**Importance of Detecting and Preventing Insurance Fraud**

1. Public attitude towards fraud

padding:

1. Cost of insurance fraud

**Types of Insurance Fraud**

-Fraud occurs when all of these elements exist:

* An untrue statement
* Concerning a *material fact*
* Is knowingly made
* With the intention to deceive
* And the victim relies/acts on the untrue representation
* Which causes victim to suffer some detriment (such as loss of money or property)

Staged accidents:

Hard Fraud:

1. False Claims
2. Misrepresentation
3. Concealment
4. Distortion of a material fact
5. International Losses

Soft Fraud (Opportunity Fraud):

-examples:

* Overstated value of property
* Overstated severity of injury
* Overtreatment for injuries
* Unnecessary treatment for injuries

**Indicators of Possible Insurance Fraud**

Conducting a Balanced Investigation pg 6.9

Fraud Indicators pg 6.10

Anti-Fraud Efforts

1. Insurers
2. SIU
3. Technology

-predictive models

-blockchain

-telematics

-internet of things (IoT)

1. State Government
2. Pre-inspections laws
3. Mandatory reporting
4. Immunity laws
5. Civil and criminal penalties
6. Fraud prevention services
7. Federal Government
8. Motor Vehicle Theft Law Enforcement Act of 1984
9. Anti Car Theft Act of 1992
10. US Mail Fraud Statute
11. False Representation Statute
12. Industry Organizations
13. ISO
14. NICB
15. CAIF
16. IASIU

**Detecting Claims Fraud with Network Analysis and Clustering**

-network analysis:

-data mining:

The insurer will conduct these activities to identify fraud claims:

1. Through traditional fraud indicators and through mining social media data
2. Apply social network analysis
3. Apply cluster analysis

-unsupervised learning

-K-means

-centroid