

General Insurance Industry Arson Reward Scheme

Guidelines

February 2007

The Arson Reward Scheme is administered by the Insurance Council of Australia and is intended to run in conjunction with State & Federal Law Enforcement Services

These notes are intended only as a general guide to the operation of the Scheme

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Enquiries should be addressed to: -

General Manager Policy
Risk & Disaster Planning Directorate
Insurance Council of Australia Limited
PO Box R1832
ROYAL EXCHANGE NSW 1225

Phone: 02 9253 5155

Fax: 02 9253 5111

Summary

Participation in the Arson Reward Scheme is by Insurance Council members. Non Insurance Council member insurers are to be invited to participate. (Refer Responsibility for Payment of Rewards).

Reward Situations

For information leading to the conviction of any person for destroying or damaging property in the State, insured by a participant in the scheme, through an act of arson: -

- Case 1:** Conviction of the insured (arson fraud);
- Case 2:** Conviction of a fire setter (insurance fraud is **not** involved);
- Case 3:** Successful denial/reduction of the insurance claim following civil court proceedings.

Note In each of the three cases, an insurance claim must be involved and the property must be insured by a participant in the scheme.

In each of the three cases, a reward may apply for information leading to a conviction in circumstances where attempted arson is involved, for example, explosion damage associated with attempted arson of property insured by a participant in the scheme.

Reward recommendations are to be made by the Police where a criminal conviction is involved. The Insurance Council should be represented on the Police Rewards Evaluation Committee when rewards under the scheme are being considered. Where civil proceedings are involved (case 3 only) an Insurance Industry Rewards Assessment Committee using appropriate assessment guidelines will be established in each case to recommend a reward amount.

Upper limit any one reward is to be advertised as \$25,000 in order to encourage the provision of sufficient relevant information.

Responsibility for payments of rewards

Insurance Council member insurers

The reward will be paid by the insurer(s) of the property involved, at their discretion. The reward may be paid by a cheque from the Insurance Council, provided the insurer(s) will participate by reimbursing the Council.

Non Insurance Council member insurers

Agreement to be obtained concerning payment of reward amounts in respect of property they insure.

Promotion/advertising is to be primarily the responsibility of the Insurance Council.

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1. Objectives

1.1 The objectives of the Arson Reward Scheme are:

- **To provide a deterrent** to arson and arson fraud;
- **To provide information** to assist Police in the investigation of deliberate fires where arson is involved;
- **To provide information to assist insurers in the denial of liability** for fire claims where fraud is involved and to reduce claim payouts.

2. Reward situations

2.1 The Arson Reward Scheme is intended to be run in conjunction with the Police and reward payments recommended: -

For information leading to the conviction of any person for destroying or damaging property in the State, insured by a participant in the scheme, through an act of arson.

Case 1: Conviction of the insured (arson fraud);

Case 2: Conviction of a fire setter (insurance fraud is **not** involved);

Case 3: Successful denial/reduction of the insurance claim following civil court proceedings.

Note: In each of the three cases, it is the understanding that an insurance claim must be involved and the property must be insured by an Insurance Council member company or a non Insurance Council member insurer participating in the scheme.

In each of the three cases a reward may apply for information leading to a conviction in circumstances where attempted arson is involved, for example, explosion damage associated with attempted arson of property insured by a participant in the scheme.

2.2 Example reward situations

Case 1: Conviction of insured (arson fraud)

- (a) Following a fire, the Arson Squad investigates the scene and determines the fire has been lit deliberately. Information received by the Police subsequently leads to the arrest and conviction of the insured for fraud as a result of arson. The insurance claim is not paid.
- (b) Following a fire, local uniform Police and CIB officers examine the fire scene, but do not find cause to suspect a deliberate fire. However, the insurance loss adjuster or special investigator being aware of background information not then available to local Police seeks a more thorough Police investigation. Subsequently, information sought by Police leads to the conviction of the insured. The insurance claim is not paid.

Note: In Case 1 situations, if the claim is paid in full or partial payment is made, a reward may still be paid in view of the deterrent factor.

