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Senator Santo Santoro
Chair, Parliamentary Joint Committee
Australian Crime Commission
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Dear Senator Santoro

Thank you for the opportunity to meet last week and to discuss serious and organised crime issues impacting on the insurance industry and the Australian community. Set out below is some more background on two issues we discussed briefly on 10 February.

Insurance Fraud

The Economist Intelligence Unit (EIU) was commissioned by Insurance Australia Group (IAG) to undertake a study in the cost and impact of insurance fraud in Australia. The EIU sought information from insurers, law enforcement agencies and industry experts. The Australian Crime Commission assisted the EIU in collating and de-identifying data to ensure commercial confidentiality.

The EIU report conservatively estimated insurance fraud cost \$832million in 2003 with a potential cost of up to \$2.1billion. This means that insurance fraud adds an impost of up to \$73 on every insurance policy taken out in Australia. It also identified a range of downstream costs for the community including

- increased cost pressure on premiums serves to make insurance less affordable and therefore leads to people opting out of insurance. This is a socially regressive outcome since it results in significant sectors of the community becoming more vulnerable to serious economic loss. When natural disasters or catastrophes occur, government financial support is the only option available.
- wastage of scarce public resources dealing with fraudulent claims, for example police, health, fire and other government agencies responding to arson, fraudulent vehicle theft etc
- increased cost of goods and services for legitimate business due to higher commercial and workers' compensation insurance
- serious environmental damage caused, for example, by burning of vehicles in bushland, or dumping of vehicles in lakes and rivers.

Research in Australia and overseas indicates that a significant percentage of insurance fraud is conducted by well-organised criminal networks. For these groups, insurance fraud is seen as both low risk and high financial returns.

The EIU report highlights the need for law enforcement agencies, government departments and the insurance industry to work more cooperatively to both deter perpetrators and establish systems that will make it easier to identify and prosecute offenders.

It canvasses the establishment of a national, law enforcement body dedicated to insurance fraud similar to the National Insurance Crime Bureau in the United States. It is noted that the United Kingdom also has a dedicated fraud agency in the Serious Fraud Office. It is our view that the Australian Crime Commission could take on this role in the Australian context. In particular, there is an urgent need for a national law enforcement body to collect, analyse and assess information from insurers in order to gather intelligence about fraud networks operating across the industry. Currently, there is no mechanism for the sharing of such data.

All insurers would be required to provide information to the ACC to assist in the identification and prosecution of criminals involved in organised insurance fraud. It is noted that the Australian Prudential Regulatory Authority (APRA) currently obtains claims data on public liability and professional indemnity from all insurers.

A focus on insurance fraud may also lead to clarification of the legal frameworks and legislative definitions relevant to prosecution of insurance fraud related offences.

Additional copies of the complete EIU report can be provided on request.

Organised Motor Vehicle Theft

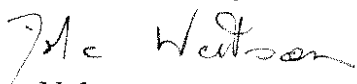
There is a wealth of intelligence about the involvement of organised crime in planned, targeted motor vehicle theft. Motor vehicle rebirthing and its relationship with organised crime was noted in November 2002 by the Australian Police Ministerial Council meeting as "a significant national and international crime" requiring greater enhancement of inter-jurisdictional intelligence sharing.

According to police statistics, there were more than 20,300 cars unrecovered in Australia in 2004. These unrecovered vehicles tend to be higher value, late-model vehicles that are attractive targets for "rebirthing", shipment to overseas markets, or supplying the stolen parts market.

The Australian Crime Commission has been involved in an intelligence probe into rebirthing. Insurance Australia Group supports this reference and has provided a formal submission and analyses of trends on an ongoing basis. We would welcome further investigative efforts targeted at disruption and dismantling of these organised crime networks. We support greater involvement by the Australian Customs Service in inspection and seizure of suspected stolen motor vehicles and parts being exported. We would also suggest that Australia contribute to the INTERPOL global stolen vehicle database perhaps with the uploading of Australian stolen motor vehicle database (NEVDIS) information into the INTERPOL system.

Should you or other members of the Parliamentary Joint Committee require any additional information, I would welcome the opportunity to clarify or elaborate on any of these matters.

Yours sincerely



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