

Payfone Raises \$23.5 Million From Investors Including BlueCross

By: Olga Kharif

Payfone Inc. raised \$23.5 million in funding from investors including BlueCross BlueShield Venture Partners as part of a push to offer the same customer-verification checks to insurance providers that banks use.

The New York-based startup's technology verifies users' SIM cards so customers can speak to a customer-service representative without having to answer all those pesky security questions first, Payfone Chief Executive Officer Rodger Desai said in an interview. The software can catch inconsistencies, such as an unauthorized user trying to access a mobile app or service, allowing legit clients to get down to business faster, he said.

"Regulated industries like banking and insurance have a lot in common," said John Banta, managing director at BlueCross

BlueShield Venture Partners, which manages more than \$500 million in capital. "Many of our plans partners with companies we invest in. There are more than a couple plans that are interested in what Payfone is doing."

For Payfone, which got its start in 2009 and has so far focused on the banking industry, that means a major growth spurt. The company expects to authenticate 50 million transactions a day in 2017 as it enters the insurance market, a five-fold increase from last year, Desai said.

The new funding, which was also led by Andrew Prozes, brings the total raised by Payfone to \$63 million. Other investors include Canada's Maclab Development Group and Transaction Network Services, as well as prior investors RRE Ventures, Relay Ventures, Opus Capital, Verizon Ventures, American Express Ventures, Rogers Venture Partners and Early Warning Services.

Instead of selling its technology through partners, as it did previously, Payfone is now planning to start offering it directly to insurers, Desai said. Demand in the industry is huge. Fake claims across insurance types cost about \$80 billion a year, according to the Coalition Against Insurance Fraud, with insurers and banks spending about \$20 billion annually in the U.S. on anti-theft technology, Desai said.

"The amount of money that's spent on authenticating people -- it's amazing," he said. "All the money that's being spent authenticating identities should instead be spent on serving people better."

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