



Highlights

- Quickly distinguish fraudsters from your valued customers
 - Improve the effectiveness and efficiency of investigators
 - Manage the claims investigation process from prevention through litigation
 - Employ enterprise intelligence to continuously adjust operations and stay ahead of trends
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IBM Counter-Fraud Management for Insurance

Detect, identify, respond, and mitigate fraud

Insurance fraud is identified as a significant revenue loss for insurance providers. It costs U.S. property and casualty insurers approximately \$30 billion annually and in the UK, insurance fraud is currently more than a \$1.6 billion a year.¹ Opportunistic individuals and organized crime rings drive staged auto accidents, identity theft, medical, billing and insider fraud, continue to grow at a record pace. The growing sophistication of fraudulent activity is troublesome for special investigative units (SIUs) who aim to resolve cases quickly and direct their skilled resources to high-risk cases. Insurers are responsible for ensuring that their counter fraud operations are based on scalable technology and processes that handle the volume of occurrences while nimbly reacting and continuously adapting to new suspicious patterns and schemes.

The IBM® Counter-Fraud Management for Insurance solution is designed to help insurers prevent and intercept attempted fraud while detecting, identifying, and building the case against past fraudulent activity and improper payments. Looking at counter fraud operations as an entire lifecycle, the IBM solution introduces advanced analytics and investigative analysis throughout the entire process. Implementing this holistic approach can translate into lower fraud losses and operational costs, while



improving business results and supporting superior customer experience.

A paradigm shift how Insurance organizations can combat fraud

Traditionally, observation spaces for insurance companies have existed in silos. Business units including claims, underwriting, and risk along with the analysts and investigators used disjointed separate point solutions. These business information silos create critical intelligence gaps within the organization. Without interdepartmental intelligence and communications, suspicious activity and fraud patterns remain undetected. In addition, disconnected and niche fraud solutions increase enterprise-wide operating costs and resource needs.

IBM's Counter Fraud Management for Insurance solution is designed to bridge these gaps by building an ecosystem of tightly woven capabilities that use big data and entity analytics to eliminate information silos, expand the observation space, and enable unified enterprise business intelligence. From the first notice of loss (FNOL) through the end of the claims management lifecycle, IBM Counter-Fraud Management delivers strong insights that enable proactive and anticipatory decision making within the four operating components named *Detect*, *Respond*, *Investigate* and *Discover* (Figure 1). In addition,

this solution is designed to meet the needs of all lines of business within the organization and provides unique analysis capabilities to SIU groups.

Highlights of the core capabilities

Detect: Apply analytical fraud models and rules in real time to determine if a claim, request, application, or document is potentially fraudulent. Use intelligence from past discovery and investigation processes to recognize fraudulent activity patterns and highlight them for further investigation by the investigations team.

Respond: Confidently differentiate legitimate claims while halting the process of suspicious activity. Enable adjusters to focus on high risk transactions, responding quickly to suspicious pattern and activities. The quick response indicates to perpetrators that their fraudulent attempts actions are known. Thus, encouraging fraudsters to abandon planned schemes.

Discover: Use rich analytic capabilities to identify suspicious activity. Review historical data, analyzing patterns and build watch lists to identify individuals or organizations that might be conducting fraudulent activities.

Investigate: Perform and manage deep inquiries into suspicious activity. Then, use the compiled evidence to provide the thorough analysis needed to build compelling cases for prosecution, recovery or denial of payment. Address ever-changing fraud schemes using

