



Technology-based approach in effectively combating insurance fraud

Risk of insurance fraud or fraud in general, are not new but have now been amplified in the current economic landscape.

The perpetration of fraud within an insurance environment has many facets related to traditional claims (for example death, disability, income protection and hospitalisation claims). However there are additional focus areas which exacerbates the propensity for fraud to be committed by various parties. The impact on businesses globally as a result of COVID 19 cannot be denied. However with increased claims unfortunately comes an increased risk of fraud.

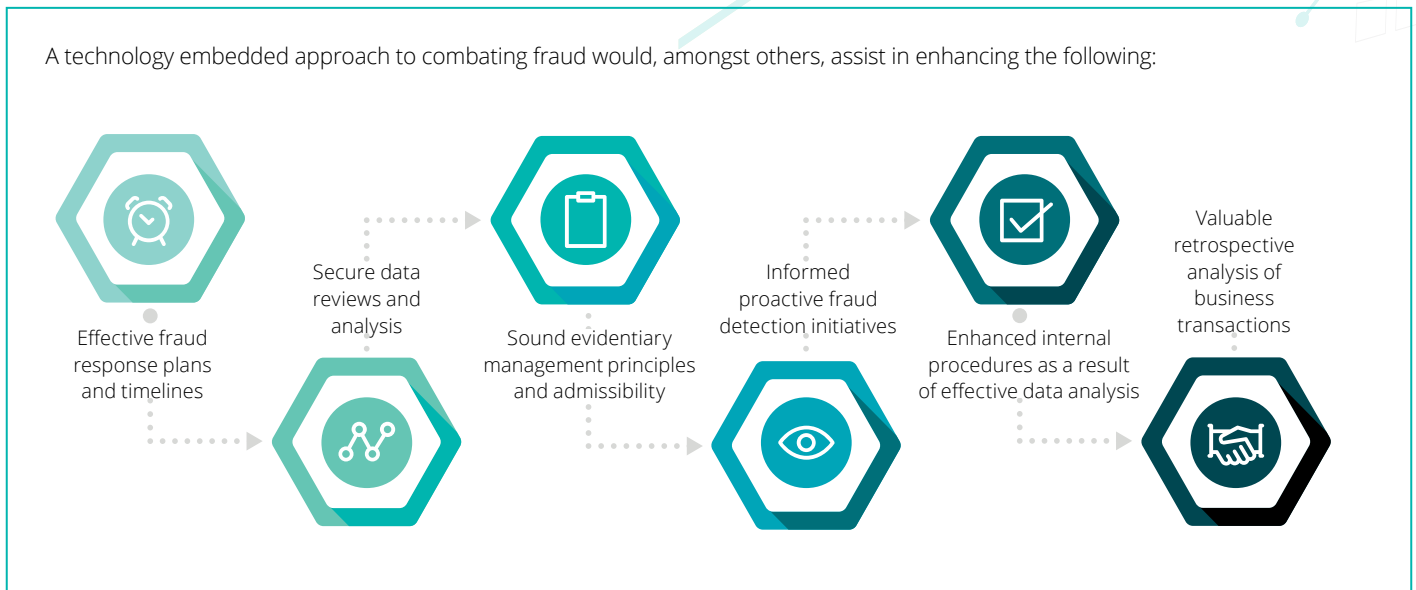
Leveraging technology based solutions can assist in identifying fraud red flags

and also reduce disruption to the claims process, ensuring that client turnaround times are top of mind and that legitimate claims are not unnecessarily delayed. Covid-19 has been the catalyst for remote working across industries and organisations, simultaneously increasing the use of technology. Identification and response to risks needs to be driven by a consistent and effective process. This can be augmented through effective use of technology.

Coupling the technology with effective and experienced resources is essential

in maximising the levels of robustness in respect of deterring, preventing, detecting and responding to incidents of suspected fraud. The investment in technology and suitably qualified and experienced resources is imperative if one considers that the financial losses associated with fraud are but one of the consequences.

Brand damage and impaired investor confidence are some of the additional and critical considerations when assessing fraud risks and the organisation's response to fraud.



Effective fraud response plans and timelines

Proactive use of technology in identifying fraud risk indicators allows early flagging and response to any potential incidents. Effective predictive analytics and assessment are key to responding swiftly, effectively and accurately. A key focus would be to reduce the number of false positives identified in order to allow dedicated focus of resourcing.

