



Cogitate

Countering Next-Generation Fraud

Claims Intelligence,
Predictive Modeling
& Data Validation

WHITEPAPER

Survey Highlights

36% of respondents age 18 to 24 do not view insurance fraud as a crime¹

Over 20% of respondents age 18-44 would intentionally submit mistruths and omissions when filing an auto claim²

30% of respondents age 25 to 34 would file previous damages within a homeowner claims³



Preparing for the New Fraud-Scape

The course is set for increased digital engagement across the P&C insurance value chain to meet the demands of the digitally native consumer. From policy submission through claim FNOL, digital portals enhance agent and policyholder experiences – offering convenience, improving response times, and delivering scalable, efficient growth for both agents and carriers.

On the downside, the anonymity of the digital interface removes the personal exchange that once drove relationship-based services and begs the question, “Does anonymity make it easier for policyholders to withhold information?” For a segment of the digitally native, it might...

A 2023 study by the Coalition Against Insurance Fraud suggests the potential for increased insurance fraud among the digitally native population. The study, “**Who Me? Who Commits Insurance Fraud?**” highlights the prevalent dismissal of the criminality of insurance fraud and outright approval of insurance fraud by survey respondents ages 18 to 44. The Coalition expects this to manifest as increased mistruths and omissions, as well as intentional fraud in claims reporting, at an increasing rate as digital natives become the largest insurable sector. Whether these respondents are truly representative of the larger population can be questioned, however, the study certainly raises awareness of the potential increase in fraud ahead.

Imagine a future in which 1 in 3 claims is fraudulent. With the sheer volume of claims to be managed, expedited validation of reported data is beyond the capacity of the human workforce and even one undetected fraudulent claim can be a costly form of leakage.

Prepare with the power of generative AI, predictive modeling, and machine-learning tools that synthesize first and third-party data into meaningful insights. Read on to learn how.



Reduce Fraud at Submission

It's very likely that you already insure some policyholders who are prone to telling costly mistruths. The first step to reducing leakage is to identify those potential risks within your book before they become losses. Run a scan of your existing book and your claim loss history with a data validation partner to identify omissions and mistruths that could become, or already have resulted in losses. The results may surprise you, similar to those found by Southern General Insurance Company in Q3 of 2023 (sidebar).

Integration with a trusted, well-vetted ecosystem of third-party data providers is critical to combating fraud across the policy lifecycle. New data sets and predictive modeling are continuing to evolve to offer granular validation of identities, predict behaviors, confirm household members, condition of autos and homes, exact property locations with associated hazards, and more.

When integrated directly with your underwriting workbench, swiftly flag discrepancies and validate all pertinent data to ensure truthful disclosure by applicants at submission. Data validation is your first line of defense against mistruths and omissions.



Unlisted Household Drivers

A Significant Cause of Leakage

In July of 2023, Southern General Insurance Company engaged **Confianza** to scan **4,393** personal auto policies for incorrect policyholder data.

This validation exercise revealed **5,000** unlisted household drivers, of which **90%** were below the age of 18 years and considered high-risk. A further review of claims paid from July '23 – Oct. '23 identified unlisted driver involvement in upwards of **30%** of those losses.

The failure to report these undisclosed drivers eluded underwriters using traditional data sets and techniques at submission. This realization led SGIC to a full evaluation of their data partners and how, with SGIC's conversion to the **DigitalEdge Insurance Platform**, they will heighten the validation of policyholder data across the entire platform.



Arm Investigators with Advanced Detection Tools

The propensity to defraud insurers through misinformation in claims filings is projected by the Coalition Against Insurance Fraud to increase. Automated detection of fraud will be a game-changer for your adjusters and investigation team to quickly identify and close these claims - lowering the associated costs and time incurred.

Integrate your claims platform with a fraud detection solution like Cogitate's Claims Fraud Network Analysis (CFNA) that can synthesize the reported claim data with historic first and third-party claims data at the speed and accuracy no human can achieve.

Gain schematic visibility of fraudulent claims that on the surface appear legitimate through generative AI and machine learning. Your loss data will continually strengthen your predictive models to address future risks.