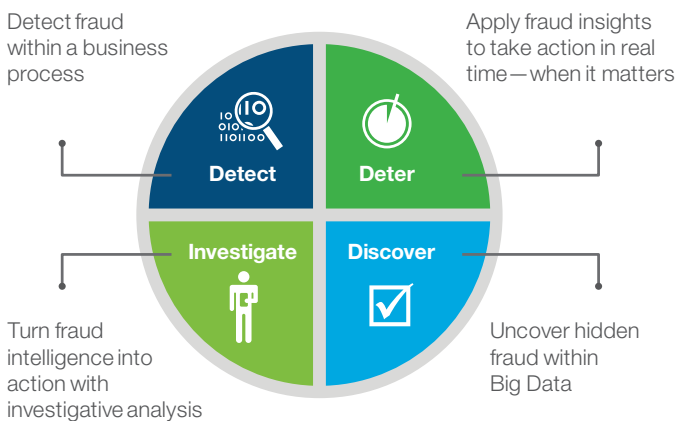


Figure 1: IBM's Counter Fraud Management Solution for Insurance takes an enterprise approach

a governance process that validates the new rules, models, and watch lists that are critical to the feedback loop in the fraud management lifecycle.

IBM Counter-Fraud Management takes a holistic, end-to-end approach

IBM Counter-Fraud Management delivers all components in a single and advanced fraud solution for the enterprise. Robust dashboards provide a view of the overall fraud management process. System reports enable analysis of current and potential exposures and the effectiveness of current procedures. In addition, you can proactively calculate the impact of changes to operations and productivity. Visualizations depict contextual correlations designed to help your team members gain deeper fraud insights. IBM Counter-Fraud Management employs

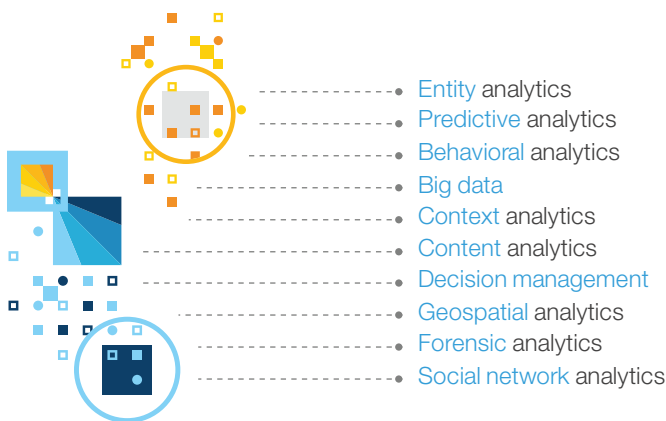


Figure 2: The IBM Counter-Fraud Solution for Insurance offers rich analytical and decision-making capabilities.

multilayered analytical techniques throughout the observation space. Rich analytics extract insights, develop actionable intelligence, and invoke automated response capabilities using leading market analytics tools, as highlighted in Figure 2.

Fraud threats are continuously evolving. Insurers must remain vigilant, constantly monitoring and adjusting their models and responses. Merging individual rules, analytics, and techniques into a seamless, end-to-end operation enables organizations to have deeper insights and react with more confidence. IBM has assisted nine of the top 10 largest insurance companies in significantly reducing fraud losses. Using the IBM Counter-Fraud Management solution, forward-thinking organizations can proactively combat fraud, improve business results, and reduce loss while maintaining a positive customer experience.

IBM's industry experience can help organizations address their enterprise fraud challenges and drive tangible business value while realizing these immediate benefits:

- Detect fraud before unnecessary payments occur
- Reduce the volume of false positive fraudulent claims
- Quickly distinguish fraudsters from your valued customers
- Improve the effectiveness and efficiency of investigators
- Focus investigations on high-risk cases
- Deter suspicious transactions with confidence
- Manage the claims investigation process from prevention through litigation
- Meet regulatory compliance obligations
- Employ enterprise intelligence to continuously adjust operations and stay ahead of trends

For more information

To learn more about IBM Counter-Fraud Management visit ibm.com/smartercounterfraud or, contact your IBM representative.



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1 Paul Bermingham, executive director, Xchanging Claims Services, *Commentary: The Rise in Insurance Fraud and How to Combat it*, Claims Journal, January 19, 2014



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