2022 InsurTech Trends: Anti-fraud analytics booms as cyber-war rages

Insurers' use of predictive analytics to fight fraud has reached an all-time high, according to the latest insurance fraud technology study by the Coalition Against Insurance Fraud and analytics and AI leader SAS.

Source: Unsplash

The State of Insurance Fraud Technology study reveals that 80% of insurers use predictive modelling to detect fraud, up from 55% in 2018.

In a category new to the 2021 survey, the study also underscores the importance of identity verification software, cited by 40% of survey respondents. Identity analytics is quickly becoming must-have technology for insurers amid an alarming spike in malicious phishing scams, up 600% since the pandemic's onset.

"The shifts we've seen since the 2018 study emphasise the increasingly sophisticated technologies needed to foil insurance fraudsters' criminal exploits," said David Hartley, director of Insurance Solutions at SAS. "Predictive modelling is up 25%. Text mining has nearly doubled, jumping from 33% to 65% in three years. These findings prove that, even as Covid has fuelled rampant fraud, insurers are agilely stretching their advanced analytics and AI capabilities to counter rapidly changing threats."

The study results will be explored in an upcoming insurance fraud webinar hosted by the Coalition and SAS, entitled "The State of Insurance Fraud Technology 2022: Trends as the World Reopens", which will be aired on 16 February at 14h00 ET and available thereafter on demand.

Gauging insurance fraud technology trends since 2012

Insurance fraud causes more than $80bn in losses annually in the United States alone. Fraudsters the world over are using phishing schemes, malware and even social-media quizzes to steal sensitive personal information from unsuspecting consumers. The lucrative data is then sold on the dark web for nefarious purposes, such as traditional identity theft or the creation of synthetic IDs using an amalgam of stolen and fabricated data. Scammers can use the identities to file bogus claims for cash or collect commissions from insurers for selling fake policies.

Since 2012, the Coalition has used its biennial State of Insurance Fraud Technology study to track how technology is augmenting fraud fighters' abilities to thwart fraudsters and criminal rings. SAS has been a partner in the research effort since the inaugural study.

Now in its fifth iteration since 2012, the latest study was based on responses to a 20-question survey sent to 100 Coalition members in October 2021. Survey recipients are employed by insurance companies that comprise at least 80% of the estimated property and casualty premiums written in the US insurance market in 2020.

"Capturing these trends over time enables us to understand how, and to what extent, insurance companies use anti-fraud technology," said Dave Rioux, Coalition co-chair, and chair of the organisation's research committee. "This research also provides important insights into emerging use cases and common challenges, helping the entire industry discern the technologies that are proving most effective against these unprecedented fraud attacks."

Additional takeaways from the latest study include:

* Anti-fraud technology is flourishing. The study identified automated red flags (88%), predictive modelling (80%), text mining (65%), reporting capability (64%), case management (61%), exception reporting (51%), and data visualisation/link analysis (51%) among insurers' most used anti-fraud technologies.

* Insurers are diversifying their data sources. Beyond relying on their own internal data, insurers are turning to industry fraud-watch lists (88%), public records (79%), third-party data aggregators (55%), social-media data (48%) and data from personal devices (15%). Notably, the use of unstructured data soared from just under half in 2018 to 81% in 2021.

Banking scams cost South Africans R295m last year
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* A picture is worth a thousand data points. Insurers are flocking to photo analysis technology (up from 49% in 2018 to 81% in 2021) to authenticate claim damage, identify digitally altered images, and index pictures submitted in other claims.

* Investigators are clamouring for more resources. New anti-fraud technology is creating efficiencies in investigative processes, but the resources insurers are dedicating to internal and external investigative teams are insufficient to keep pace with the billions in fraud committed each year. Limited IT resources is the top anti-fraud challenge, cited by 68% of respondents.

"We know that criminals are using advanced technology at scale to steal personal information and plunder billions of dollars from insurance companies each year," said Kim Kuster, principal business consultant in SAS' Global Security Intelligence Practice. "Wider adoption of emerging technologies and deeper investment in human- and machine-powered fraud-fighting capabilities will help turn the tide of fraud flooding the domestic and international insurance markets."

The State of Insurance Fraud Technology study and similar Coalition research efforts are aimed at preparing fraud investigators and their leadership teams for the threats that lay ahead. Learn more at InsuranceFraud.org.

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