CFNA Claims Fraud Network Analysis

Claims

LOSS DATE
November 6 2023

CLAIM DETAILS
Marie Jones
Claim No: 4000112543
Vehicle: NA | NA | 0

ACCIDENT DETAILS
Type Of Loss: NA
Loss Location: Ga.,S Oliver St.,0
Loss Reported by: Insd
Accident Description: Cv1 R/E Cv2: Cv2 Inv

CFNA | Anomalies Detected

| Category | Rule # | Rule Description |
|---------------|---------|--|
| CLAIMANT INFO | Cla_1A | Number of claimants involved in the claim is more than 2 |
| | Cla_7C | Average Age of the parties involved in the claim is greater than 70 |
| LOSS INFO | Los_10C | Rate of claims (# of claims/policy period) for policy associated with this claim is greater than 10% |
| | Los_6A | The policy related to this claim was reinstated less than 6 months ago |

FRAUD CASE OVERVIEW

| | | | | |
|----------|---------------------|------------------|------------|---------|
| 9 | 57 | 194 | 84 | 49 |
| NO FRAUD | ANOMALY FOUND CLAIM | IDENTIFIED FRAUD | NOT ASSESS | CLARIFY |



Without data validation partners and fraud detection tools like CFNA, fraud can go undetected for years...

Arrests Made in California 'Family and Friend' Auto Insurance Fraud Ring

"An investigation reportedly uncovered 33 claims that contained a similar modus operandi, where repeat damage claims were made, insurance policies purchased either with fictitious identities or involved parties that knew each other but reported claims as though they were strangers and had been involved in a loss.

The ring reportedly used at least 40 different vehicles, some purchased with damages on them, and some sustained damages in staged collisions.

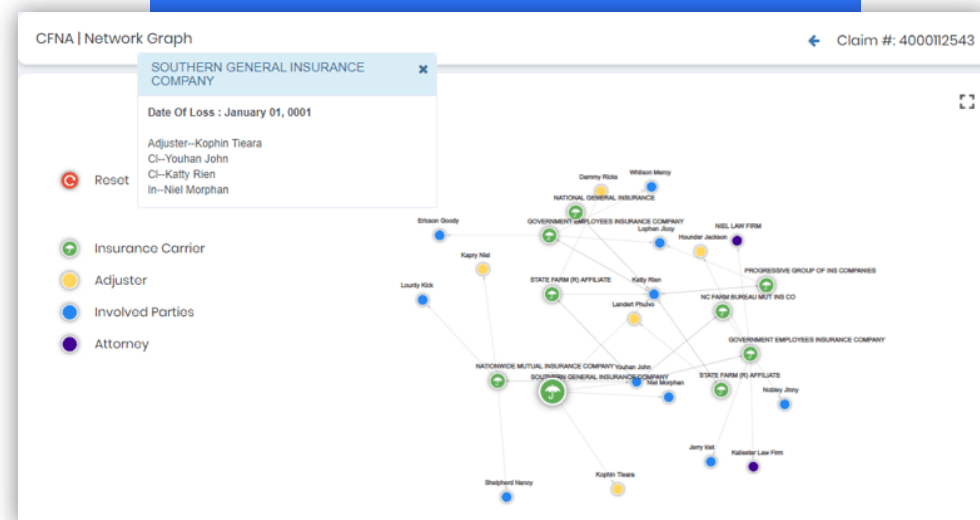
According to California Department of Insurance detectives, the fraud was uncovered when Rene Murillo Hernandez, 43, of Santa Clara, alleged he hit a parked vehicle after his vehicle was struck by an unknown driver. Murillo left a note with his insurance information on the parked vehicle he struck.

Investigators say that when the owner of the parked vehicle, another alleged member of the fraud ring, turned in a claim to the insurer, the investigation showed the damages were inconsistent with the two vehicles colliding with each other. Further investigation revealed that **the damages allegedly sustained in this incident were previously reported in a prior loss under different ownership, and that the PO Box address that was being used, was used in several other similar claims by other individuals - all claiming the PO Box address was the address where their vehicles were housed.**

