



There are many different types of travel insurance fraud; from individual to group, opportunistic to organised, policyholder false claims, overbilling and overcharging by medical providers, and fraudulent medical billing by third parties. That's a lot for the industry to contend with. And why exactly is fraud so rife in this sector? Although consumer awareness of the impact of travel insurance is improving, many still perceive travel insurance to be a grudge purchase. Could it be that

fraudsters feel entitled to recover the money they paid on premiums? *ITIJ* spoke to a selection of experts to find out what makes travel insurance vulnerable to fraud and to learn how the industry is fighting back with industry-wide initiatives, community collaboration and innovative technologies. One of the experts *ITIJ* spoke with is Ian Jones, Global Head of Cost Containment at AXA Travel Insurance in the UK. He gave his take on how the fight against insurance fraud has evolved in recent years. He

pointed out that greater automation has led fraudsters to seize more opportunities to commit fraud, but he believes travel insurers are wise to this: "With customers often submitting claims online and insurers using greater automation and self-service, the fraudster feels they are almost invisible. To counter this, fraud strategies are seeking to be more agile, using technology and better data analysis to identify high-risk claimants." Jones said that deterrence is a key focus. "Prevent the casual opportunist

and you move the needle considerably in our favour," he stated. An important element in combating fraud, Jones highlighted, is ensuring that this work is done behind the scenes without any inconvenience to the consumer. "The overwhelming majority of our customers are honest, and we exist to support them when they are in need. So, it is vitally important to make sure that they do not become inconvenienced or even notice the counter-fraud work that is being conducted," he told *ITIJ*.



Travel insurers the world over have long been plagued by fraud. Is this because fraudsters see travel insurance as an easy target? **Lauren Haigh** spoke to those on the front line to assess their defence strategies

Glen Marr, too, has seen the development of digital claims present challenges in the form of opening up new opportunities for fraudsters. Marr is Financial Crimes Leader, Insurance Industry, UK & Europe, IBM. "Policyholders rightly expect their claims to be settled as quickly and fairly as possible. The increasing use of digital claims handling provides tremendous opportunity for insurers to process and settle claims very quickly with minimum friction, to include using straight-through processing. That's great for

policyholders," he told *ITIJ*. "Unfortunately, for the opportunist and organised fraudsters, this is also undeniably attractive. There is a response to help mitigate these risks and challenges, and this is where leveraging data using artificial intelligence (AI) and machine learning comes into play, to rapidly separate the high- from low-risk claims, and properly align the response to such." *ITIJ* also spoke with Mark Allen, Manager, Fraud and Financial Crime, and Jonathan Purvis, Policy Assistant, General Insurance,

at the Association of British Insurers (ABI) who said that, unfortunately, there will always be opportunistic fraudsters looking to take advantage of perceived industry weaknesses. But, fortunately, the industry is better equipped than ever before to fight them. "Over recent months, the industry has been assessing the fraud threat posed by Covid-19 and advising consumers on how they can protect themselves against scams, including those related to travel insurance. The industry is alive to the threat

of increased opportunistic fraud that might flow from an economic downturn arising from the pandemic," they told *ITIJ*. "At the time of the last recession, many insurers relied heavily on manual intervention to detect fraud, with claims handling staff flagging suspicious cases. While manual intervention remains an important part of the insurer's counter-fraud strategy, insurance staff are now better trained, and their general counter-fraud awareness and technical skills are far more advanced." >>

THE RIGHT TOOLS AND DATA

There are, indeed, a number of tools – both longstanding and new – that insurers are using to protect themselves against fraud. Yvonne Wynyard is Insurance Claims Register Manager & Insurance Fraud Manager at Insurance Council New Zealand (ICNZ). She told *ITIJ* about a personal insurance database that was created more than 20 years ago that is now used worldwide in the fight against fraud, including travel insurance fraud: “In a proactive effort to combat insurance fraud, ICNZ members developed the Insurance Claims Register (ICR) in 1999 to share claims history in a searchable database. The ICR enables member companies to view claims histories in order to detect fraud. This is done in accordance with strict guidelines to ensure that there is no commercial exploitation or breach of personal privacy. This allows those companies to check on issues and can ‘flag’ those policyholders who are deemed to be of concern – for example, attempts to mislead insurers, suspicious claims, or have been previously convicted for dishonesty type offences. The ICR is now recognised worldwide as a

chain,” he told *ITIJ*. “Data sharing and databases have also been created in other countries and the local industries are starting to galvanise their efforts and work together to fight fraud.” Jones believes that if this innovation is adopted widely by the international community, it could make a significant difference to the global travel insurance fraud battle. Examples such as these show how data-sharing and databases can play an important role in the fight against fraud. Even with existing effective tools, though, it is important that we don’t become complacent and we ensure we continue to pursue the development of new resources.