Secure data reviews and analysis

Utilising proven eDiscovery technologies would provide a secure platform for secure review of documentation, data and evidence. eDiscovery solutions hold many benefits to an investigative or litigation team some of which include remote and secure review access by multiple reviewers, effective audit trails in respect of the review, broader search criteria which becomes valuable in syndicate related investigations, machine learning and early case assessment to name a few. [Click here](#) for more information on eDiscovery.

Sound evidentiary management principles and admissibility

Securing digital evidence is a fundamental part of investigative procedures. This combined with the need to effectively secure hard copy documentary evidence poses risks in terms of the evidence management principles. These risks need to be assessed and appropriately mitigated in order to ensure that sound evidence management is adopted and that should prosecution proceedings follow, that such evidence is in fact admissible.

Informed proactive fraud detection initiatives

Leveraging data assists with detection, prevention and response to fraud. With the need to apply effective focus on resourcing and managing costs, data should be leveraged to also conduct proactive fraud detection initiatives. A purely reactive approach (response) to fraud would not be ideal in that the root causes of such fraud may not be identified in their entirety.

This is particularly important if one considers that a specific product may be more susceptible to fraud purely by design and marketing. Utilising fraud analytics in the analysis of trends from both a new business, claims and client perspective may yield additional insights into the fraud propensity associated with specific products.

Enhanced internal procedures as a result of effective data analysis

Client service and effective client interaction remains core to any business. Within an insurance environment the need to respond efficiently to client requests and claim submissions is paramount to ensuring clients are serviced in accordance with specified and/or agreed timelines.

Maximising the use of technology and data analysis could assist in not only preventing, detecting and responding to fraud but also reducing the number of manual (human) interventions required.

This could assist in reducing turnaround times in respect of specific transactions. eDiscovery review technologies could also augment any required manual interaction required while improving analysis of supporting documentation.

Valuable retrospective analysis of business transactions

Retrospective analysis of historical transactions can provide increased identification of potential fraud indicators.

The argument may be that such transactions are in fact completed and that any such fraud identified may not necessarily result in effective recoveries of losses. However, it is important to note that applying the results and interpretations of the retrospective analysis to current environments may also assist in reducing the perpetuation of ongoing fraud or in fact reduce the likelihood of similar fraud not being detected. Information pertaining to how the fraud was perpetrated, who perpetrated such fraud, what controls were ineffective and who were the stakeholders or role players in specific transactions would be extremely valuable in conducting proactive detection initiatives.

This information would also allow any potential control weaknesses identified to be assessed and mitigated. Recovery proceedings in respect of losses should then be initiated together with the relevant reporting to authorities.

Cohesive technology and experience

Investing in proactive and reactive procedures are equally important in combating fraud in any environment. An organisation which is not effectively leveraging technology in their fraud strategy may be subject to increased risk of fraud. The need for qualified and experienced forensic professionals is a vital component of any forensic department. With this in mind the value of technology would only be realised once the experienced forensic professionals are suitably trained and proficient in the use of such technologies. The use of technology for employee fraud awareness and training initiatives would further aid in achieving broader coverage and increased interaction, reducing the frequency of in person workshops.

All organisations need to ensure that their respective fraud strategy, relevant policies and response plan are regularly assessed and updated as required. Fraud risk assessments, which are an integral component of managing fraud risk would also benefit from cohesive interaction between technology and team members. In this regard comprehensive information/data and experienced professionals are essential in achieving this through the use of technology.

There should also be appropriate consideration to fraud risks when products are developed and related product procedures are implemented.

Zero tolerance

Any fraud incident should be addressed through a zero tolerance approach. In this regard consistency is key to deterring fraud in the future. It is incumbent upon all organisations and citizens to combat fraud, report fraud and deter fraud.

Technology and data has and continues to increasingly impact the way we engage with customers, do business and develop our strategies. Smart organisations with well orchestrated strategies in combating fraud, using data and technology, will realise the return on investment in the short term and continue to flourish and enhance stakeholder value.

Contacts



Greg Rammego
Risk Advisory Africa
Forensic & Regulatory Leader
E: grammego@deloitte.co.za
M: +27 82 417 5889



Clayton Thomopoulos
Risk Advisory Africa
Discovery Leader
E: cthomopoulos@deloitte.co.za
M: +27 82 749 4638