# Using technology to stake a claim

Experts from the insurance, legal and technology industries came together to tackle the issues surrounding one of the most complex parts of insurance at the Asia Conference on Claims Management and Insurance Fraud. Topics of discussion included integrating technology into the claims handling and fraud detection process, the legal intricacies involved in proving fraud and getting the customer involved in the claims process.

By Ahmad Zaki

The arena of claims management and fraud detection has improved greatly with the introduction of advanced technology, namely AI, machine learning and automation. Improved data analytics methods and tools have also aided in fraud detection processes. However, the need for the human touch in these areas will not go away, said Professor Shonali Krishnaswamy, Chief Technology Officer at AIDA Technologies.

Professor Shonali Krishnaswamy

"I see machines being able to assess a large percentage of claims but they would be handling the standard types that allow for straight-through processing, and thus allow humans to focus on the remaining 20% of claims which are complex and will definitely require human expertise," she said.

While acknowledging that AI will likely result in lower headcount in claims, she added that AI should actually be referred to as 'augmented intelligence' as it is serves to enhance the ability of humans to perform their jobs better rather than a direct switch to automation.

"The machine learns from interaction with humans and builds predictive data and then identifies outliers, but it is the human experts who are the final authority on how the claims should be settled," she said.

"The use of machines will be a phased approach and human experts will have to continually input adjustments into the machine which it will recognise and learn, and over the long run there will be greater convergence but it can never totally replace human expertise," she added.

## Getting more technologically inclined

Mr James Ong

Outside of AI, Mr James Ong, CEO and Director of Maphilindo International, also touched on several disruptive and innovative technologies in claims handling. Outside of the expected apps and services that streamlines the customer experience in personalised and commercial claims, he pointed out several recent technologies that have enhanced the claims verification process.

Drones, for instance, have been an increasingly popular tool to inspect widespread area damage after a disaster, allowing assessors to get detailed visuals in otherwise inaccessible areas. In the same vein of visual verification, the high penetration of smartphones with in-built cameras have also allowed insurers to verify claims of vehicle accidents on an almost instantaneous basis. The policyholder can snap a photo of the damaged vehicle, send it off to the insurer for verification and get their claim processed in a matter of minutes.

"Mobile is the next way forward and it's the next wave of innovation in claims handling," said Mr Ong. Mobile access means connectivity, which then opens the

# Insights – Claims Management And Insurance Fraud

doors for the Internet of Things (IoT). The IoT then leads to Big Data and analytics, which helps serve all stages of the claims process and detecting insurance fraud.

A mobile app such as US insurer Allstate Insurance's Digital Locker, for instance, allows policyholders to take pictures of valuable items and upload them a 'virtual inventory', serving as a 'proof of existence' in the case of theft or damage.

Not only are these technologies useful in streamlining the claims process, and providing extra, and more secure, measures of fraud detection, they are currently quite necessary in order to meet customer expectations. The ubiquity of instantaneous global communication through messaging apps such as WhatsApp and WeChat has made the average customer – both personal and commercial – far more demanding of the insurer's response time.

## Dealing with denied claims

A panel on managing denied claims explored the flaws in the current system most insurers use. *Asia Insurance Review* editor-in-chief Mr Sivam Subramaniam noted that many insurers lack communication with the policyholder when denying a claim. "They have their valid reasons for denying those claims, but they don't relate these reasons to the customer," he said. "There is a major gap here that could be closed, and could even present an opportunity to upsell the client."


Mr K Anparasan

Mr K Anparasan, Partner at Withers KhattarWong, voiced his agreement. "If you jump the gun and deny a claim based on the opinions presented by your underwriters, there might be more fallout and public outcry. It's best to seek a legal opinion before taking action."

He also advised going into mediation in the case of a denied claim, getting a broker or agent involved in order to facilitate communication with the claimant. "If the insured decides to appoint lawyers, then you have the opportunity to share your opinions and have a dialogue on why the claim was denied,"

This route also provides an avenue for legal action, if the policyholder decides to persist on bad-mouthing an insurer after mediation, Mr Anparasan added.


Mr Tan Kin Lian

The panel also agreed that it is more important to secure a solid reputation as an insurer who pays the claims that are owed. "Insurance is for paying claims," said Mr Tan Kin Lian, Director of Tan Kin Lian & Associates. "It would be better to honour a claim, despite doubts, if it meant preserving your reputation with your customers."

## Banding together against fraud

It is largely agreed upon by most of the industry that sharing data and having greater transparency would be good for the industry as a whole – not just for the insurers, but the customers as well. One of the most compelling reasons for widespread and open data-sharing is for fraud prevention.

Various legal experts throughout the two-day conference shared the most commonly used methods of insurance fraud, all of which involve falsifying information, buying policies under fake names or entities and exploiting loopholes in the system.

An automated claims processing system is incredibly efficient at handling high-volume, low-impact claims, yet it provides avenues for savvy fraudsters to abuse. By submitting a high number of fraudulent claims that do not trigger any flags in the system, these criminals get away with making small amounts of money repeatedly.


Mr Manu Mehta

Fraudsters also work in groups, said Mr Manu Mehta, MD at Innovation Group (India) Claims Management Pte Ltd. "They work together to find an exploit in the system, constantly chipping away at the walls. When they find one, they spread that exploit to other groups."


Mr Eiichiro Yanagawa

The simplest solution, as suggested by Mr Eiichiro Yanagawa, Senior Analyst at Asian Financial Services Group, Celent, is to integrate social media, adopt Big Data analytics and modernize legacy systems.

The idea is to allow AI to evaluate customer data and social media, build a database of past claims across the industry and use data analytics to improve the tagging of red flags in future claims.

## Blockchain – "still a work in progress"


Mr David Piesse

Mr David Piesse, Advisory Board Member of Guardtime and chairman of the conference, is a big proponent of blockchain technology in securing data. Contrary to popular belief, he said that a decentralised databases would improve its security. "Decentralised records make for almost impossible tampering of data," he said, which could only improve fraud prevention methods.

However, the financial services industry and the related regulators have been slow to adopt blockchain. "It's still a work in progress," he said. "Unless regulation is in place to enforce better data security, blockchain will not be prevalent."


Mr John Kenny

A second panel on combating claims fraud agreed that the industry needed to be more proactive in adopting new technologies. "There is a lack of collaborative will across the industry. Insurers should help themselves and not just wait for regulatory intervention," said Mr John Kenny, Head of Claims at Asia Capital Re.

"I think we're seeing a revival in risk exchanges," said Mr Piesse. "We've seen secondary risk exchanges with the reinsurers and soon we'll be seeing primary risk exchange. We're just about two months away from seeing those solutions available on the market, and most of them is about removal of fraud. And by having it all in this digital ecosystem, with the data in one place, human error is reduced, and it essentially becomes more efficient."

The Asia Conference on Claims Management and Insurance Fraud was held in Singapore from 13-14 June and is sponsored by Singapore Re.