous barometer.**
- **Cantabria, Cuenca and Malaga were the provinces with the highest proportion of insurance scams in the last two years, while Soria, Teruel and Palencia had the lowest. With regard to organised networks, Murcia is the community with the highest ratio of criminal groups based on its population.**

Madrid, 31 January 2022. Networks that simulate accidents to launder money from drug trafficking, criminal groups or mafias that pretend to run over cyclists, artists who file claim for thousands of euros while performing in theatres or average sports enthusiasts who claim permanent disability while *jogging* in public parks

are examples of cases in which **Línea Directa Aseguradora** specialists have managed to expose over the past two years and who are included in the **"6th Car and Home Insurance Fraud Barometer"**. This edition assesses nearly **75,000 attempts of fraud** uncovered by the company in these two branches **in 2019 and 2020**. This report, which is the oldest and most comprehensive report in the

insurance industry, analyses **trends** in the phenomenon of insurance fraud over the past **12 years** (2009-2020) and the activities of **organised criminal groups**.

The **main conclusion** of this new edition of the Línea Directa Barometer is clear: **COVID-19 has resulted in a sharp rise in car insurance fraud**, as frequency; i.e. the proportion of fraudulent claims **increased by 21% in 2020** despite the lockdown and mobility restrictions. Fraudulent claims during the year were the highest in the entire historical series, as by year-end, **7 out of every 100 accidents were fake**.

Not all the news is bad: insurance fraud is higher but the amount is lower than in other years. Last year, the percentage of car insurance fraud reached **7% up from 5.7%** in the previous Barometer (2017-2018), although **the related costs were much lower**, at **€1,130 per case** (-13%). This is typical of recessions.

The **most common fraud** is in **car insurance** and is usually committed **by young male** precarious workers trying to include **damages unrelated to the accident in the claim**, generally material. Meanwhile, over half the people who tried to deceive the company over the past two years said they did so **because of the economic situation** caused by the COVID-19 **pandemic** (55%).

According to **Mar Garre, Director of People, Communication and Sustainability at Línea Directa Aseguradora**: "the economic situation caused by the pandemic has result in a sharp jump in attempted insurance fraud, with all-time records seen in car and home insurance. Therefore, I would remind all policyholders that we all pay for this type of fraud, since not only does it push up the costs of policies, it can also be related to serious crimes and dangerous organisations."

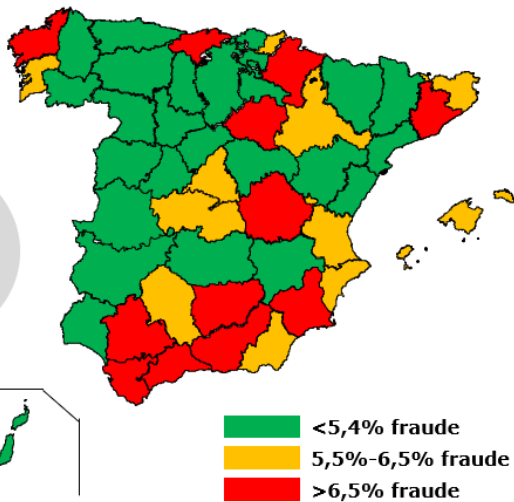
Organised networks, in trouble

The **lockdown** from March to May 2020 caused **serious trouble**. Línea Directa identified **74 mafias in 2020 and 111 in 2019**, both well below the 123 found out in 2018. Overall, the company has uncovered operations of **nearly 700 bands** is less than 10 years.

There are two general types of organised networks: **those that fake claims** and those that **cause them** and involve innocent third parties. These networks have a **very hierarchical structure** and a small top tier with **just two or three heads** filing claims for **personal injury** whose amount is as much as seven times higher than other types of attempted fraud. Their "**modus operandi**" is generally called "**carousel fraud**", where the organisations deceive different insurance companies one after the other.

More fraud in the south

Línea Directa has also updated its **map of fraud in Spain** by analysing the more than **65,000 cases of fraud detected** in its car insurance portfolio over the past two years, with more than **2.5 million cars insured**.



Based on the findings, fraud committed by individuals **is greatest in southern Spain**. Murcia **five other provinces of Andalusia** rank among the top 10. However, this assertion must be qualified, as certain areas in the north showed increases in this edition. To illustrate, **Cantabria** (9.4%) led the ranking in the 6th Barometer, followed by **Cuenca** (8.6%) and **Malaga** (7.6%), all well above the national average of **6.3%** of claims. The provinces with the fewest insurance scams over the past two years were **Soria** (2.9%), **Teruel** (3%) and **Palencia** (3%).

as regards **criminal groups**, Línea Directa established a ratio between the number of organised networks detected over the past two years and the population of each autonomous community measured in millions of inhabitants. The far and away leader in the ranking is **Murcia** followed well back by **Andalusia** and **the Basque Country**.

Home insurance – more fraud than expected

Also in the Barometer, Línea Directa assessed **fraud in home insurance**, a business in which the company insures more than **700,000 homes**. The proportion of fraud in this branch in the period increased **moderately**, from 2.4% in the previous study to **2.5%** del actual. Nevertheless, 2020 featured a new **record high**, of **2.7% of fraudulent claims**, which indicates growing fraud in this branch.

The average cost was **€687** per false claim, 12% lower than in 2018 and almost 40% lower than in car insurance, which is understandable considering that this type of fraud is mostly concentrated in property damage. By **type**, the most common attempts at fraud in home insurance (38%) are **staged or simulated accidents**, followed by **submitting claims for damages that occurred prior to taking out the insurance** (22%).

What do Spaniards think?

To complete the study, Línea Directa conducted an opinion poll on this topic. The results were surprising, as **more than three million Spanish drivers** admitted to having knowingly provided false information to their insurance company. What reasons did they give for lying? The **economic situation**, the **rampant culture of deceit** in Spanish, making it less reprehensible, and **the price** of insurance.

In any case, while 63% of Spaniards disapprove of insurance fraud, **37% say it is warranted in some cases** and **over half** of (51%) those polled who had lied to their companies in the last two years **said they do not regret** it. Especially noteworthy is that **three of four Spaniards** would be open to **reporting a fraudster** to an insurance company in exchange for a financial reward.

Methodology

This report studied 65,000 cases of car insurance fraud and nearly 9,000 cases in home insurance detected by Línea Directa in the 50 Spanish provinces in 2019 and 2020 from a total portfolio of 2.5 million car insurance and over 700,000 home insurance customers. To draw the fraud map for our country, a weighted, proportional index was established, recording all cases of fraud and cross-referencing the data against the total claims made in each province. Regarding criminal groups, the number of organised networks detected by Línea Directa in each autonomous community was divided among the population of each territory measured in millions of inhabitants (source: INE, the Spanish Institute of Statistics). For the survey, consulting firm MDK polled 1,700 people, weighted proportionately with a margin of error of +-

2.37%-3.1% and a confidence level of 95%. The field work was carried out between 22 and 28 December 2021.

About Línea Directa

Línea Directa Aseguradora is the 5th largest insurer of cars in Spain, specialising in direct sales of insurance for cars, motorbikes, companies, the self-employed, and homes. Línea Directa is among the 100 Spanish companies with the best reputations, according to the MERCOS Companies ranking. It also offers health insurance, through a new brand built on digitisation and rewards for policyholders.

For **more information or if you would like illustrative material** (videos of fraud), please contact:

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