Case 2: Conviction of a fire setter (insurance fraud is not involved)

In similar circumstances to (a) and (b) above, it is determined a fire has been lit deliberately; however, insurance fraud is not involved. Information provided to Police leads to the conviction of the fire setter. The policyholder is not involved with the fire and being the innocent party, his/her claim is met by the insurance company.

Case 3: Successful denial/reduction of the insurance claim following Civil Court proceedings

Investigations by Police and/or a loss adjuster determine a fire has been lit deliberately and insurance fraud is suspected as the motive. Information provided to Police assists in their investigations, but is insufficient to lead to a conviction in a Criminal Court. However, in a Civil Court, judged on the balance of probabilities, the same information may be critical to the success of the insurer's denial of liability. A reward should be paid where an insurer has pursued the matter to Civil Court and been successful in either reducing a claim or avoiding payment altogether because the fraudulent nature of the claim has been exposed.

3. Participation

- 3.1 Participation in the Arson Reward Scheme is primarily by Insurance Council members. (Refer Section 5 - payment of reward amounts)
- 3.2 State Government Insurance Offices and other non Insurance Council member insurers are to be invited to participate subject to specific agreement on the payment of rewards in respect to property they insure.

4. Upper limit any one reward

In most instances it is anticipated a substantial reward will not be required. However, in order to attract sufficient relevant information and to show the insurance industry's concern for the problem **the advertised upper limit of any one reward shall be \$25,000.**

Note: If there is more than one claimant in any particular case the total reward shall not exceed \$25,000.

5. Payment of reward amounts

- 5.1 Insurance Council member insurers:

The reward will be paid by the insurer(s) of the property involved, at their discretion. The reward may be paid an Insurance Council cheque provided the insurer(s) will participate by reimbursing the Insurance Council.

- 5.2 Non Insurance Council member insurers:

Agreement to be obtained concerning payment of reward amounts in respect of property they insure.

- 5.3 Where there is a schedule of co-insurers on a risk, the lead insurer is responsible for arranging contribution towards the reward payment.

- 5.4 Where arson fraud is involved and a concessions agreement is in force, a reward recommendation may be made even though the claim may have been paid. This provision is aimed towards the overall deterrent effect of the scheme.
- 5.5 Negotiated contributions towards a reward payment may be obtained from any other interested parties should this be appropriate.
- 5.6 It is essential for the Insurance Council to maintain a close liaison with Police to ensure early advices are received concerning pending reward situations.

6. Reward assessment procedure

6.1 Cases 1 & 2 (Criminal Court):

A recommendation will be made by the Police Rewards Evaluation Committee and forwarded to the Insurance Council. The recommendation will require subsequent approval by the Executive Director of the Insurance Council.

Note: The Insurance Council should be represented on the Police Rewards Evaluation Committee when rewards under the scheme are being considered.

6.2 Case 3 (Civil Court):

A reward recommendation will be made by an Insurance Industry Rewards Assessment Committee. Membership will comprise the Insurance Council, the insurer involved in the particular claim and a Police representative.

The assessment is to be carried out strictly in accordance with the assessment guidelines (refer to attachment). The recommendation will require subsequent approval by the Executive Director of the Insurance Council.

- 6.3 In all cases it is essential for the Insurance Council to contact the insurers involved in the particular claim at an early date.

7. Insurance Industry Rewards Assessment Committee (case 3 situations only)

- 7.1 Where a criminal conviction is not involved, information received may still result in the successful denial or reduction of an insurance claim following Civil Court proceedings. A reward may be applicable in view of claim savings.
- 7.2 Representation on the committee shall be as follows:
- Insurance Council representative;
 - The insurer involved in the particular claim; and
 - A Police representative.
- 7.3 The assessment is to be carried out in accordance with the relevant assessment guidelines (refer to attachment).
- 7.4 The reward recommendation to be approved by the Executive Director of the Insurance Council.

8. Groups not eligible for rewards

Groups in the community not eligible for a reward include:

- Police officers;
- Fire Bridge officers (permanent);
- Insurance company personnel;
- Loss adjusters;
- Insurance investigators; and
- Insurance Council staff.

Note: There may be cases where a reward may be considered appropriate, but this is to be only in exceptional circumstances.

