# IBM Financial Crimes Insight for Claims Fraud

## 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

## Successfully discover, prevent, detect and investigate insurance fraud

Insurance fraud is acknowledged to be a significant global issue for the industry, impacting policyholders, 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 but 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 Claims Fraud

The IBM Financial Crimes Insight for Claims Fraud 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 Claims Fraud 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 Claims Fraud 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 multiple detection techniques to find fraud.

**Transparency and ease of use of analytics:** IBM Financial Crimes Insight for Claims Fraud 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.

## A platform built for change

IBM Financial Crimes Insight runs on IBM Cloud Pak for Data, providing financial institutions an advanced data science tool kit to build and govern models, as well as a flexible, containerized deployment architecture. IBM Cloud Pak for Data manages the entire AI lifecycle, from preparing data for AI use to model creation, deployment and governance. In addition, Red Hat OpenShift offers the ability to deploy

IBM Financial Crimes Insight anywhere, and to access management and audit capabilities. These features enable IBM Financial Crimes Insight to meet your organization's financial crime challenges today as well as adapt to your changing infrastructure and business needs.

## 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 Claims Fraud 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 Claims Fraud 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 Claims Fraud 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 IBM Financial Crimes Insight

By resolving relationships and scrutinizing behaviors to identify high-risk entities before they commit financial crimes, IBM Financial Crimes Insight empowers institutions to increase both the efficiency and the effectiveness of their payment fraud detection, anti-money laundering compliance, know-your-customer, conduct surveillance, and insurance claims investigation programs. Only IBM uses the broadest set of market-leading AI, cognitive services, big data and automation technologies, driven by input from leading regulatory experts to minimize the financial and regulatory burden of compliance while reducing reputational risk.

## For more information

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