

Improve Customer Service and Fraud Detection to Deliver High Performance Through Claims

Insurance Consumer Fraud Survey 2010

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Insurance fraud happens. Unfortunately today, it is happening on a large scale. An estimated 10 percent of all property and casualty (P&C) claims in the U.S. are fraudulent¹, and based on Accenture experience generally fewer than 20 percent of those fraudulent claims are detected or denied. Fraud represents an opportunity for insurers to reduce claims losses and costs—even a slight improvement will equate to millions of dollars in savings. However, identifying where and how much to improve is linked to the evolving claims attitudes and behaviors of insurance consumers.

To determine individual consumers' attitudes toward insurance fraud, Accenture recently commissioned an online survey of 1,013 U.S. adults. The survey sample is representative by gender, age, level of income and geography of the U.S. population. The initiative also sought to measure changes in consumer attitudes since the first survey, conducted in 2003.

This report summarizes the key findings and highlights key implications for insurers in addressing both individual and organized fraud.

¹ National Insurance Crime Bureau, Insurance Fraud: Understanding the Basics, 2010.

Key survey findings

Insurance consumer attitudes and behaviors toward fraud greatly influence insurance companies' claims volumes and cost. Results from the Accenture Insurance Consumer Fraud Survey 2010 point to four overall key findings that contribute to the slowdown of claims performance:

- Poor service is more likely to encourage fraud.
- Claims filing frequency and fraud increase in a difficult economy.
- Fraudsters believe they can get away with it.
- Consumers expect insurers to continue their investments to prevent fraud.

More than half (55 percent) of U.S. adults say poor service from an insurance company is more likely to cause an individual to commit fraud against that company.



Poor service is more likely to encourage fraud

At a time when insurance consumers, empowered by new Internet-based tools, are more prone to switch providers, they couple the quality of insurance customer service with the incidence of fraudulent claims. Based on the survey, more than half (55 percent) of U.S. adults say poor service from an insurance company is more likely to cause an individual to commit fraud against that company (Figure 1).

Another finding of importance to insurers' service delivery is that consumer perceptions on service-related fraud vary significantly by gender and age. As shown in Figure 2, the proportion of respondents who view poor service quality as a trigger that may make a person more likely to commit insurance fraud is the highest among men (61 percent), younger consumers (68 percent) and those with lower levels of income (58 percent).

Figure 1. Respondents believe that poor service from an insurance company is a factor that may make a person more likely to commit insurance fraud.

Do you believe that poor service from an insurance company might make a person more likely to commit fraud against that company?

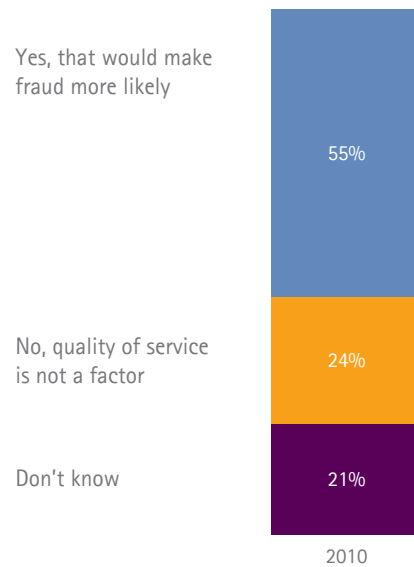
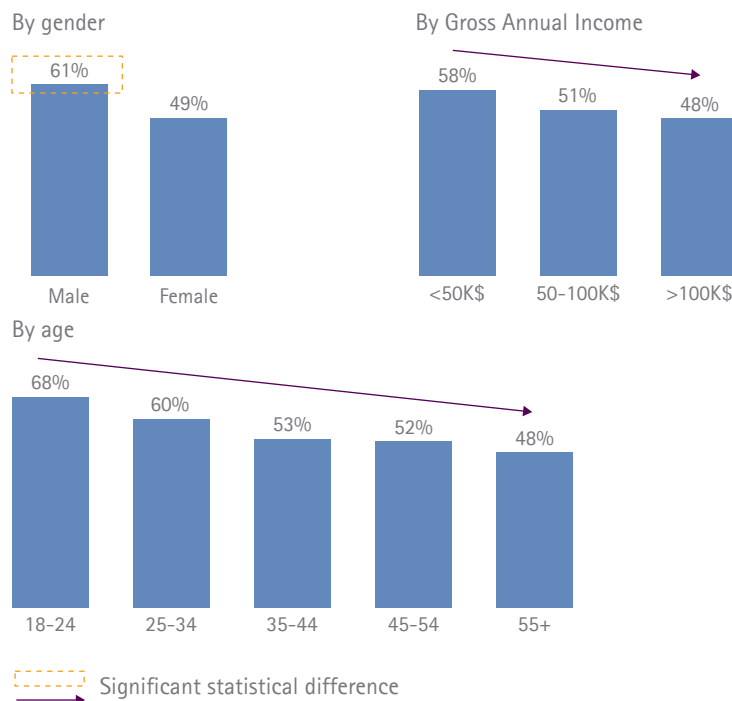