9. Promotion and advertising

9.1 Advertising is primarily the responsibility of the Insurance Council.

9.2 Care needs to be taken to ensure advertising and promotional activities are a deterrent and do not generate unwelcome attention.

9.3 Advertisements by insurers or adjusters:

There will be occasions where insurers or adjusters acting on behalf of insurers will be looking to advertise the Arson Reward Scheme relating to a specific incident with the intent of obtaining information leading to an arrest.

It is not intended that the Insurance Council will become involved in these cases, except as a liaison with the Police and to administer the reward allocation as detailed in the guidelines.

Action to be taken by the insurer:

1. Advise the Insurance Council of the intended action and the possible involvement of the Arson Reward Scheme.
2. Contact the Police and ascertain the case is being treated as arson.
3. Advise the insured of the intended action.

Note: Most important - the insured could well misinterpret the action as being accusatory and legal action could follow.

4. Draft the advertisement or circular ensuring that the following words are included:

*“The Insurance Council of Australia Limited **may** pay up to \$25,000 for information leading to the **conviction** of any person for destroying or damaging property in the State of, insured by a member company of the Insurance Council of Australia Limited or other participating insurance companies, through the act of arson”.*

5. Obtain permission from the Police to use the Police hotline number and if required, permission to use their logo on the advertisement.
6. Have the draft wording of the advertisement or hand bill vetted by legal counsel, or if there is some uncertainty in this regard, have it confirmed by the Insurance Council of Australia Limited consulting legal counsel.

Note: Costs involved in this total process are the responsibility of the insurer on whose policy the claim is being made.

9.4 Arson Reward Scheme posters

On occasions it may be desirable to place Arson Reward Scheme posters in the area adjacent to an arson fire or in the general vicinity. In such circumstances the following procedure must be followed:

1. Advise the Insurance Council of the intended action and the possible involvement of the Arson Reward Scheme.
2. The Insurance Council to contact the Police and ascertain the case is being treated as arson.

It is important that the Police confirm the fire is being treated as arson/deliberate. It is not necessary for this advice to be obtained in writing provided the Police Officer's name is noted.

A draft letter is available which should be enclosed in response to any requests for copies of Arson Reward Scheme posters.

10. Payment to claimants

In all cases the need to preserve the anonymity of the informant should be observed as far as practicable.

11. Administration of the scheme

- 11.1 Overall control, supervision of payment of rewards and responsibility for advertising rests with the Insurance Council.
- 11.2 The Insurance Council is primarily responsible for the operation of the Scheme in their State, including liaison with Police and control of information concerning pending rewards.

Assessment Committee

Insurance Industry Rewards

Case 3 - Civil Court proceedings only
denial/reduction of insurance claims

Assessment of reward request made by:

On the Rewards Assessment Committee, comprising:

- (a) Insurance Council of Australia Limited
- (b) Insurance company involved in the claim
- (c) Police representative

considering a request for a reward payment arising out of information supplied by:

.....

Of:

To:

On:

Which resulted in a successful denial of liability by

Or a reduction in the claim settlement sought by the insured.

After assessing all the facts available to us we recommend that:

- The informant be paid a reward in the sum of \$.....
- The informant is not entitled to a reward payment for the following reasons:

.....
.....
.....
.....
.....

Signed:

Chairman

Reward No:

Details of Loss

Location:

Date of Loss: Date of Claim:

Name of Insured:

Insurer:

Policy Number: Claim No:

Claim Amount:

Details of informant

Name/Code No:

Address:

.....

.....

Occupation:

Employer:

Date information supplied:

Details of court case/claim settlement

Date of Hearing: Case No:

Solicitor:

Barrister:

Result:

Denial/Claim settlement Amount: \$.....

Assessment Guidelines

Case 3 - Civil Court proceedings only denial/reduction of insurance claim

These guidelines refer to circumstances when a reward recommendation is to be made for information received by police and/or an insurance company and/or an investigator authorised to act on behalf of an insurance company which leads to a successful denial of liability by an insurer or insurers, or a reduction in the amount of the claim settlement sought by the insured.

In both cases it is assumed that the Police have been unable to obtain a conviction against the insured.