TECHNOLOGICAL DEVELOPMENTS

Technological development has undoubtedly assisted with this, as US-based Rob Morton, Head of Corporate Communications at Shift Technology, which works to combat insurance fraud using AI solutions, highlights. He told *ITIJ* that, in recent years, he’s seen a shift from manual processes to the use of tech, which has dramatically improved the fight against fraud, equipping the industry with sophisticated armour. “What we’ve seen over recent years is



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unique tool for insurers to combat fraud.” AXA’s Jones tells of another database used in fraud prevention efforts. “A new fraud database has recently been launched by HI Counter Fraud Group covering the cash plan, PMI, IPMI and travel industry. This has been developed to also welcome international members, providing a global resource to identify not only fraudulent claimants but also providers in the supply

a rapid transition from highly manual processes – a claims professional sees something in a claim that feels ‘off’ and refers it along for further investigation – to the adoption of technology solutions that attempt to harness the ‘gut instincts’ of a great claims professional/investigator to spot more potential fraud more efficiently,” he said. For IBM’s Marr, persistent over-reliance on manual processes is a potential weakness.

He notes that technology is resolving this issue, albeit slowly; he believes the travel insurance sector is lagging behind other insurance industries when it comes to technological advancement. He told *ITIJ*: “For the travel, accident and health insurance industry, there remains far too much reliance on manual processes, prescriptive business rules and indicators, and the vigilance of people spotting fraud. This has bearing on effectiveness and drives inefficiencies. However, the recognition of the value of data combined with AI and machine learning technology is showing signs of growing, but more from an experimental and exploratory perspective, rather than being an integral implemented feature of the response to fraud. For travel, accident and health insurance, the journey to adopt AI and machine learning to tackle fraud has been slower compared to other insurance lines of business.” Jason Veitch, Head of Travel Insurance for Travel Insurance Consultants in South Africa, said there are a few reasons as to why the uptake of technological developments in the

travel insurance sector may be slower than in other areas of insurance. “Challenges come in the form of changes to existing systems and the budgets that have to be provided for in order to make technology a reality,” he told *ITIJ*. “This is difficult in that sometimes the results aren’t always immediately noticeable. The change to internal processes and reskilling claims staff also present challenges.” It is no secret that travel insurance has a reputation as being slightly archaic, but, now more than ever, we are witnessing the integration of technological solutions, along with partnerships with insurtechs, that are beginning to change the face of travel insurance.

A DOUBLE-EDGED SWORD

But technology is a double-edged sword, with fraudsters able to benefit from it as much as insurers. For Jones, the ease of manufacturing a false claim puts insurers on the back foot. “Genuine online documents can be amended, receipts falsified, and accounts adjusted. Policies can be bought cheaply, and claims submitted electronically. The whole process can be conducted with no human interaction at all,” he told *ITIJ*. “Insurers find it increasingly difficult to be agile enough to deploy systems to identify these claims. The fraudsters are generally far more adept at utilising new technology for their own benefits before the insurer has even written the business case.” Allen and Purvis also see fraudsters taking advantage of technologies. It seems that just as quickly as insurers are employing new technologies to counter fraud, fraudsters are using new technologies to cheat the system. “Just as insurers will use technology to boost counter-fraud, fraudsters similarly look to seek advantage through employing technology,” they said. They told *ITIJ* of some of the fraud tactics they’ve observed: “Over the past few years, we’ve seen an increase in the commoditisation of claims, in which claimants are seen not as victims, but rather as an opportunity to generate additional revenue. The dark web is playing an increasing role in acting as a marketplace for criminally obtained personal information which is then used to identify and contact potential claimants. Ghost broking activity is now increasingly being carried out using stolen IDs, often using data purchased over the dark web, which allows criminals to interact and transact with each other under a cloak of relative anonymity,” they said. “Other examples of fraudsters deploying technology include fraudsters using AI to impersonate c-suite executives, with a view to tricking someone into transferring funds to an illicit third-party account and