Figure 2. Respondents agreeing that poor service from an insurance company might make a person more likely to commit fraud against that company.

Do you believe that poor service from an insurance company might make a person more likely to commit fraud against that company? Responses by gender, gross annual income and age.



Claims filing frequency and fraud increase in a difficult economy

Further creating a market atmosphere conducive to fraud is the current slow economy.

The survey reveals a significant increase in claims filed by U.S. consumers. Nearly half of survey respondents say they have filed one or more P&C insurance claims at some time, up approximately 20 percent from a similar survey conducted in 2003 (Figure 3). A component of the increase in filing frequency is the growing importance of the Internet as part of the claims process. Adult consumers' use of the Internet to file insurance claims increased 7 percent from 2003.

Not surprisingly, the increase in claims filed is accompanied by a rise in fraudulent claims. More than three-quarters of the respondents agree that people are more likely to commit insurance fraud during an economic downturn than they are in normal times (Figure 4). This finding is consistent with actual industry results. The National Insurance Crime Bureau reports that questionable insurance claims rose 14 percent in the U.S. in the first half of 2010.² A Coalition Against Insurance Fraud poll of 37 U.S. state insurance fraud bureaus indicates that the recession fueled a significant spike in fraud cases in 2009.³

Figure 3. The proportion of U.S. adults having filed a property & casualty insurance claim.

Have you ever filed a property casualty insurance claim (e.g., claims for personal or property, auto, home, workers' compensations)?

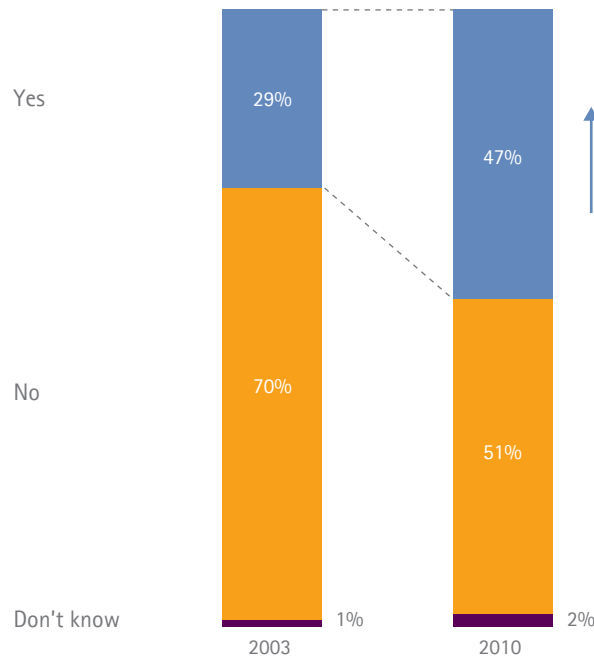
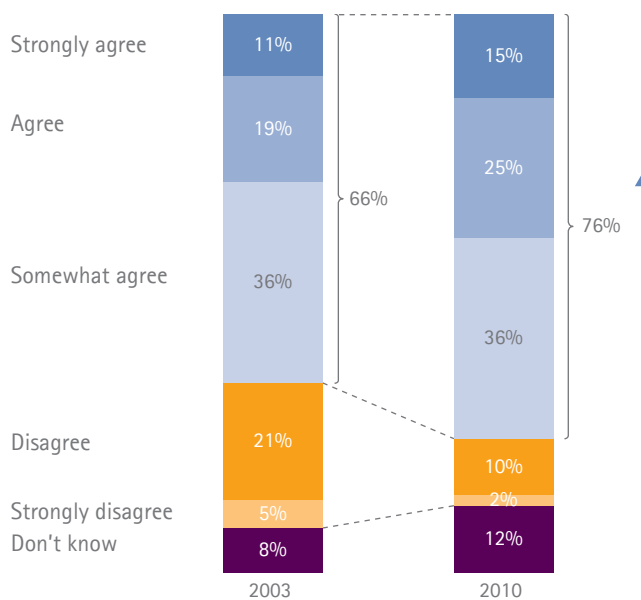


