

# Fraud risks in online sales and IVASS strategy



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# Insurance online market evolution

Digital insurance market: prospects and trends



## Online insurance market evolution

Over the past decade, we have seen a significant increase in both the demand for and supply of **online policies**. The pandemic and the period of lockdown have acted as an accelerating factor in this trend, as they have forced people - who would normally have been reluctant to use digital tools and the online marketplace - to do so.

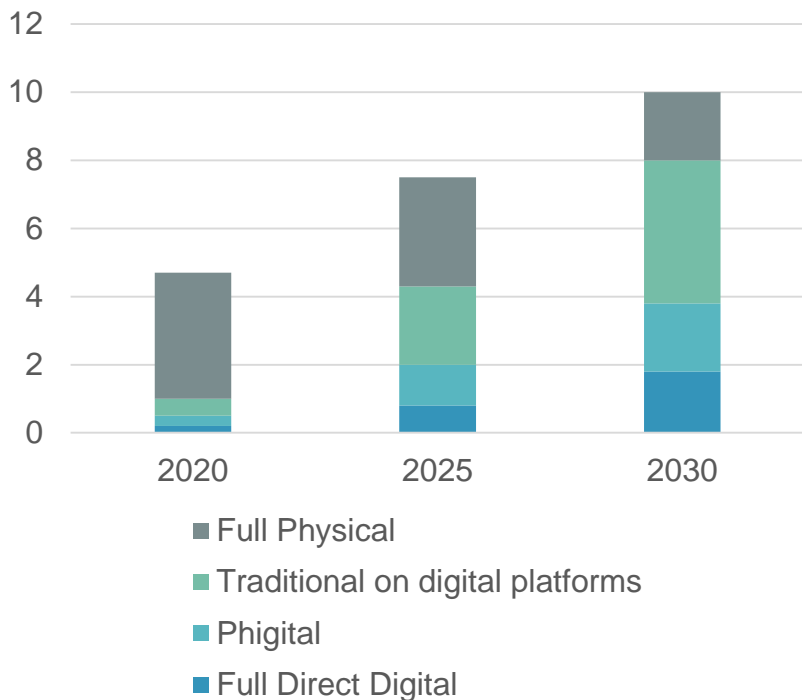
Advantages for **consumers**:

- lower prices;
- greater accessibility of insurance;
- ability to manage the insurance independently;
- possibility of managing it via smartphone;
- greater product customisation;
- ease and speed of purchase.





## An upward trend



### Advantages for intermediaries & insurers:

- Reaching a wider customer base
- Reduced costs
- Reduced distribution time

As a result, the proportion of policies sold through digital channels will increase in the coming years. While less than a third of insurance demand is digital today, this is expected to rise from 23% in 2020 to **over 80% in 2030** within a decade, driven by the native digital generation\*.

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# Cyber risk and online fraud

In particular: ghostbroking



## Cyber risk and fraud

***Cyber risks** are “any risks that emanate from the use of electronic data and its transmission, including technology tools such as the internet and telecommunications networks. It also encompasses physical damage that can be caused by cybersecurity incidents, fraud committed by misuse of data, any liability arising from data storage, and the availability, integrity, and confidentiality of electronic information – be it related to individuals, groups, or governments”\*.*

Main online risks **for consumers:**

### Identity thefts

Unauthorized access to and disclosure of personal data, as well as the possibility of it being used for unlawful purposes

### Payments fraud

Fraud committed in connection with an online payment transaction by a variety of different means

### Buying scams

The fraud involves a good or service purchased online

The market trend towards online distribution can also expose consumers to the risks of **exclusion** and **discrimination**.



