Flagging Fraud

By: David S. Kloth, M.D.
Founder, Connecticut Pain Care

A video showing seven men from a company working on a roof recently turned up on YouTube. It was not the type of thing that would have grabbed most people's attention, but the company's workers' compensation insurer, Boston-based Liberty Mutual Group, found it very revealing. Why?

Liberty Mutual didn't know the company employed roofers--the company had simply described its business as "general carpentry," and that left the company with a lot of explaining to do.

This scenario isn't uncommon. Studies indicate up to 10 percent--perhaps more--of all property/casualty insurance claims are fraudulent, according to the National Insurance Crime Bureau (NICB). The NICB has estimated that workers' comp fraud costs the industry as much as $5 billion annually.

While fraud is a perennial problem, advances in technology are helping to give insurers a new edge. With billions of dollars at stake, carriers and investigators are using an array of tools to combat fraud, including predictive analytics, social media such as Facebook and YouTube, and claims case-management systems.

These tools provide carriers with a wealth of new information that can help control fraud, which contributes to higher insurance premiums for all consumers.

Before an insurer even binds a policy, it has an opportunity to reduce the risk of fraud through predictive analytics, which seeks to identify the potential for problems ahead of time.

Insurers can use predictive analytics to assess public information about customers and then identify the ones who fit the pattern of those most likely to commit fraud.

"What we're seeing is a recognition that the opportunity starts before the policy is even bound," said Michael Costonis, managing director for the North America insurance industry program at consulting and technology services firm Accenture.

Eagle Eye, meanwhile, last year announced a strategic alliance with Milliman to provide the
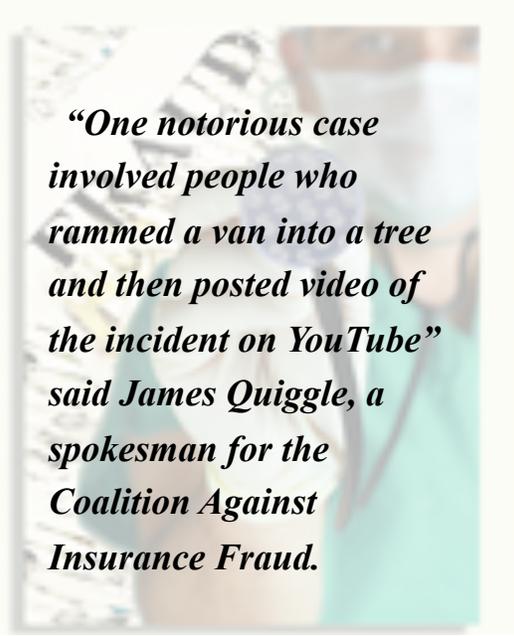
"One notorious case involved people who rammed a van into a tree and then posted video of the incident on YouTube" said James Quiggle, a spokesman for the Coalition Against Insurance Fraud.

insurance industry with the latest predictive analytics offerings.

People like sites like Facebook and YouTube that let them stay in touch with friends and family and share photos and videos.

Fraud investigators like Facebook and YouTube, too, because they have become such a rich source of information. "They put stuff on YouTube that you just can't believe," said Neil Johnson, manager of the premium fraud special investigation unit at Liberty Mutual.

One notorious case involved people who rammed a van into a tree and then posted video of the incident on YouTube, said James Quiggle, a spokesman for the **Coalition Against Insurance Fraud.**

"People post the dumbest and most incriminating things imaginable," he said. "They don't realize that investigators are trolling social media for case leads."

Of course, investigators have always had access to the news media, but now thanks to social networking media there is a wealth of information at investigators' fingertips--much of it provided by the suspects themselves.