Welcome to this presentation of the Accenture Insurance Video Podcast Series. In this podcast, Jim Bramblet, Accenture’s North America Claims lead responsible for Claims offerings in the North American market, will discuss the findings from a recently conducted North America consumer fraud survey.

Interviewer: Jim, thank you for speaking with us.

Jim Bramblet: Glad to be here.

Interviewer: Accenture recently completed a consumer study on claims fraud. Can you provide us with some additional background regarding this study?

Jim Bramblet: Sure, this study was a follow-up to a study we conducted in 2003. And for this study, we commissioned an online survey with over 1,000 US adults, and these 1000 US adults represented a cross section of genders, geographical locations, ages and incomes.

At Accenture, we know that consumer attitudes and behaviors toward fraud generally influence companies’ claims volumes and cost for insurance carriers in the North American market.

Our objective was to identify what those attitudes are and explore how they influenced fraudulent behavior, especially since the 2003 survey with the impact and downturn in the economy.

Interviewer: Tell us what the survey revealed about consumers’ attitudes
toward claims fraud in 2010.

Jim Bramblet: So, the survey revealed really four primary findings. As we looked through the results, we pulled these four things out as interesting and impactful for our North American insurance clients.

The first one is that poor service is more likely to encourage fraud.

The second one is around claims filing frequency. Frequency and fraud appear to have increased in a difficult economy, and I think that most of our clients listening will see no surprise there.

Number three: fraudsters think they can get away with it. And, number four, that consumers, the purchasers of these insurance products, expect insurers to continue their investments to prevent fraud.

Interviewer: Those are four very intriguing findings. I’m curious to hear how service relates to consumer fraud—as mentioned in the survey.

Jim Bramblet: This was a really interesting point for us—and we didn’t really expect it coming—but more than half of the respondents or 55 percent told us that they feel poor service from an insurance company was more likely to cause an individual to attempt to commit fraud against that company.

Some additional data points: this was more prevalent in men than women, and those with lower incomes are about 10 percent more likely to feel this way than those with higher income levels.

The really interesting data point here around the 55 percent is that this was more prevalent in men versus women, and those with lower income are about 10 percent more likely to feel this way than those with higher income levels. The really interesting data point here is the impact and association with age. Young adults ages 18–24 years old are 20 percent more likely to feel this way than those over 55.

So, if we think about the demographic of the insurance policy buyer and the results of this specific question, we think that carriers are going to have to deal with this issue on an ongoing basis as new buyers continue to enter the market.

Interviewer: That sounds like an opportunity for insurers to reduce fraud by simply offering better service. Can you tell us how the economy has influenced attitudes towards fraud?

Jim Bramblet: Yeah, there appears to be a direct relationship between the downturn in the economy and claims reporting as well as fraudulent claims.

And again, for those listening that deal with this on a day-to-day basis, it’s not going to be much of a surprise. Almost 50 percent of respondents told us they had filed a claim, and that number is almost 20 percent higher than it was in 2003.

Not surprisingly, with this increase in claims filed, we see a rise in fraudulent activities.

More than three-quarters of respondents told us that people are more likely to commit insurance fraud during an economic downturn than they are in normal times.

And as we look at that data point, in our survey, [it] jives pretty well with what we see in other industry reporting services.

So NICB (National Insurance Crime Bureau) reports that questionable claims rose 14 percent during the first half of 2010. And the Coalition Against Insurance Fraud as they polled US states—37 US states—and their insurance bureaus found a similar spike in 2010.

Interviewer: It seems that the economic downturn has played havoc with increases in both reported claims and fraudulent claims. Given the penalties that someone who commits fraud can face, why are people willing to commit this crime?

Jim Bramblet: Our survey results indicate that, quite frankly, people feel they can get away with it. We look at the answers to this question, 68 percent of respondents believe they will never get caught. And this is a fairly significant increase in 2010 versus 2003—there is a 19 percent increase.

But if we look at the other reasons for committing fraud, that’s not the only reason people indicate they would commit it. Sixty percent of respondents told us it is likely that the fraudster just needs the money. This is double the number of who told us that in 2003; I think that underscores the impact of the economy.

Additionally, 42 percent justify fraud because they feel they pay too much for their insurance. Again, could be an impact to the economy and the squeeze people are feeling on their pocket books.

And, thirdly, 33 percent told us it is done to make up for their deductible. Again, this is money coming out of the consumer’s pocket to the insurance company, so they may be trying to recoup it.

Across the board, we found respondents are justifying fraud at levels that are generally and significantly higher than our survey in 2003.

Interviewer: There seems to be a number of ways that fraudsters justify their actions—and these attitudes have gained traction since 2003. Jim, are there any bright spots that that came out of the survey?