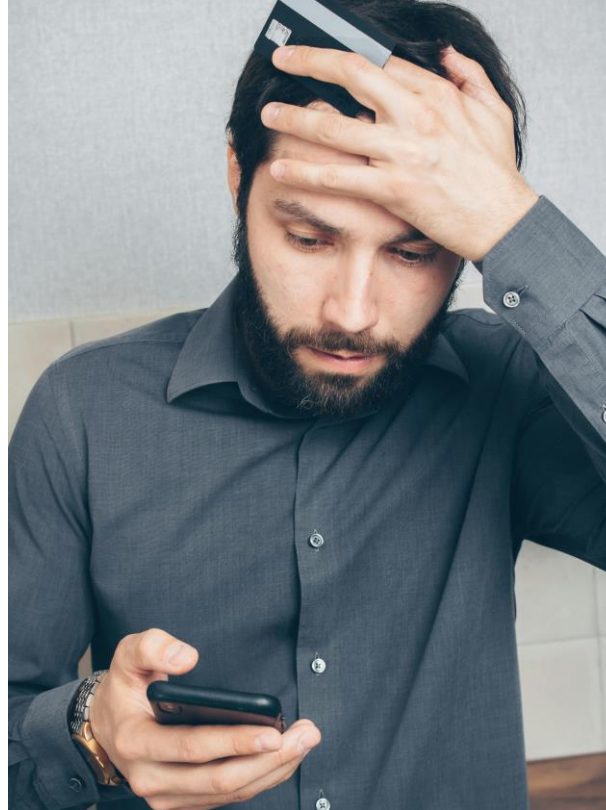
## Ghostbroking or ghostinsurance

Ghostbroking is an insurance fraud where the perpetrators pose as genuine insurers or brokers in order to sell **invalid or fake policies**.

Ghostbrokers advertise their offers on the web via:

- 🕒 websites;
- 🕒 paid advertisements (e.g. banners);
- 🕒 e-mail advertising campaigns.

In most cases, the fraud is carried out through the fraudulent use of **genuine and existing** undertaking and intermediary identification data (undertaking names, IVASS registration details, etc.).



The consumer is reassured by the purchase with a known and trusted intermediary or undertaking, therefore **lowers the threshold of caution**.



## Forged policies

One of the most common forms of ghostbroking is the sale of **counterfeit policies** to consumers.

In 2022, several cases of counterfeit policies were reported by consumers and insurance undertakings.

IVASS dealt with these cases in cooperation with the judicial authorities, the undertakings affected by the counterfeiting and the national authorities, informing consumers through press releases.





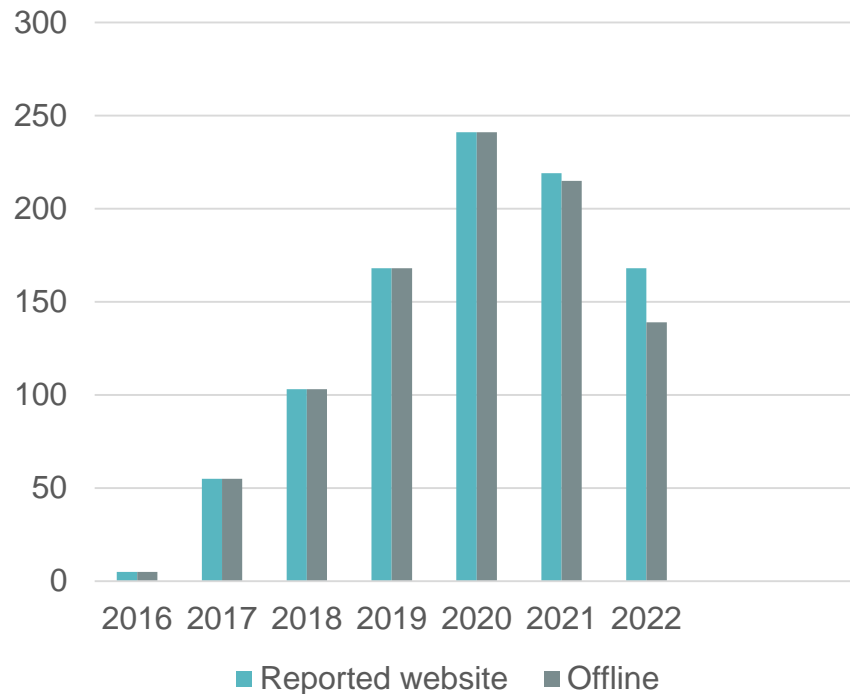


## Numbers and distribution

Ghostbroking is mainly concentrated in the **motor insurance sector** where the coverage is compulsory by law.