This fraud ring operated for **4 years.**

- Insurance Journal, August 17, 2023

Integration of CFNA with Verisk offers schematic visibility of potential fraud

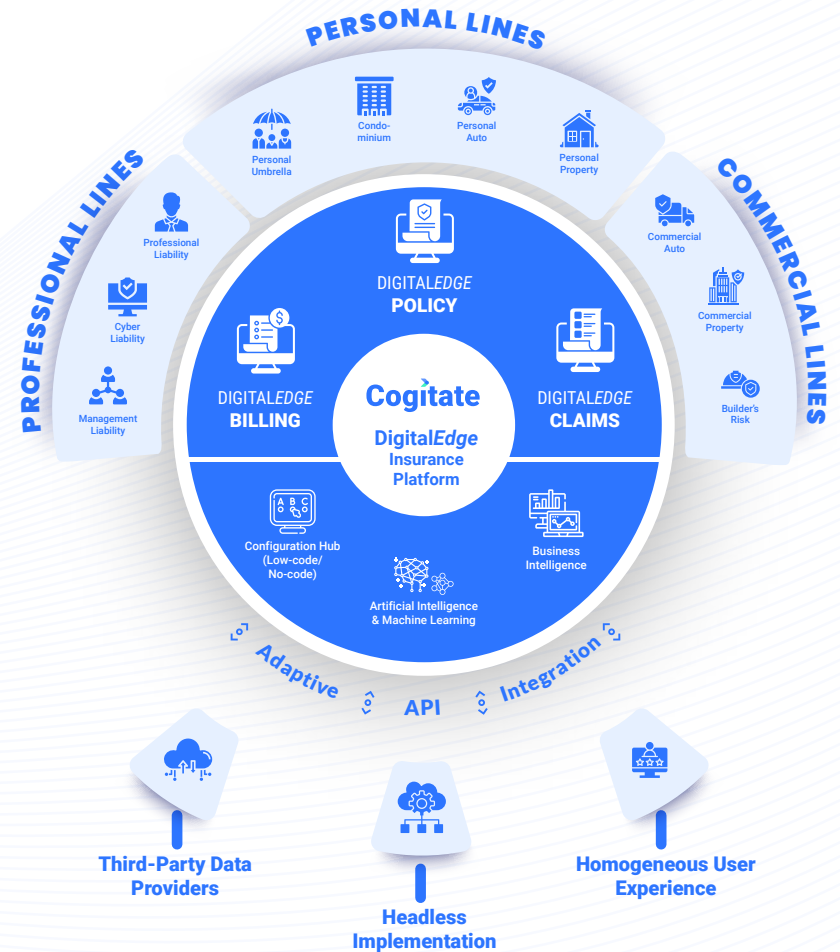


[Click here to watch video](#)

Block Repeat Offenders, Close the Loop Between Claims and Policy Systems

Eliminate repeat offenders once you've discovered fraud or misrepresentation of information in your claims experience. Through seamless integration of your modern claims and policy systems, operationalize data sharing of claims loss experience with automated underwriting alerts and actions. Harness the power of AI and automation to trigger policy cancellations, decline renewals, and block future submissions from individuals involved in fraudulent activity. If you still rely on your staff to handle these actions with reminders and sticky notes, it's time to close the loop on data sharing between your claims and policy systems.

Cogitate DigitalEdge Insurance Platform



Conclusion

Serving the digital native generation comes with an increased awareness of their attitudes and behaviors that, according to the Coalition Against Insurance Fraud, require greater scrutiny across the policy and claims cycle. Beyond the measures shared in this eBook, the industry has an opportunity to garner greater trust, offer greater transparency, and teach future policyholders about the important role insurance companies play in protecting the things they love most.

A combination of education and fraud prevention offer the greatest solution to changing the future fraud-scape. Cogitate's DigitalEdge Insurance Platform is your partner for change. Learn more [here](#).



References:

- 1.Coalition Against Insurance Fraud. Who Me? Who Commits Insurance Fraud? (2023)
https://insurancefraud.org/wp-content/uploads/WHO_ME_STUDY_REPORT.pdf, page 7
- 2.Ibid page 15
- 3.Ibid page 17

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Cogitate

About Cogitate Technology Solutions®

The Cogitate DigitalEdge Insurance Platform digitalizes insurance across the value chain, offering insurance carriers, MGAs, wholesale brokers, and program managers a smooth transition to cloud-native, data-driven core underwriting, policy, billing, and claim applications.

The unified insurance platform unlocks the value of your own data and advances the power of third-party data for profitable growth, superior risk selection, and a streamlined, modern user experience.

Backed by more than 100 combined years of comprehensive experience and domain knowledge, our products are uniquely designed to meet the needs of insurance businesses of every size. Find out why Cogitate maintains 100% client retention.

Contact Cogitate for more information at sales@cogitate.us or visit our website at www.cogitate.us.



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