

IBM Financial Crimes Insight for Insurance

Highlights

- Make insurance crime difficult for fraudsters
 - Improve outcomes while reducing the cost of counter-fraud efforts
 - Optimize assets for efficient and effective fraud management
 - Quickly distinguish fraudsters from your valuable customers
 - Leverage a multilayered cognitive approach to fraud detection
 - Own and control white box analytics
 - Improve fraud investigations and productivity
 - Fight fraud with an end-to-end, integrated solution
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Successfully discover, prevent, detect and investigate insurance fraud

Insurance fraud is acknowledged to be a significant global issue for the industry, impacting customers, operational efficiency and profitability. It erodes shareholder value, brings a risk of reputational damage, and in certain regions, exposes an insurer to regulatory sanctions for failing to mitigate fraud risks. These fraudulent claims, committed by opportunistic individuals, organized crime rings and insiders, are unfortunately commonplace with several market factors working in favor of insurance fraudsters:

- The growth of digitization and a focus on improving the customer experience can reduce the time devoted to preventing and detecting fraud. Fraudsters flourish in such environments.
- Some counter-fraud models are based on legacy approaches and thinking. The reluctance to change operations undermines the ability to deliver meaningful fraud detection performance.
- Open borders create new opportunities for mobilization of cross-border fraud schemes.
- Data sharing for counter-fraud purposes is not well-developed or embraced in some regions.
- Operational silos and inefficiencies can exist between claims, underwriting and wider anti-financial crime activities. This creates cracks in defenses, allowing insurance criminals to easily navigate undetected.
- Insurtech and the Internet of Things (IOT) enable fraudsters to innovate their business models faster than insurers can protect them.

Finally, the dark web remains *dark* for most insurers to manage. Tools such as entity analytics are needed to quickly detect like and related entities including events, people, transactions and relationships across large, sparse and disparate collections of data.

Addressing these factors is a challenge for fraud, claims and underwriting leaders responsible for ensuring that their counter-fraud operations are based on scalable technology and processes which can handle high volumes of occurrences. Operations must also be nimble, with the ability to continuously adapt and react to new suspicious patterns and schemes. These improvements need to be balanced with the priority to preserve high customer service and the swift processing of legitimate claims.

Investing in enhanced counter-fraud capabilities is a financial imperative

There is no single path to improving counter-fraud capabilities. It is vital to both strengthen the analytic capabilities for prevention, detection and investigation, and optimize operations. By eliminating information silos, expanding the observation space and implementing unified advanced intelligence, insurers can detect more suspicious activity earlier and identify and solve more complex fraud cases sooner. The resolutions are quicker, with fewer false positives. Further efficiencies and cost savings can occur when disparate systems are eliminated, and processes are aggregated into a single system which delivers end-to-end anti-fraud operations.

Optimize people, process and technology

IBM not only provides very powerful and modern technology to tackle insurance fraud. IBM also transfers significant real-world industry experience, knowledge and insight to insurance clients to help them successfully address enterprise fraud challenges and drive tangible business value. The skilled insurance fraud specialists at IBM have built and led national and international counter-fraud operations for leading insurers, by combining a holistic fraud strategy with a proven methodology which optimizes the full range of people, process *and* technology.

IBM Financial Crimes Insight for Insurance

The IBM Financial Crimes Insight for Insurance solution is designed to help insurance industry clients successfully and proactively prevent and intercept fraud attempts while detecting, identifying and building the case against past fraudulent activity and improper payments.

Looking at counter-fraud operations as an entire lifecycle, this IBM solution introduces advanced analytics and investigative analysis throughout the entire process. Implementing this holistic approach translates into lower fraud losses and operational costs, while improving business results and supporting a superior customer experience.

IBM Financial Crimes Insight for Insurance is purpose-built for the unique needs of the insurance industry and the specific requirements of insurance fraud mitigation. The end-to-end solution supports the five key phases of the fraud lifecycle: detect, respond, investigate, discover, and very importantly improve.

