

Innovations in Using Social Media to Fight Insurance Fraud, Improve Service

Made possible



As a fraud-fighting tool, social media is a welcome addition to the many resources available to investigate claims. Insurance fraud costs the industry an estimated \$80 billion a year—with some studies suggesting that as much as 10% of all property and casualty claims are scams.¹ The threat of fraud never stops, and its perpetrators constantly evolve their tactics to find new angles of attack. Finding new methods to fight fraud is critical to keeping premiums down and policies affordable.

Stories abound of how Social media has opened an entirely new channel of communication for scammers willing to commit fraud, but insurance companies are increasingly turning the tables by using social media to detect fraudulent claims. Consider these examples:



A California corrections officer filed for disability benefits due to a back injury. Two days later, he took to the open road in a bike race. Unfortunately for him, race organizers posted his standings online...along with Facebook posts...and a video. He served 45 days in jail and paid a \$5,000 fine.



An Arizona newlywed collected \$26,500 after claiming she lost her wedding ring swimming in the ocean. A few months later, her apparently equally clumsy husband reported losing his ring, to the tune of \$14,000. But a sharp-eyed investigator found her picture on Facebook—still wearing the ring. She got probation. The insurer got its money back.



Out of work on a workers' compensation claim, a semi-professional athlete couldn't resist joining a local sports team engaged in a contact sport. Through social media and internet searches, investigators discovered the athlete listed on the roster, actively playing ... and playing well!

An Explosion of Information

Social media offers nearly endless possibilities for fraud investigators—because it’s everywhere. Nearly two-thirds of adults use social media, up from just 7% when Pew Research started tracking it in 2005.² One billion new social media posts appear every two days.³ All these posts leave a trail, sometimes revealing what deceitful insurance claimants have said and done, where, and with whom – and so much of it is voluntarily shared in public, just sitting there on the web.

But the massive volume of social media content is also the biggest challenge. International Data Corporation (IDC) predicts there will be 33 trillion gigabytes of digital data in the world by 2020. There is too much material to rifle through at random, and it changes constantly. To cope with this flood of information, cutting-edge carriers are now deploying big data analytical tools. These game-changing practices and technologies have the potential to reshape the entire insurance business.

Surveillance Goes Social

Forward-thinking insurers now either employ social media analysts within their Special Investigation Units (SIUs) or engage select vendors that maintain teams of specialists with social media search capabilities. This unique breed of investigator must master a constantly changing array of resources, databases, sites, international social media platforms, and search enhancement tools. SIU social media analysts are not hackers, but experienced claims or SIU professionals who understand how the data available fits into the context of a larger investigation. They’re well trained in legal and procedural requirements, apply precision in identifying subjects correctly, and closely examine case documentation and public records before starting a social media search.

To avoid getting lost in research blind alleys, social media investigators define in advance the specific questions they want to answer or where they may be able to develop leads. Did an accident happen as reported? Is a reportedly injured individual active in sports, employment or leisure pursuits? Is a business still operating successfully? Who else is the subject connected to and what may that connection reveal or point to? These experts bring the huge cloud of social media posts into sharp focus to answer the relevant questions posed.

Is a reportedly injured individual active in sports?



New Technology to Parse, Link and Analyze Social Content

But that social cloud is too large to be fully penetrated by human eyes alone. Identifying a few precious pieces of evidence out of billions of social media posts takes the power of leading-edge technology. That's why innovative firms are investing heavily in the power of predictive analytics and big data. For example:

- **Text-mining software** parses and analyzes unstructured text-based information. It has already been helping investigators examine internal claims data such as adjuster notes, emails, service calls and interview records. Top claims operations are using text-mining tools to search Facebook, LinkedIn, YouTube, Twitter and other social media sites.
- **Social customer relationship management** tools search millions of social media posts and platforms to find activity related to recent claims. For example, a search may reveal that the victim of an automobile accident was already linked to the driver through a social networking site, or that a fire insurance claimant had been posting inquiries about selling the property immediately before the fire.
- **Predictive modeling** aims to spot suspicious activities as early in the claims cycle as possible, since preventing fraud is the key objective and recovery is significantly more difficult and expensive once a fraudulent claim has been paid out.
- **Cross-leveraged data sources** such as telemetry can be coordinated with social media information to unmask scammers. For example, many motorists have installed telematics that offer premium discounts while promoting safe-driving behavior, reducing overall risks to drivers and passengers. Those same devices can also be used to pinpoint the truth behind accident claims. For instance, fraudsters claiming they were rear-ended may be confronted by data showing their victim's car was standing still at the time of impact. Even professional fraudsters find it difficult to keep their stories consistent when they are contradicted by the telemetric data of the other vehicles involved.
- **Social network analysis** (SNA) sifts through large amounts of data to uncover hidden relationships among people, places, locations, accounts or virtually any other type of entity. For example, SNA can reveal when multiple claims all involve the same vehicle, originate from a single household, or come from associates of a known crime ring.