Part A

Circumstances in which the insured is not the fire setter, although the identity of the fire setter is known and a charge may have been laid against this person, but insufficient evidence is available to link the fire setter to the insured such as to obtain a conviction of the insured in a criminal court.

Under no circumstances shall the total number of points allotted to any one claimant in any one assessment exceed a total of ten (10).

	Maximum Points	Points Awarded
1. Direct Action - Such as where the informant is involved in the immediate pursuit of and/or the apprehension of the fire setter, whether this be the insured or the agent of the insured	10	
2. Information - Provided to Police about the fire setter's identity linking him/her to the insured, but no evidence given in court	6	
3. Evidence - Given in court linking the fire setter to the insured leading to:		
(a) A successful denial of liability	10	
(b) A reduction in the amount of the claim settlement	8	

Part B

Circumstances in which the insured is suspected of being the fire setter, but insufficient evidence is available to obtain a conviction in a Criminal Court, although the fire is known to have been lit deliberately and insurance fraud attempted, with the result that a Civil Court has upheld the insurer's denial of liability of the claim.

	Maximum Points	Points Awarded
1. Information - Provided to the Police, insurance company or investigator acting on behalf of the insurance company about the insured's financial, business or personal circumstances which gave rise to suspicions of arson fraud	6	
2. Information - Provided to Police, insurance company or insurance company investigator about: <ul style="list-style-type: none"> ▪ Behaviour of insured prior to fire ▪ Behaviour of insured during or after fire ▪ Unusual or suspicious activity on insured's premises prior to the fire ▪ Indications of accelerant on premises when these are not normally stored on the site 	5 5 5 3	
3. Information - Provided to Police, insurance company or insurance company investigator of observations relating to: <ul style="list-style-type: none"> ▪ Time fire first noticed ▪ Nature of fire ▪ Behaviour of individuals on the scene prior to the fire ▪ Behaviour of individuals at fire scene during fire 	4 4 3 3	
4. Information - Relating to the fire resulting from newspaper advertising or leaflet drop advertising Arson Prevention Reward Scheme		

Multiple Informants

When two or more persons volunteer information on the one fire, relating to the same individual or to separate individuals later found to be connected with the fire or attempted insurance fraud, each informant is considered within the guidelines and allotted points according to his/her merits. The reward amount recommended will be in proportion to the total amount of points allocated to each informant.

Special circumstances

This section is to be used when facts are taken into account not already provided for by the guidelines.

Reasons for allocation of points (maximum of 10).

Total points allocated:

Amount recommended: \$.....

Signature:

Chairman

Draft letter

[Date]

Dear

Arson Reward Scheme

The Arson Reward Scheme relies heavily upon promotion and advertising and therefore posters have been prepared in conjunction with legal advice. It should be kept in mind that the Arson Reward Scheme is intended to be run in conjunction with the Police and reward payments recommended:

For information leading to a conviction of any person for destroying or damaging property in the State insured by a participant in the scheme, through an act of arson.

Case 1: Conviction of the insured (arson fraud)

Case 2: Conviction of a fire setter (insurance fraud is **not** involved)

Case 3: Successful denial/reduction of the insurance claim following civil court proceedings

Note: In each of the three cases it is the understanding that an insurance claim must be involved and the property must be insured by an Insurance Council member company or a non Insurance Council member insurer participating in the scheme.

Occasionally it may be desirable to place Arson Reward Scheme posters in the area adjacent to an arson fire or in the general vicinity. In such circumstances, the following procedure must be followed:

1. Advise the Insurance Council of the intended action and the possible involvement of the Arson Reward Scheme;
2. Contact the Police and ascertain if the case is being treated as arson.

In some circumstances, occasions will arise where insurers or adjusters acting on behalf of insurers will be looking to advertise the Arson Reward Scheme relating to a specific incident with the intent of obtaining information leading to an arrest.

It is not intended that the Insurance Council will become involved in these cases, except to liaise with the Police and to administer the reward allocation. In such circumstances the following procedure must be followed:

1. Advise the Insurance Council of the intended action and the possible involvement of the Arson Reward Scheme;

2. Contact the Police and ascertain if the case is being treated as arson;
3. Advise the insured of the intended action.

Note: Most importantly, the insured could well misinterpret the action as being accusatory and legal action could follow.