Figure 4. Respondents who agree that people are more likely to commit insurance fraud during an economic downturn.

Please indicate the degree to which you agree / disagree with the following statement: "During an economic downturn, people are more likely to commit insurance fraud than they are to do so in normal times."



² National Insurance Crime Bureau, First Half 2010 Questionable Claims Analysis Forecast Report, July 14, 2010.

³ Coalition Against Insurance Fraud, The Economy and Fraud Fighting on the State Level, November 2009.

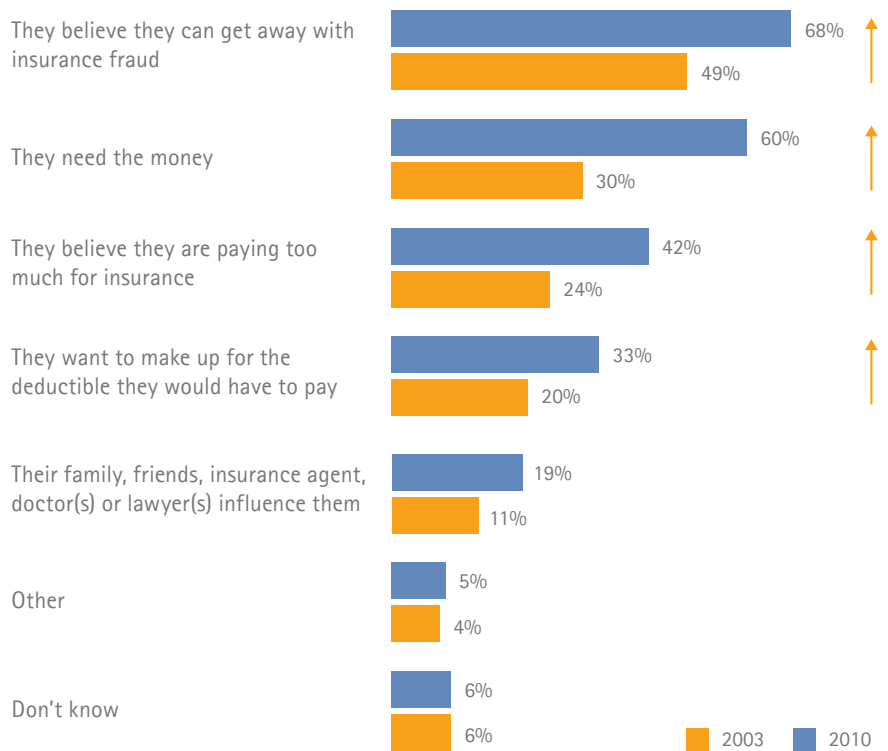
Fraudsters believe they can get away with it

The third key finding working against insurers is fraudsters' false sense of security: they believe that they will not get caught.

As shown in Figure 5, more than two-thirds of respondents (68 percent) say they believe insurance fraud occurs because people believe they can get away with it, up from 49 percent in 2003. The survey findings also show that insurance fraud is believed to occur because of people's need for money (60 percent), or because they believe they are paying too much for insurance (42 percent). A third of respondents say that those committing fraud want to make up for the deductible they would have to pay as part of a filed claim.

