SHIFT

# SHIFT TECHNOLOGY INSURANCE PERSPECTIVES

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# From the Editor

For this edition of *Shift Insurance Perspectives* we take a step back from the numbers and the larger trends to closely examine some of the more interesting individual cases that artificial intelligence (AI) has helped uncover. At Shift, we often say that one of the biggest advantages of AI is that it helps claims professionals see what may be hidden in the claims data, and then make highly confident decisions regarding what to do about these discoveries. That is what these examples help to illustrate.

Working with insurers around the globe and across multiple lines of business, we have the opportunity to see exactly how bad actors attempt to defraud their insurance carriers and the lengths they will go to try and make a quick buck. We also have tremendous insight into legitimate claims that may be entirely or partially the responsibility of a third party, and thus present carriers with a real opportunity to minimize their losses via subrogation.

The cases we highlight in *Shift Insurance Perspectives Vol. 3* come from the worlds of renters, auto, and travel insurance and represent only a fraction of the kinds of insights AI can help insurers find in the claims and underwriting processes.

And as always, this report would not be possible without the assistance of a number of different groups inside Shift. A special shout out to the Customer Success, Value Engineering, and Data Science teams for their contributions to the *Shift Insurance Perspectives* program.

## Saving Significant Money with Subrogation

As many insurance professionals know, a claim that looks simple on the surface may be hiding something. And yet, that something is not always nefarious. It may be that in reality, someone else is responsible for paying the claim. The biggest problem? It is not always obvious.

In the scenario we explore, the insured was protected by a Renter's Insurance policy. Unfortunately for the occupant, a fire broke out in the apartment, resulting in a claim to the insurance company for nearly $50,000. During the settlement process, it was determined that the landlord had recently replaced the water heater for the unit. The location in which the heater was installed is where authorities determined the fire had most likely originated.

With this information now included in the claim data, Shift Subrogation Detection identified some interesting aspects to the case. An alert provided to the carrier advised claims handlers of not only the suspicion that a recently installed appliance was the cause of the loss, but also that a recall notification for the water heater that may have been responsible had been issued.

The information in the alert provided prompted a subrogation investigation into the claim and the carrier was able to recoup from third-parties what had originally been paid to the insured for damages.

## Of Course I'm Not Running a Rental Car Agency

When people think of insurance fraud, what typically first comes to mind is claims fraud: the attempt by a policyholder to misrepresent the facts of a claim for personal gain. But claims fraud is only one way people attempt to take advantage of insurance companies. One other is underwriting fraud, which can inject significant risk, of which the insurer is simply not aware, into the policy.

> "AI was able to spot connections between the new policy and other policyholders that had used the same IP address."

So what does underwriting fraud look like? Let us examine a case from the auto insurance industry. In this particular situation, two private passenger auto policies were taken out by the same policyholder within a day of each other. Each policy covered an individual vehicle. Then something interesting began happening with the second policy. After the insurer's 60 day "free look" period ended, the policyholder added an additional 11 high-end cars over a period of time to the existing policy. Yet, this alone is not necessarily an indication of untoward behavior. Many policies cover multiple vehicles in a single household. However, these vehicles were added to the policy using the insurer's online, self-service tools. As such, Shift AI was able to spot connections between the new policy and other policyholders that had used the same IP address. Those policies had all been previously cancelled by the carrier.

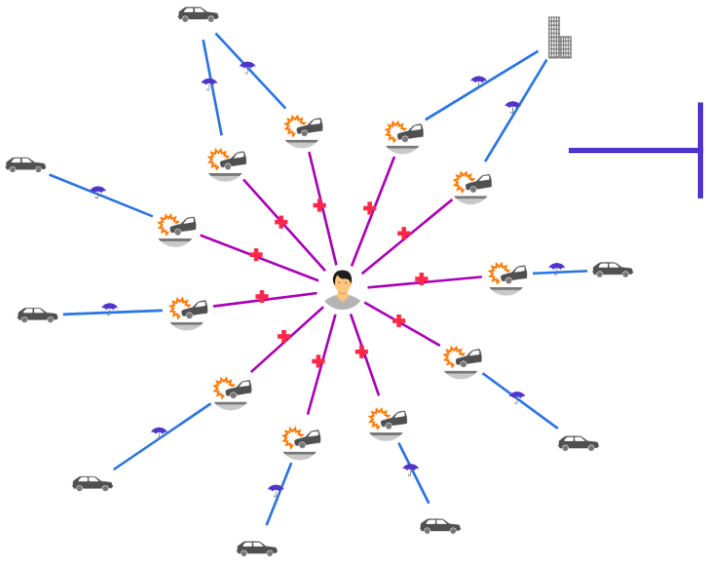
A connection between multiple policies, many of which had been cancelled, is suspicious. After this suspicious behavior was identified the carrier immediately investigated the policy and the policyholder. They discovered that the policyholder was conducting a peer rental business, using the app Turo, and was making the multiple vehicles covered by the policy available to random drivers. This was definitely not in scope with the terms of the policy.

