

## Technology is one more tool in the fraud toolbox

By: Patricia I. Harman

Insurers continue to see an increase in insurance fraud, but more and more are turning to technology to help in the battle against fraudsters.

In a recently released study by the Coalition Against Insurance Fraud, State of Insurance Fraud Technology, 60 percent of insurers said they have seen an increase in fraud over the last three years.

The biennial study was conducted in conjunction with analytics company SAS and highlighted research from 86 insurers who comprise a significant portion of the property-casualty market. And while fraud continues to escalate, insurers are employing more technology to catch fraudsters earlier in the process.

Fraud-fighting tech paying big dividends  
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“Insurers continue gaining confidence that tech is a nucleus of their efforts to stem surging fraud crimes.”

The perceived increase in fraudulent activities has given insurers the impetus they need to invest in technology to assist in identifying a variety of insurance crimes.

Reliance on automated systems  
According to the study, close to 75 percent of insurers now rely on automated systems to help detect false claims and 6 percent of insurers said they received at least 60 percent of their referrals for additional investigation from technology systems. That figure is up 25 percent from 2012.

Here is a look at some ways insurers are using technology to identify fraudulent claims and mitigate possible losses earlier in the process.

### Red flag rules

Using rules-based technology that automatically flags possibly fraudulent claims is the most popular technology, with close to 90 percent of insurers who are using anti-fraud technology selecting this method for detection. This is an increase of 26 percent from 2014.

Thirty-two percent of insurers said they update their red flags at least annually, with 32 percent saying they actually refresh them more than once a year to keep their information current.

### Data matters

The amount of data available to insurers from a variety of sources continues to increase with many using a

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combination of internal records and public records, social media and other sources that can be included in their technology systems in order to flag questionable claims. The number of insurers in the survey who said they utilize predictive modeling increased to more than 50 percent.

Link analysis and data mining are also increasing, with two-thirds of insurers saying they utilize these tools as well.

Industry fraud alerts are also becoming more valuable, especially since fraud tends to cross over into more than just the insurance industry.

Benefits of technology  
Technology’s role in fighting fraud cannot be underestimated, especially since 70 percent of the insurers said that technology now accounts for as much as 10 percent of their fraud referrals. That number is up slightly from 2014.

The insurers indicated that technology allowed them to receive better referrals for further investigation and it actually helped in mitigating the losses they experienced.

Technology limitations  
However, technology is not a panacea. Limited IT resources affect its effectiveness for insurers, especially those with smaller budgets or less in-house expertise available.