

PROFESSIONAL Insurance Agents

Tech update

Using technology to battle insurance fraud

By: Jack Ford

During the last decade, advancements in technology have had a profound impact throughout the insurance industry—allowing insurers to better communicate with agents, develop innovative products and services, as well as implement more efficient processes. But, also, technology has played a significant role in helping to improve carriers' efforts to combat claims fraud.

Legwork is a key component of the claims investigation process at every level. Yet, prior to the advent of tools such as the Internet, data mining and predictive modeling, investigators spent countless hours collecting, sorting and analyzing thousands of variables related to a given claim—encumbering the resolution of all claims, meritorious or otherwise.

Carriers recognize that professional independent agents are their front line representatives. Carriers want and need their agents to know what products they offer that make them stand out from their competitors. And, agents need to know the carriers they represent are doing all they can to better protect the policies which they write—better risks yield better loss ratios.

The Internet era

The Internet has become an invaluable resource to claims adjusters by granting near-instant access to a wealth of publicly available data, in turn reducing time spent on data collection, and boosting the cost efficiency of the investigation process. Adjusters now can review geographic maps, motor vehicle records or property histories with the click of a button.

Additionally, the Internet has allowed for improved communication and data sharing, paving the way for the development of vast databases. These databases play an essential role in helping adjusters verify personal identifiers that often indicate fraudulent activities and patterns, including Social Security numbers, property ownership, skip tracing, witness location and prior-claims history.

These advances give carriers the freedom to design better products. Agents typically receive online updates on what their carriers are offering, such as discounts for accident-free years, global positioning tracking systems for youthful drivers, etc. Agents receive classes from carriers, which enhance the agents' knowledge. Carriers are the generators of innovation in the insurance marketplace, agents are their conduits. Clients have a multitude of carriers with which to place their business. Agents are the most well equipped to educate their clients as to which carrier is most able to meet the client's insurance needs.

Fraud-detection software

For several years, credit card companies have often used software to filter information to help prevent fraud, abuse and identity-theft, screening spending patterns and questioning unusual purchases. In the last few years, insurers and third-party administrators have embraced the practice, working with

software developers to customize fraud detection programs specific to the various lines of business covered, given their unique fraud indicators.

Two of the more common technology tools are data mining and predictive modeling. Data mining uses rule-based scoring to flag potentially fraudulent claims. Using parameters based on the particular line of business being analyzed. Predictive modeling, involves the analysis of data based on past performance, with results that will more likely "predict" fraudulent patterns of behavior in a claim.

Other essential and valuable tools are available to assist in questionable claims investigations. Common addresses, names, Social Security numbers, doctors, lawyers and providers can be linked together and mapped in seconds. Once a tool indicates that a claim has reached the preset limits, and the investigation confirms that the claim is not meritorious, the adjuster, underwriter or agent can be notified in writing or electronically that further investigation is called for on their part, and assignment recommended to the appropriate parties.

For example, many carriers have mechanisms in place to notify an underwriter in the event a fraudulent claim has been submitted, based on a claims investigation. Patterns have demonstrated that the same items claimed as damaged, such as art work or collectibles, are sometimes also claimed in property losses. That merchandise, if not salvaged by the carrier, is typically paid on an actual cash value, replacement cost or valued basis. Assuming the insurer or third-party administrator has no use for the sale (salvage) of the damaged goods, the insured may retain the items and pass them on to another to file a subsequent "staged" claim.

Agents walk a tight rope between satisfying the needs of the clients as well as meeting the goals of the carrier(s). By keeping informed of the ongoing efforts of the carrier, the agent is in a better position to recommend specific carriers and products that will more precisely meet the insured's needs. Without clients, agents and carriers have no need to sell a "product" that has no tangible rewards. Therefore, the more the agent can sell the insured on the merits of a particular carrier, the more likely they are to secure a sale, leading to the client's ultimate peace of mind.

Automation and technology can never take the place of sharp-minded agents, underwriters or adjusters. These tools supplement and complement the knowledge, talent and experience of the front-line insurance professionals while upholding their responsibility to recognize indicators or patterns of fraud and abuse.

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