The number of reports of fraud received by the IVASS Consumer Contact Center and forwarded by undertakings or intermediaries, local police and judicial police units increased **significantly in 2020** compared to the previous year.

The data reported in 2021 and 2022 showed a reduction in the number of reports received\*.





## Ghostbroking: consequences for the consumer

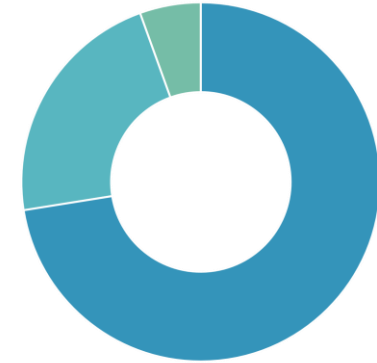
A survey carried out by the European Commission in 2020 revealed that among people who experienced fraud, 24% suffered financially and 79% suffered emotionally\*.

Moreover, in the case of ghostbroking, the consequences for the consumer are particularly incisive in **legal and economic** terms.

Being uninsured could indeed also result in:

- ① paying a fine/penalty and also having the car seized and impounded by the police;
- ① driver's license suspension;
- ① paying again for a valid insurance policy for the future;
- ① direct liability for any damage caused while driving without insurance, including compensation for injuries and medical treatment.

■ Emotionally ■ Financially ■ Phisically





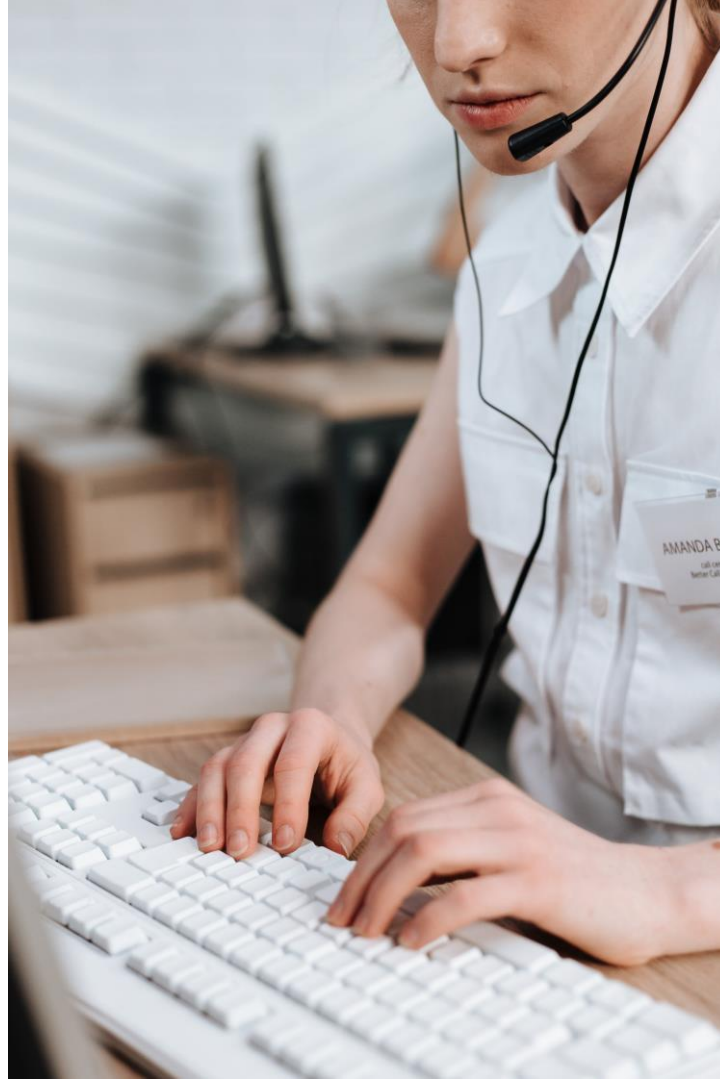
## Ghostbroking. Is it just an online fraud?