These analytic tools can be employed to highlight accounts for manual review, or to monitor certain accounts automatically.

The most recent and best service approaches place considerable emphasis on interconnectivity between online information platforms such as social media, traditional websites, and public record databases. They begin with an in-depth assessment of the person or business in

Identifying a few precious pieces of evidence out of billions of social media posts takes the power of leading-edge technology.



question; relationships between their connections to other people, businesses, groups, vehicles, properties etc.; and the likely platforms that will hold pertinent information and leads. Boolean search terms can be used to account for name variations, and consideration of the sequence of different searches when tracking the subject or connections through the internet can factor in the quality of data discovered. Lastly, the very best service providers have the ability to actively monitor for changes in the subject's profile or internet activity, while assuring a high confidence level in the results by removing false positive findings.

Why the Impact of Social Media Is Spreading

A funny thing happened on the way to fighting fraud. Forward-thinking carriers have realized that these same big data analysis tools have far wider applications. By mining this huge new vein of social data, insurers can promote informed decision-making across the entire customer lifecycle. Rather than simply catching fraud after the fact, social media can help mitigate risk at every step of the way.

Growing applications for social media analysis include:

- **More dynamic underwriting.** Underwriters can know their customers better by taking their social media footprints into account. Online postings can reveal whether a personal auto insurance applicant sidelines as a ridesharing driver, a carpenter is suddenly taking on dangerous roofing jobs, or a business has improperly installed HVAC equipment that is causing ceiling leaks. Through an automated feedback loop, early warning signs on social media can trigger a manual review of risks by agents, who can adjust coverage to make sure clients stay properly insured or suggest risk mitigation steps to minimize the chance of loss. Eventually, social media may help transform underwriting into a dynamic, real-time process that adjusts to a customer's needs as they change—even to the point of creating personalized coverage and pricing.
- **Superior service.** Social media can help insurers make better lifetime value decisions, identifying potential account rounding opportunities. It can also help change behavior. Technologies like telematics have already proven effective at educating drivers: 88 percent of policyholders with telematics-based policies say the driving information they receive from their insurers is helpful.⁴ In the same way, an insurer who detects online Yelp complaints about undercooked food can provide a restaurant with critical food safety information, lowering risks for everyone.



- **Faster claims resolution.** Social media is more than a tool for investigators. It can also help insurers process claims more efficiently. After a major catastrophe, for example, images from social media can help insurers identify the areas in greatest need, putting help in place on the ground before claims are even filed.

In the insurance industry, the flood of social media information is continuing to spread into new areas. Social media research proved its worth by giving insurance fraud investigators another window into potentially suspicious activity, helping detect fraud and ultimately keeping the cost of insurance down. Now, forward-thinking carriers are experimenting with much broader applications, using social media and next-generation analytic techniques to better evaluate risks, create new products, and deliver better value to policyholders and agents alike.

About QBE

QBE North America is part of QBE Insurance Group Limited, one of the largest insurers and reinsurers worldwide. QBE NA reported Gross Written Premiums in 2015 of \$4.6 billion. QBE Insurance Group's 2015 results can be found at www.qbena.com. Headquartered in Sydney, Australia, QBE operates out of 37 countries around the globe, with a presence in every key insurance market. The North America division, headquartered in New York, conducts business through its property and casualty insurance subsidiaries. QBE insurance companies are rated "A" (Excellent) by A.M. Best and "A+" by Standard & Poor's. Additional information can be found at www.qbena.com, or follow QBE North America on Twitter.

Contact

Carla Ferrara
Vice President, Corporate Communications & Branding
212.497.9604
carla.ferrara@us.qbe.com

¹ *Coalition Against Insurance Fraud. By the Numbers: Fraud Statistics. Retrieved July 12, 2016, from <http://www.insurancefraud.org/statistics.htm#VIHXcE1wW71>*

² *Pew Research Center Social Media Usage: 2005-2015*

³ *Sachin Pandhare, Big data analytics: New whistleblower on insurance fraud, InfoSys*

⁴ *Telematics Changing Drivers' Behavior: Insurance Research, November 18, 2015*

* Learn more about ratings guidelines at standardandpoors.com and ambest.com.
QBE and the links logo are registered service marks of QBE Insurance Group Limited.
© 2016 QBE Holdings, Inc. All rights reserved. 59512-MISC