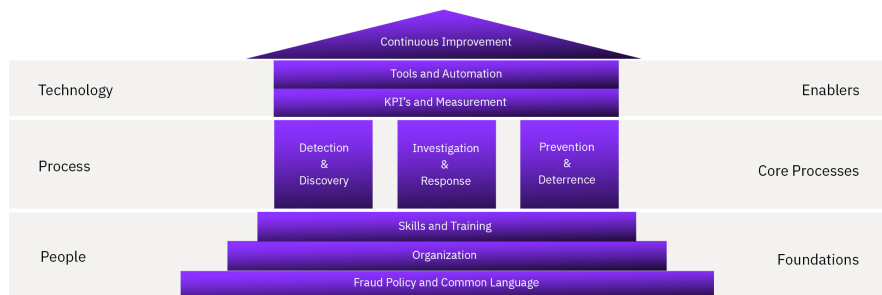


Figure 1. The IBM counter-fraud "house of excellence" visualizes the necessary components of an optimized counter-fraud program, which includes people, process and technology.

IBM approaches fraud prevention in unique ways

End-to-end, integrated approach across the fraud lifecycle: IBM has invested heavily in building this business solution to provide a configure-and-integrate-once user experience that unifies virtually all user roles on a common infrastructure and data store.

Integrated into the core processes, such as claim handling: IBM integrates with your claim-handling application to score claims for fraud risk directly in the claim-handling workflow.

Continuous entity resolution: It's essential to understand the difference between three claims filed by three people versus three claims filed by one person. The IBM Financial Crimes Insight for Insurance solution applies continuous entity analytics that goes far beyond name matching.

Multilayered cognitive approach to fraud detection throughout the observation space: A modern fraud-fighting tool cannot rely only on business rules. Fraud has become more complex, more organized and more digital, so insurers need to layer multiple detection techniques to find fraudulent cases.

Transparency and ease of use of analytics: IBM Financial Crimes Insight for Insurance lets you see and control the analytics used in your business. The analytics are designed with an easy-to-use interface that needs no coding.

Powerful investigative analytics: It provides analytic capabilities by combining link, temporal, geospatial and unstructured text content analysis in one centralized work environment.

Attractive delivery and pricing options: IBM has implementation options to match your needs; from a traditional license with an on-premises installation, to a fully managed and hosted solution that's either usage-based, or set for gain sharing, or options in between.

Conclusion

Fraud threats continuously evolve. Insurers must remain vigilant, constantly adding and adjusting their models and responses, so that maintaining static counter-fraud models is not a viable option. Merging individual rules, analytics and techniques into a seamless, end-to-end operation enables organizations to have deeper insights and to react with more confidence. IBM is continually investing in the development of the IBM Financial Crimes Insight for Insurance solution. Forward-thinking insurers can use this solution to:

- **Quickly distinguish fraudsters** from valued customers
- **Detect fraud earlier**, before unnecessary losses occur
- **Reduce false-positives**, improving the effectiveness and efficiency of investigators
- **Put the focus on high-risk** cases and optimize available resources
- **Directly control the fraud analytics**, from creating and then maintaining fraud models
- **Manage the fraud investigation lifecycle** from detection through to conclusion
- **Ensure a transparent, secure and auditable** end-to-end fraud management process
- **Support meeting regulatory compliance** obligations
- **Employ enterprise intelligence** to continuously adjust operations and stay ahead of trends

Why IBM?

IBM Financial Crimes Insight for Insurance provides an advanced, integrated analytic offering that helps reduce insurance fraud. It enables insurers to leverage a single solution that addresses all phases of an insurer's claims fraud prevention program. Using a variety of advanced analytical techniques and big data, IBM Financial Crimes Insight for Insurance gives insurers an early detection tool that deters, prevents and intercepts fraud to help prevent losses before they happen. The solution improves both detection processes and decision making, allowing insurers to expand the observation space within the institution and speed investigations, identifying criminal activity without affecting legitimate claims and policyholders.

About Watson Financial Services

IBM works with organizations across the financial services industry to use IBM Cloud, cognitive, big data, RegTech and blockchain technology to address their business challenges. IBM Watson Financial Services merges the cognitive capabilities of Watson and the expertise of Promontory Financial Group to help risk and compliance professionals make better informed decisions and manage risk and compliance. These processes range from regulatory change management to specific compliance processes, such as anti-money laundering, know your customer, conduct surveillance and stress testing.

For more information

To learn more about IBM Financial Crimes Insight for Insurance visit ibm.com/insurance-fraud or contact your IBM representative.

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