Insurance Fraud Abbreviated Case Study

Overview

A large, nationally recognized **Motorists Insurance Group** (**MIG*** Insurance) was founded 14 years ago, one of the first private firms in its region. MIG Insurance is a mutual company owned by its policyholders and is among the largest writers of workers' compensation coverage in the nation.

MIG Insurance has over $2B in assets and has steadily grown across the Mid-Atlantic and into the Midwest. As they have grown and branched out, fraud is a key area that they have focused on:

- Fraud comprises about 10 percent of property-casualty insurance losses and loss adjustment expenses each year; and
- Fraud accounts for 5-10 percent of claims costs for U.S. and Canadian insurers. Nearly one-third of insurers (32 percent) say fraud was as high as 20 percent of claims costs
- About 35 percent say fraud costs their companies 5-10 percent of claim volume. More than 30 percent say fraud losses cost 10-20 percent of claim volume;
- Detecting fraud before claims are paid, and upgrading analytics, were mentioned most often as the insurers' main fraud-fighting priorities;

Between 2015 and 2019, MIG Insurance reported an average Loss Adjusted Expense (LAE) of $212M, with fraud comprising anywhere from $21M-$40M of that loss. MIG Insurance wanted to aggressively combat the fraudulent activity and chose to deploy uReveal as their weapon of choice.

Business Challenge

The average cost of a single fraudulent insurance claim to a company is about $15,500 in terms of both fraudulent payments and time lost by employees searching and auditing claims. In 2019 MIG Insurance sought to improve the accuracy and speed in the identification of fraudulent claims in order to improve discovery efforts and reduce costs. The tactics utilized to accomplish these objectives were:

- Reduce the amount of manual review required to identify potential fraud
- Increase the number of claims reviewed based on contextual discovery vs. random claim sampling
- Improve the accuracy of identifying suspicious claims for referral to SIU
- Maximize true positives and minimize or eliminate false negatives and false positives earlier in the claim process.

Solution

MIG Insurance deployed CONQ to focus on fraudulent claim activities and behaviors. A large percentage of fraud insight exists in the form of contextual language, which has deeper insight than simple text searching. By focusing on both traditional structured fields and unstructured data in context, the speed and accuracy of fraud detection was enhanced considerably.

Results

Within 6 weeks of deployment, MIG Insurance was able to improve the identification of actual fraudulent claims by 20% and identifying them earlier in the claim handling process. This resulted in a direct cost savings of $750K, with an ROI of 4 weeks.

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* The actual name of the large nationally recognized **Motorists Insurance Group (MIG Insurance)** has been withheld because of Mutual Non-Disclosure Agreements (MDNA) between the parties.

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