To add insult to injury, the policyholder did not list her husband as an additional driver in the household. Most likely because his driving record would have made him ineligible for coverage with the carrier. By uncovering fraud that took place while the policy was being underwritten, the carrier was able to cancel the policy mid-term and remove these risks from its books. The result? Potentially avoiding thousands of dollars of losses from future probable claims that could have occurred with these rental vehicles.

## Danger: Animal Crossing

What if a policyholder purchased a vehicle with the sole intent of using it to commit insurance fraud? Here we have a case that certainly looks to fit the bill. A salvaged vehicle was purchased and within a month was involved in a single vehicle loss. The policyholder reported hitting a large animal, causing significant damage to the front end.

When the claim was filed, Shift's artificial intelligence was able to link the claim to the salvage title, which indicated front-end damage to the vehicle matching what was reported by the driver. With that piece of intelligence alone, a claims professional may already have a suspicion that the claim is not legitimate. Add in that the claim is for a single vehicle loss involved in an incident where the details are incredibly difficult to confirm—"I hit a large animal in the road, all alone, in the middle of the night"—and you have a case that goes straight to the SIU to determine if the policyholder attempted to file a false claim in an effort to repair the pre-existing damage.



## Medical Reimbursement Fraud in the Travel Insurance Industry

COVID-19 has had a tremendous impact on the travel insurance industry. In the case of medical insurance for travel, some of this impact is directly related to limitations on the ability of investigators and fraud departments to quickly verify whether a provider or clinic exists. This in turn has led to an increase in medical reimbursement fraud for services that were never provided.

The case we examine here was not perpetrated by an individual, but rather an organized network operating out of both Europe and the United States. The group submitted numerous claims, averaging more than $5,000 per incident, seeking reimbursement for medical care and services sought by the claimants during reported trips to Latin America. In some cases, although the policyholder currently resided in Europe or the United States, the country for which the claim was filed was their nation of origin. Using their deep local knowledge of the destination countries and existing contacts who still lived there, the fraudsters used fake medical invoices, hospital or ambulance reports, and even fake pharmacy or laboratory test bills to support their claims. In more than a handful of cases the group even created fake websites for supposed local entities and vendors to try and fool suspicious claims professionals or investigators.

This is where AI comes in. Entity resolution helped to identify members of the ring who had opened multiple policies. Hidden social connections between participants were uncovered. Document and image analysis helped spot fraudulent documentation, and supposed travel dates were easily checked against known travel restrictions related to the COVID-19 pandemic. The claims were identified as highly suspicious, and thoroughly investigated by the SIU, saving the insurer tens of thousands of dollars.

## Travel Cancellation Fraud

From one band of fraudsters getting tripped up by COVID-19 travel restrictions, we go to another fraud network trying to use travel bans to its advantage. And in many ways this is not necessarily unexpected. Since the beginning of the pandemic, Shift has been witnessing an increase in opportunistic fraud claims attempted by individuals, where the policyholder attempts to take advantage of cancellation clauses in their policy. Faked medical reports, forged airline statements and tickets, and other illegitimate documents have all been submitted to try and get reimbursement for a non-existent cancelled flight.

However, we have also begun to see situations where organized fraud rings are attempting to use travel insurance policies to defraud insurers. For some claims, the ring first commits identity theft to open a policy that is fraudulent by its very nature. In other claims, a legitimate policyholder had been recruited to collude with the ring to perpetrate the fraud. In most of the cases, fabricated documents, including fictitious medical reports and even faked positive COVID tests to justify the claim or trip cancelation from fictitious travelers were used to justify the trip cancellation and support the insurance claim.

Just as with the fraud ring faking medical reimbursements, AI helped spot the suspicious activity by identifying those involved, making connections between policyholders, and spotting falsified documentation.

## Conclusion

Insurance professionals are tasked with making important decisions everyday. In just these few cases we have illustrated, it is clearly demonstrated that technology can help insurers make these decisions with greater confidence. Across the policy lifecycle, making the right decision can make a world of difference.

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**About Shift Technology**

Shift Technology delivers the only AI-native fraud detection and claims automation solutions built specifically for the global insurance industry. Our SaaS solutions identify individual and network fraud with double the accuracy of competing offerings, and provide contextual guidance to help insurers achieve faster, more accurate claim resolutions. Shift has analyzed billions of claims to date, and is the Frost & Sullivan 2020 Best Practices Award Winner for Global Claims Solutions for the Insurance Industry.

Learn more at www.shift-technology.com