The phenomenon of ghost broking observed so far by IVASS in the Italian market does not usually fall into a full online flow.

The steps of the fraud:

- ① the consumer fills in the online form;
- ② telephone/IM contact;
- ③ payment is processed offline.

It is therefore a **'distance sale'** where the digital channel works as bait increasing the number of customer reached.



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# IVASS Role

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## Tackling fraud. How we detect it.

Ivass can intercept a scam/fraud through different channel.

The most commons are:

1. direct **consumer reports**: policyholders contact IVASS directly about suspicious policies via:
  - the dedicated contact center number;
  - the transmission of complaints;
2. reports from **intermediaries and undertakings** and/or consumer associations reporting the fraud;
3. information from police and other **authorities**.





## Tackling fraud. How we respond.

Once an irregular site or suspected fraud has been identified, IVASS **informs and notifies** the judicial authority and a special unit of the Guardia di Finanza, that deals with online fraud.

Subject to judicial authorization, IVASS reports the irregularity of the site and requests the intervention of the:

- Italian Domain Registry - NIC (Network Information Center);
- registration service provider and/or website hosting service provider;
- web search engines (e.g. Google);

IVASS ensures continuous and timely **communication** to consumers especially by publishing:

- press releases;
- irregular websites **blacklist**;
- list of counterfeit policies.



## EU Regulation 2017/2394 IVASS new powers

IVASS is working to implement the provisions of EU Regulation 2017/2394 (CPC Regulation) – in particular with Law n. 238/2021 – which should give the Institute more powers to protect customers such as:

### ACCESS

Requiring hosting service to disable or restrict access to the website

### INFORMATION

Requiring explicit display of a warning to consumers accessing the site

Imposing restrictions on specific content of the website

### CONTENT

Imposing fines or penalties in case of violations

### SANCTIONS

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# IVASS prevention strategy

White list, search engine agreements, insurance education



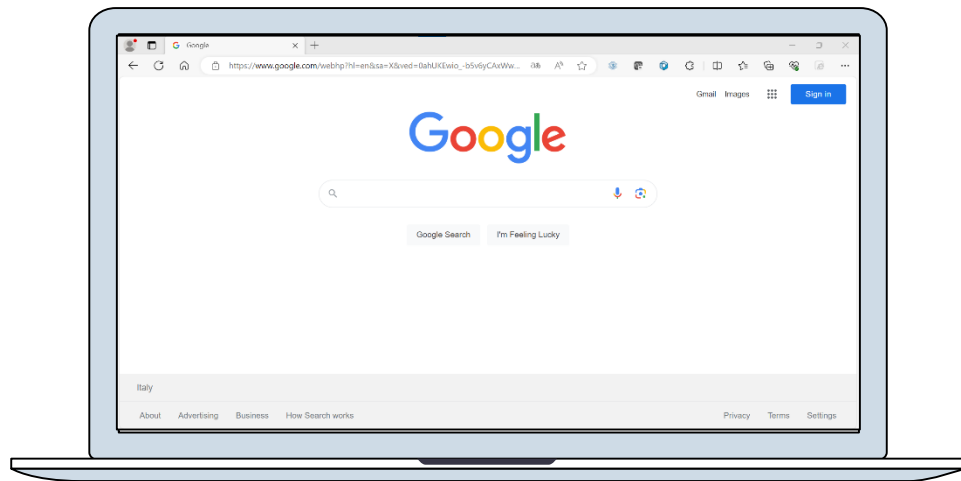


## Collaboration with the main search engines

IVASS has recently stepped up its dialogue with the main search engines, including Google.

