

In Series Claims



# A STEP AHEAD

The industry must work together in the fight against insurance fraud

By Sara Costantini

**I**nurance fraud has risen dramatically in the past year and this trend looks likely to continue due to the effects of financial stress and increased living costs, driven by the economic climate. Insurers are committed to protecting honest policyholders from the cost of fraud while providing customers with the highest levels of claims service.

Effective investigation is an essential part of the claims process, allowing insurers to detect and manage fraud, save money and reduce the cost of premiums. Insurers face an ever-increasing requirement to provide excellent customer service, manage total claim costs, reduce the lifecycle of claims and meet claimants' legitimate expectations.

Speed is of the essence to ensure honest policyholders have a positive customer experience and are reinstated swiftly. However, while it is important claims are validated quickly, it is also essential the validation process is undertaken properly to ensure the premium pool, which is funded by all policyholders, is not depleted by fraudulent activities. Effective

investigation and the delivery of excellent customer service need not be mutually exclusive.

Today, insurers can use technology and counter-fraud intelligence services to speed up investigations, delivering operational efficiencies and reducing the time taken to collect and integrate key information. Investigation-management systems can assist insurers with mitigating risk and optimising their counter-fraud resources effectively. Desktop tools can complement existing anti-fraud strategies and provide insurers with a single point of real-time access to extensive consumer intelligence. Systems and workflow processes can be streamlined to create an immediate profile of a customer, together with their claims history, and provide insurers with a consolidated view of the risk and potential areas requiring further investigation.

The debate over whether to outsource claims investigations, handle them internally or take a combined approach remains lively. Many insurers feel that managing and controlling the investigation process in-house is the only way to ensure policyholders are not disrupted and disaffected by an investigation into their

claim circumstances. Conversely, some insurers believe that by outsourcing the investigation process they disassociate their brand from any potential negative reputation issues.

Certainly the market as a whole recognises the potential reputational risk linked to claims fraud investigation. An example of such sensitivities, and an area that perhaps requires better industry definition, is the use of social media in claims investigation. While insurers acknowledge the benefits of this information source, there is concern around what is acceptable both in terms of legal evidence that would be upheld in court and the reputational risk if an insurer is seen to have infringed a policyholder's right to privacy.

Social media-based investigations are on the increase, with the results used to complement existing counter fraud strategies – but the industry as a whole has yet to embrace and embed this tool.

The insurance market recognises that increased co-operation, joined-up thinking and a collaborative approach to the management of fraud is vital to staying one step ahead of fraudsters. The sharing of information between insurers and the funding of industry bodies such as the Insurance Fraud Bureau and Insurance Fraud Enforcement Department are good examples of the industry's commitment to the power of a collective approach.

A joined-up approach to consumer education on insurance fraud could also prove useful. While insurers currently promote their position on fraud to varying degrees, a clear message of zero tolerance from the entire industry, reinforced at individual insurer level, would act as a strong deterrent to would-be opportunists and organised fraudsters. When the insurance-buying public really understands insurance fraud is not a victimless crime and that it hits their pockets too, the industry will begin to influence public opinion and make insurance fraud socially unacceptable. ■



**Sara Costantini**, director, CRIF Decision Solutions