Jim Bramblet: Yes, there is definitely some good news in a few points here. So, 84 percent of respondents told us they find claims fraud unacceptable. Fifty-six percent told us they would likely report someone who they knew had committed the crime. And, thirdly, 98 percent told us they think it is important for insurers to investigate fraudulent claims. So there is a recognition and appreciation for the efforts that carriers are making to try
and stem this tide of fraud. And that the investments in fraud detection and intervention are desirable by the consumer base. And we don’t necessarily have data to support this, but it may also indicate that consumers are wise to the fact that fraudulent claims drive up their premiums. So consumers are going to find that reflected in their price.

Interviewer: Jim, what can insurers learn from this study—and how should they respond based on the results?

Jim Bramblet: We think there are two primary paths forward that take into account the customer sentiment and thinking about ways to solve for fraudulent activity and fraudulent frequency.

First, there is a good opportunity for insurers to think about the root causes of the consumer fraudulent behavior. So the data would indicate, as I mentioned, that there is a growing consumer base that feels that poor service is potentially a driver of an attempt to commit fraud.

So, as carriers look at their sales and service cycle, focusing on positive customer experience and positive customer service, based upon the data that we have, is likely to drive down the intent to commit fraud by consumers. That’s point one.

Point two is, as we look at our data results—and the survey was obviously focused on consumers and the end buyers of insurance in the US market—the second aspect of this is the more organized rings of fraud.

So, as carriers look at solving for both consumer fraud and the more organized activity, what are the tools or more analytic type solutions that can be brought to bear to solve this organized crime aspect of fraud?

Solid customer service makes for more loyal, engaged and happy insured, while employing new technology tools or advanced analytics can also assist in the organized crime aspect of this.

Interviewer: And lastly, can you share some of the ways that Accenture is helping insurers tackle fraud using improved service and analytics?

Jim Bramblet: Absolutely. So, we work with a lot of insurers to improve customer service across the full cycle of sales and service. It is a core aspect of our insurance work—both on the policy side and the claims side. So if we think about ways for carriers to improve that, it starts with ensuring that those personnel or the employee base, or the distribution base, that are involved with the sale cycle are adequately trained on the claims process and are adequately informing their consumers on the policies they are buying and the type of claim service that comes associated with that policy.

Ensuring that consumers know what they are covered for—and why—that just makes the process much cleaner and reduces confusion at the time of the claim. So we believe doing a better job of setting expectations when the policy holder is coming in the door will have positive impact for the claims experience.

And then, when the claim is actually filed, meet those expectations that were explained or communicated at the time of policy sale, so expressing care and concern for the insured in a consistent manner starting with the sales cycle through the claims fulfillment cycle is an area of focus.

Our analytics teams are using systems that flag claims irregularities to identify many of the most common fraud scenarios.

So what we are talking about here is leveraging advanced analytics to support fraud detection is not new in the market, many carriers use some level of advanced analytics to try and detect fraud early in the process. The difference here is we are combining these other tools to deliver broader solutions that are more effective than anything in the market today.

We are talking about a series of advanced analytics techniques that are combined together in one solution.

These techniques have been proven to be successful in identifying the one-off episodes of claims fraud so the consumer fraud that this survey is really getting at. But also at successful at detecting organized rings of behavior that may be indicative of one much larger episode of claims fraud.

Both of these types of episodes can be identified and referred to claims handling SIU organizations through one solution and the key is to have that solution integrated with claims processing.

It’s this integration with the claims processing which we think is differentiating in the marketplace. Through our Accenture-SAS Analytics Group, for example, we have developed a solution that combines predictive analytics, model-driven business rules and anomaly detection, and it’s integrated with the leading claims processing system so during the claim life cycle, as events come up on the claim, we are able to call out to an advanced analytic engine and get a fraud detection score.

That’s combined with a social networking and link analysis tool that doesn’t just identify links between parties; it identifies the strength of those relationships across parties on a claim to help carriers try and identify fraudulent rings.

At Accenture, it’s this approach to claims fraud that makes us different. It’s this closed-loop process associated with using advanced analytics and embedding it in the claims process that is important.

As we look at fraud in general outside of claims we believe that marketing efforts and channel integration needs to be assessed as part of the solution as well.

So, how customers are bound, acquired, recruited and sold to into the organization we believe also has an
impact on fraudulent activity when it comes to actually fulfilling claims.

So, the proper strategies, skills, tools and techniques all work together to improve customer service and combat insurance fraud.

Interviewer: Jim, thanks for taking the time to join us.

Jim Bramblet: It’s been my pleasure.

Interviewer: You’ve been listening to Jim Bramblet, Accenture’s North America Claims Lead, responsible for claims offerings in the North American market, discuss the findings of a recent survey on consumers’ attitude towards claims fraud as well as his views on how this huge issue can best be addressed by insurers. For more information on Accenture services and solutions for insurance companies, visit Accenture.com/insurance.