Draft the advertisement or circular ensuring that the following words are included:

*“The Insurance Council of Australia Limited **may** pay up to \$25,000 for information leading to the **conviction** of any person for destroying or damaging property in the State of, insured by a member company of the Insurance Council of Australia Limited or other participating insurance companies, through the act of arson”.*

Obtain permission of the Police to use the Police hotline number and, if required, permission to use their logo on the advertisement.

Have the draft wording of the advertisement or hand bill vetted by legal counsel or, if there is some uncertainty in this regard, have it confirmed by the Insurance Council of Australia Limited consulting counsel Geoff Masel of the firm Phillips Fox.

Note: Costs involved in this total process are the responsibility of the insurer on whose policy the claim is being made.

The above information is intended as a guide and to assist in the operation of the Arson Reward Scheme. If you have any further enquiries or require further assistance please do not hesitate to contact the Insurance Council.

Yours faithfully

Arson Reward Scheme Guidelines for Assessment of Reward Amounts

Aim: Is to ensure some relativity is maintained between rewards made under the scheme on a National and State by State basis.

Insured loss/claims savings	Direct Action/Special Action(Claimant involved in Pursuit and Apprehension)	Information of Offender's Identity and Gives Evidence in Court (Assumes Threat to Claimant)	Information of Offender's Identity (Does <u>Not</u> Give Evidence in Court)	Information of Bystanders and Give Evidence in Court (of the Offence, etc)	Information of Bystanders (of the Offence, etc) (Does <u>Not</u> Give Evidence in Court)
	100%	100%	40%	50%	20%
Up to \$50,000	Anticipate up to \$2,000 (If circumstances warrant, up to \$5,000)	Anticipate up to \$2,000 (If circumstances warrant, up to \$5,000)	Anticipate up to \$800 (If circumstances warrant, up to \$2,000)	Anticipate up to \$1,000 (If circumstances warrant, up to \$2,500)	Anticipate up to \$400 (If circumstances warrant, up to \$1,000)
\$50,000 to \$250,000	Anticipate up to \$3,000 (If circumstances warrant, up to \$8,000)	Anticipate up to \$3,000 (If circumstances warrant, up to \$8,000)	Anticipate up to \$1,200 (If circumstances warrant, up to \$3,200)	Anticipate up to \$1,500 (If circumstances warrant, up to \$4,000)	Anticipate up to \$600 (If circumstances warrant, up to \$1,600)
\$250,000 to \$1M	Anticipate up to \$5,000 (If circumstances warrant, up to \$15,000)	Anticipate up to \$5,000 (If circumstances warrant, up to \$15,000)	Anticipate up to \$2,000 (If circumstances warrant, up to \$6,000)	Anticipate up to \$2,500 (If circumstances warrant, up to \$7,500)	Anticipate up to \$1,000 (If circumstances warrant, up to \$3,000)
\$1M +	Anticipate up to \$8,000 (If circumstances warrant, up to \$25,000)	Anticipate up to \$8,000 (If circumstances warrant, up to \$25,000)	Anticipate up to \$3,200 (If circumstances warrant, up to \$10,000)	Anticipate up to \$4,000 (If circumstances warrant, up to \$12,500)	Anticipate up to \$1,600 (If circumstances warrant, up to \$5,000)

Insured loss/claims savings	Direct Action/Special Action(Claimant involved in Pursuit and Apprehension)	Information of Offender's Identity and Gives Evidence in Court (Assumes Threat to Claimant)	Information of Offender's Identity (Does <u>Not</u> Give Evidence in Court)	Information of Bystanders and Give Evidence in Court (of the Offence, etc)	Information of Bystanders (of the Offence, etc) (Does <u>Not</u> Give Evidence in Court)
Motor vehicle insured loss \$2,000 \$5,000 \$10,000 \$20,000 \$50,000		\$500 \$500 \$1,000 \$2,000 \$3,000	\$200 \$200 \$400 \$800 \$1,200		
For Multiple Motor Vehicle Losses see Property Table					

Note: It is necessary to consider, the amount of the insured loss or claims savings, the value of the insured property, the potential threat to other insured property and the deterrent effect of media attention to the reward payment