Google with a **new verification process** for its advertisement service aim to decrease the number of reports of ads hiding financial fraud\*.

The new policy came into force on 1 November 2023.

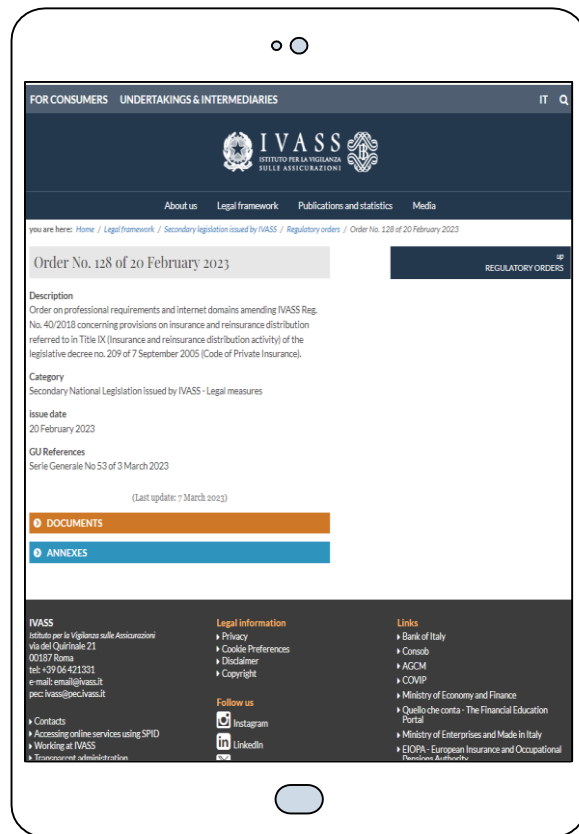




## IVASS whitelist

IVASS Regulatory Order No. 128 of 20 February 2023 introduced the obligation to notify the Institute of the internet domains and sub-domains used by intermediaries operating on Italian territory.

This information allows the Institute to provide a reliable **list of regular websites** and enables the consumer to check the authenticity of websites before making a purchase.





## Insurance education

One of the most important prevention tools remains **insurance education**, which aims to bridge the knowledge gap about the world of insurance.

Consumers must therefore be empowered to make their own choices, including on the Internet. This awareness requires a minimum but adequate level of knowledge in the field of insurance, cybersecurity and digital security.

Various IVASS activities are part of this path, including the publication of specific **insurance guides** aimed at providing users with the necessary tools and skills to orient themselves in insurance matters and protect themselves from possible risks.





## IVASS education initiatives

The insurance education initiatives carried out by IVASS are at the **forefront** of the fight against fraud, they are part of the National Strategy coordinated and promoted by the **Financial, Insurance and Social Security Education Committee** and are also carried out in coordination with the other Authorities in the banking and financial sector and with other Bodies or Associations.

### PUBLICATIONS

- Insurance guides
- Teaching notebooks and teacher's guides
- Educational papers



### TRAINING DAYS

- Schools and universities
- Professional associations
- Training seminars for teachers



- Youtube, IG, X
- Media: video pills, webseries, podcast

### SOCIAL MEDIA



Works alone or with other bodies/agencies on educational initiatives, differentiated according to the target audience.

### OTHER



## Conclusions

The actions taken so far by IVASS, especially in recent years against new types of fraud, have already started to show **results** in 2022.

In fact, the number of reports of irregular sites has started decreasing compared to the peak reached in 2020. At the same time, we have seen a trend in contact center calls for consumers to request IVASS information before a suspicious purchase rather than after a fraud.

These results reinforce the belief that the prevention strategy, particularly insurance education, is proving **effective**.

At the same time, IVASS is working to make ex-post enforcement actions more rigorous and timely, and to further increase the level of consumer protection to keep pace with the new challenges ahead.



# Thank you for your attention

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