collaboration should be complemented with technology and consumer education. She told *ITIJ*: "Technology will, as always, play an increasing role in fraud detection. Automation of vehicles will change the insurance landscape and blockchain technology may be adopted. Education of the consumer is critical. It will help to change apathy towards fraud to outrage and general concern towards those committing the act. Furthermore, insurance is better trusted and better understood by consumers, which will ultimately lessen the attitude towards committing fraud." Allen and Purvis remarked that they have seen the UK's insurance community coming together to combat fraud, including the establishment of various industry-wide initiatives. "Over the past few years, there has been increased focus on collaboration, co-operation and partnership working across the insurance sector. Collectively, the industry has invested in several game-changing initiatives that are delivering a sea-change in the way that insurance fraud is tackled. These include the Insurance Fraud Bureau (IFB), the Insurance Fraud Enforcement Department (IFED) and the Insurance Fraud Register (IFR)," they told *ITIJ*. "Collaboration already provides the bedrock of the industry's approach towards developing its counter-fraud strategy." In order to highlight the importance of collaboration in fighting fraud, Allen and Purvis provided a stark illustration of what would happen without it. "Firstly, fraud would shift around the market. Fraudsters are not product loyal. They will look for chinks in the industry's armour and exploit

members of the public being misdirected to claims management companies, rather than their insurer, by paid-for Google ads."

THE RIGHT PUNISHMENT FOR THE CRIME

Is part of the problem that fraudsters see travel insurance fraud as 'easy' and 'not serious'? For Allen, stamping out misconceptions around fraud is key. It is a very serious crime and this point needs to be driven home to deter would-be fraudsters. "There are many common misconceptions surrounding insurance fraud, including that it is easy to commit, it does not harm anyone and there is little risk of getting caught, or of suffering serious consequences if you do get caught. The reality is very different. Tackling fraud remains a strategic priority and the industry has ramped up its detection and enforcement capability,"

be introduced so that there is a social stigma with committing fraud," he said. ICNZ's Wynyard also believes that misconceptions are hampering the fight against fraud. "Insurance fraud has been around since insurance began circa 1666 following the Great Fire of London. It is perceived as a 'victimless' crime where nobody personally suffers a loss. It could be argued that fraud detection and prosecution in New Zealand is not taken particularly seriously. It is perceived as a white-collar crime that has a white-collar - i.e. soft - punishment for those found guilty. The Crimes Act 1961 does not recognise fraud as a crime; however, it is tried in court under various other charges, namely crimes involving deceit, forgery and counterfeiting, arson, and damage, to name a few. Unless peoples' attitudes and behaviours towards fraud dramatically

better decisions, spot the potential fraud they may not have been able to see on their own, and investigate more efficiently," he said. "Technology should not be the final arbiter of whether a claim is legitimate or not. We do not want to rely on 'computer says

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fraud' for the sake of greater automation. It's people plus technology that make the strongest, most powerful fraud fighters." Wynyard, too, sees collaboration as crucial in stamping out fraud. "In order to fight fraud, insurers need to work together, as there is no competitive advantage in fighting fraud individually. To make a difference, we must be collaborative. Considering New Zealand's insurers are predominantly owned by offshore conglomerates, collaboration should extend globally." She believes

the weakest link; secondly, collaboration is what the regulator expects. A key question the Financial Conduct Authority asks itself is 'how good is a sector at collaborating to mitigate the risk to its financial crime objective?' Any organisation that fails to heed this warning is opening itself up to close scrutiny; finally, collaboration is what the government expects. Back in 2016, the government's Insurance Fraud Taskforce published a report, the overarching aim of which was to make

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he told *ITIJ*. "Committing insurance fraud will have long and serious consequences. Fraudsters could face criminal prosecution and a prison sentence. At the very least, they will find it harder to get, and pay more for, insurance in the future, as well as compromising future job prospects, personal relationships and facing social stigma." Allen said that the ABI is working hard to change the public's perceptions, attitudes and behaviours. "It's important that the value of insurance and the scope of cover is fully understood. It is equally important that people are left in no doubt that the risks of committing fraud are simply not worth it." AXA's Jones agrees: "Deterrents and punishments need to be reviewed and fit for purpose. Many opportunistic fraudsters do so with no fear of being caught or the punishment that might follow. Some form of naming and shaming should

change and/or there is a legislative change in the Crimes Act to include fraud as a crime with a commensurate punishment, then fraud will, unfortunately, continue," she said.