Figure 5. The main reasons people commit insurance fraud.

In your opinion, what are the main reasons leading people to commit insurance fraud? Is it because... (Note: Multiple responses allowed.)



More than 68 percent believe insurance fraud occurs because people believe they can get away with it, up from 49 percent in 2003.



Consumers expect insurers to continue investments to prevent fraud

The one bright spot in the survey's four major findings is that most consumers regard fraud as unacceptable and believe that insurance companies should take action to curtail fraud.

Only 12 percent of U.S. adults consider that overstating the value of an insurance claim is acceptable (Figure 6), while 5 percent approve of submitting claims for items that have not actually been lost or damaged, or for treatments that have not actually been received.

One out of 10 people surveyed knows someone who has inflated the value of his or her insurance claim, most often for auto and property/homeowners insurance. The proportion of people who know someone who has inflated the value of a claim is highest among the youngest (19 percent) and the wealthiest (19 percent) respondents.

Consistent with their view that claims fraud is unacceptable, respondents are apt to report known fraud. As shown in Figure 7, 56 percent of respondents say that they are likely to report someone who has committed insurance fraud, while one respondent in five indicates that he or she is uncertain about their position.

Figure 6. Respondents' views on the acceptability of overstating the value of insurance claims.

In your opinion, how acceptable is it for people to overstate the value of their claims to the insurance companies?

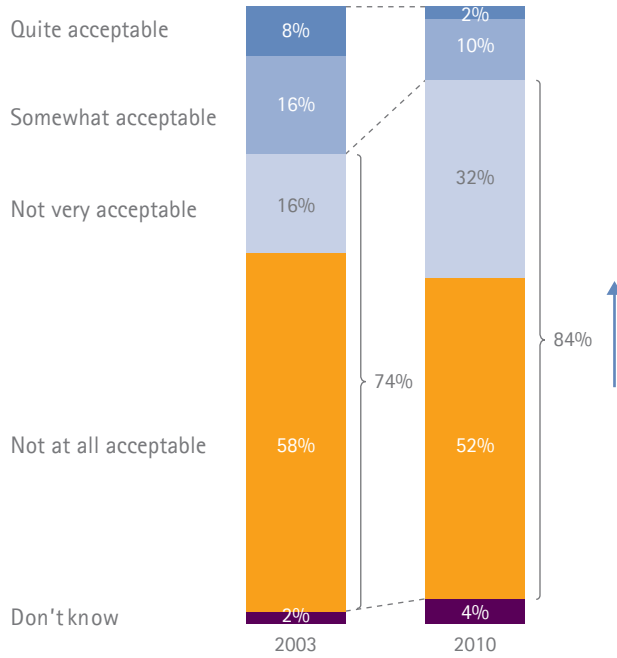
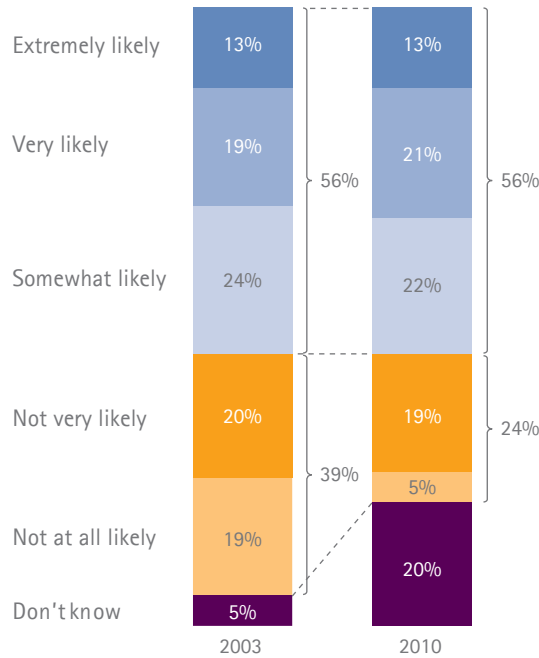


Figure 7. Likelihood of respondents to report known fraud.

If you knew of someone who committed insurance fraud, how likely would you be to report it?



Moreover, respondents signaled a vote of confidence in carriers. The large majority of respondents (98 percent) consider that it is important for insurance companies to investigate claims fraud (Figure 8). Although nearly three respondents in four (72 percent) are confident in the ability of insurance companies to identify or prevent fraud, this number is down from 2003 by 13 percent (Figure 9). Additionally, 27 percent of respondents either do not know whether, or do not believe, insurers are capable to identify or prevent fraud.

With claims filing frequency and fraud on the rise—due to poor carrier service, the tough economy and boldness of fraudsters—insurers can expect higher fraud-related losses and investigation costs. Consumer attitudes toward fraud reflect this market reality. How carriers respond to both will determine how well they capture the opportunity to improve claims performance, lower costs and positively impact the bottom line.

Figure 8. Respondents' views on how important it is for insurance companies to investigate claims fraud.

How important do you think it is for insurance companies to investigate claims fraud?

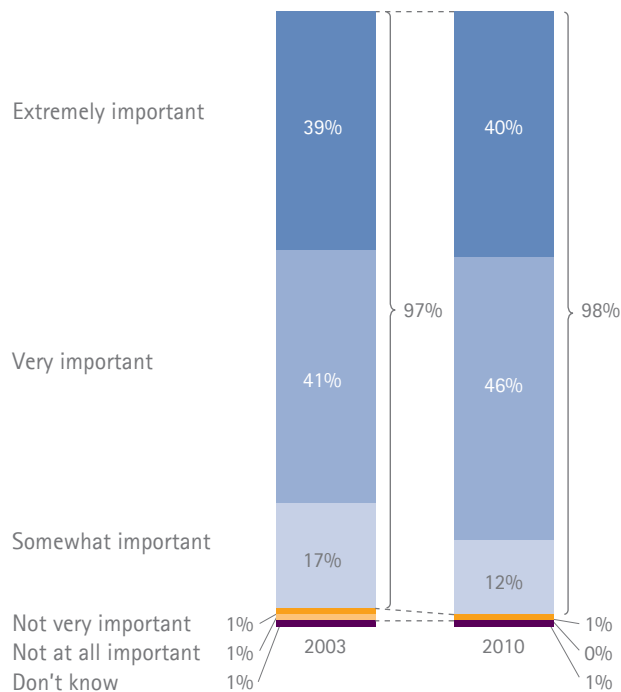
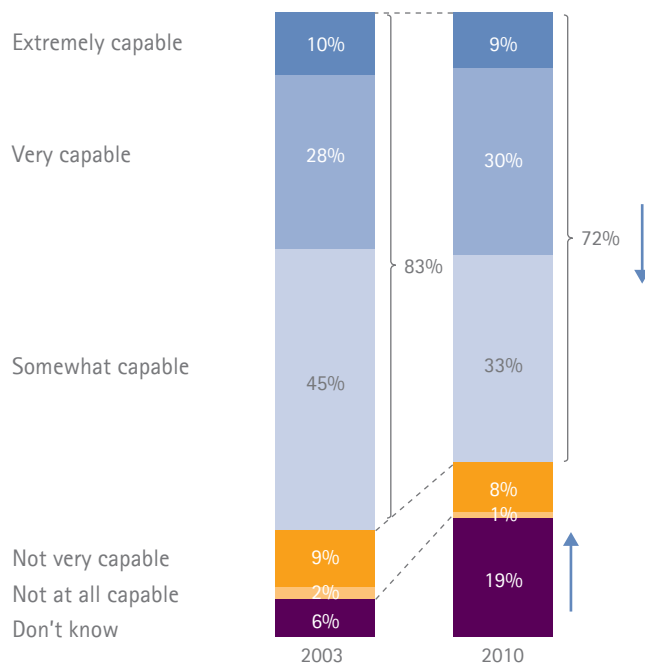
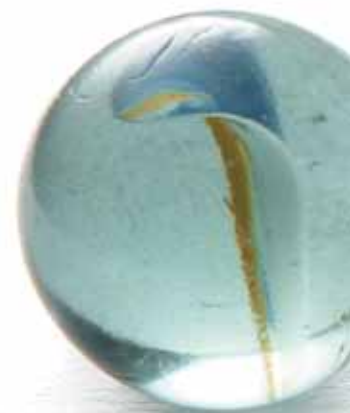


Figure 9. Respondents' views on the ability of insurance companies to identify or prevent fraud.