COLLABORATION: A VITAL WEAPON

So, how can insurers stay ahead of the curve when it comes to fighting fraudsters? For Jones, collaboration is key: "The global industry now needs to collaborate with one another. The obvious challenges of cross-border data protection create obstacles, but they are not insurmountable," he told *ITIJ*. Morton, too, sees collaboration, along with technology, as fundamental tools in stamping out fraud, and the harmonisation of people and technology is an important part of this: "It's all about technology and people working together. It's about technology giving claims professionals and investigators the tools they need to make



recommendations to make the UK more resilient to insurance fraud. But it also had an underlying aim; to get everyone working together to fight fraud." For Allen and Purvis, collaboration will always be key: "Above all, we will continue to foster a collaborative approach, based on fighting fraud in partnership with both internal and external stakeholders," they told *ITIJ*.

THE FUTURE OF COUNTERFRAUD

Marr says the future is digital: "With digital sales now an integral feature of insurance and the growing desire to align this with digital claims handling, then the industry future looks to be one whereby digital strategies will play a central role in servicing customer needs," he told *ITIJ*. He believes that technology is key and needs to be embraced by insurers. Not only will this help stamp out fraud, it will also enrich the customer experience. "Reducing manual activities and processes, and the reliance on handlers to spot fraud by using AI and machine learning with greater use of data, will provide opportunities to enhance and speed up fraud detection using automation to augment the role of claims handlers, and make better use of their time to focus on the frauds that are identified, where they will add even greater value," he said. "Very importantly, it will also enhance the customer journey and experience. The technology and data is already available to improve how fraud is prevented and detected. It just needs to be embraced, as does the opportunity to change."

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BAD BEHAVIOUR

Interestingly, many experts believe that analysing and better understanding behaviour could be key to combatting fraud. Allen and Purvis told *ITIJ* of some interesting research in this area: "The industry commissioned groundbreaking research into the use of behavioural science to help reduce opportunistic insurance fraud. The research looked at how the use of 'nudge' theory, throughout the application and claims process, could change consumer attitudes and behaviours to insurance fraud – in particular, to encourage honesty throughout the customer journey. The research delivered extremely promising results in simulated trials. If these are replicated in the real world, then savings for insurers could be substantial," they said. And Wynyard agrees: "The fraud triangle highlights three factors that enable fraud: rationale, opportunity and motivation," she said. "By removing just one of these factors it will lessen the behaviour/attitude to commit fraud. Understanding our human psyche may go a long way to deterring and preventing fraud."

A FRAUD-FREE FUTURE?

Could insurance fraud ever become a thing of the past? Allen and Purvis aren't convinced: "Just like any crime, totally eradicating insurance fraud is an extremely tough ask, not least because of the adaptability and mobility of fraudsters who are always looking to sniff out new opportunities. But what we can say with some confidence is that the

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insurance sector continues to develop a comprehensive strategy that attacks fraud on all fronts, identifying key fraud threats and solutions through the biennial development of a strategic threat assessment." Veitch said that fraud will always be around as it can simply migrate to insurers with poorer detection and prevention systems. "The technological age has allowed fraudsters to become anonymous and not location dependent to ply their craft.

associated with fraud. We're definitely much more prepared to effectively fight fraud than we were before." Similarly, while Marr doesn't believe insurance fraud could ever be completely eradicated, he is confident that it can certainly be reduced: "What isn't in any doubt, is that the frequency of fraud can be reduced from current levels and that is where the focus should be," he said. With this in mind, what does the future of fraud detection and prevention look like? It is

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This means that there is a certain amount of comfort in never being identified and located. The fraudster has as many hours in a day to craft a new scam as we do just trying to process claims on time," he said. Morton agrees that it would be near to impossible to completely stamp out fraud. "Fraud has been around for a very long time and shows no sign of going away completely. Plus, fraud schemes continue to evolve and change over time as insurers and their fraud-fighting partners learn their tricks," he told *ITIJ*. "However, it's clear that the strategies today's insurers are putting in place, backed up by fantastic advances in technology, are helping to mitigate the risk and the loss

clear that there are still some misconceptions around travel insurance fraud that might make it appear an easy target to some. There remains work to be done to stamp out these illusions and drive home the seriousness of the crime and, in turn, the punishment. It is important that travel insurers continue to embrace technological solutions and move away from an over-reliance on manual processes. Now and looking ahead, collaboration, technology and consumer education are key weapons against fraud. Above all, it is important to keep in mind that the majority of consumers are honest, and these are the people that the travel insurance community strives to serve and protect. ■