Based on your most recent experience with filing an insurance claim, how capable do you think insurance companies are in identifying or preventing fraud related to property or casualty claims?



Improve customer service and fraud detection to deliver high performance through claims



Based on the survey results, Accenture believes that insurers can drive high performance through claims by taking a hybrid approach to addressing fraud. In a hybrid approach, a carrier has a two-fold aim to:

1. Provide better service on the policy and claim sides for a more positive, consistent customer experience that builds customer loyalty and dissuades potential individual insurance fraud, and
2. Engage analytics tools to more sharply focus on, detect and tackle organized fraud.

Insurers should strive for better customer service on the whole as a way to reduce potentially fraudulent individual behavior, given that survey respondents were clear in suggesting that individual customers may be less inclined to commit fraud if they believe a carrier has their best interest in mind and aims to restore them to their pre-claim situation. Examples of customer service improvements include:

- Ensuring that non-claims personnel are adequately trained on the claims process to advise customers properly during sales and service transactions.
- Doing a better job of setting policyholder expectations of what happens when a claim is filed, and then
- Meeting those expectations during claim fulfillment.
- Demonstrating care and concern for the insured in a more consistent manner.

If carriers can reduce the impact of "one-off" consumer fraud that occurs on a claim-by-claim basis, they can focus their investments and efforts on more organized, institutional fraud where improvements in customer service have zero impact. Generally, carriers can receive a greater return on their investment if they focus their investigative efforts on fraudulent activity across multiple claims or syndicates of claimants versus individual claimants.

Key strategies that carriers can adopt to better detect both the "one-off" consumer fraud claims and the more complex organized crime syndicates, include:

Business rules for anomaly detection

Adopt a set of business rules that flag claim irregularities to identify and screen claims for the most common types of fraud—whether individual fraud or organized crime—and determine if and when to escalate them to special investigation personnel. Sophisticated analytics tools are available to support anomaly detection, helping to save insurers money, time and effort. A solution from the Accenture-SAS Analytics Group, for example, combines predictive analytics, model-driven business rules and a leading claims processing system to help insurers improve service levels and efficiency.

Predictive modeling

Incorporate predictive analytics to assess historical fraudulent claims



and identify predictors of fraud. The aim is to detect and refer possible fraud earlier in the claim episode to reduce claim payout to fraudulent parties. While this is not a new notion, especially in the context of fraud prevention, what is distinctive is the combination of this tool in conjunction with other analytics tools as part of a single holistic solution.

Social networking and link analysis

Link analysis has been around for a long time, helping special investigation units (SIUs) detect organized insurance crime. New technology available in this area enables investigators to go beyond just linking parties together; it can identify the strength of relationships across parties, which then provides input into fraud risk scores.

Closing the loop and intervening

Perhaps the most game-changing aspect of innovative fraud detection strategies is the ability to execute various analytics tools together,

generate an aggregate fraud propensity outcome, and be able to execute it during the claim handling process. The fraud propensity outcome is most effective when it is embedded in the claim handling function to impact or change the claim handling path, the claim handling parties involved and/or the interaction with the insured.

Insurers should note that technology is not a stand-alone answer to improving fraud detection and claims performance. Technology needs to be considered concurrently and in harmony with multiple business considerations. For example, how might new or different referral strategies impact claim processes? What enhancements might enable the SIU organization to make the best use of analytics tools? And, in claims or as part of a broader analytics organization, what analytics operating model should be adopted to maintain and improve analytics capabilities into the future? The proper strategies, skills, tools and technologies all work

together to improve customer service and combat insurance fraud in more effective ways.

To learn more about the Accenture Insurance Consumer Fraud Survey 2010, or how Accenture can help you achieve high performance in claims, visit www.accenture.com/insurance.

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