



**RISK
MANAGEMENT**

4th Webinar on Risk Management at Institute of Actuaries of India

**Nirmal Paul, CACM
Vice President and Head - Fraud
Prevention Unit and Claims Investigation
Bajaj Allianz Life Insurance Company Ltd**

Claims Fraud In India



According to a report from **Financial Express** Apr' 20, Insurance companies lose over **US\$6.25 billion** to frauds which results in higher premiums for genuine consumers

How a Haryana gang used cancer & poverty to 'steal' crores of rupees from insurance firms

A gang allegedly identified poor cancer patients, got them to insure, waited for them to die and then showed their death as "accidents".

The Story Claiming A Life

In times when the insurance companies approach has gone from fraud detection to just analytics have been the at the helm of doing the job. However, the sheen of 'intelligent' AI and data analytics — now equate those papers which bring dead men alive — has started to blur our trade.

Haryana STF busts insurance scam using dead cancer patients

that preyed on

Insurance fraud: Rajasthan SOG arrests Delhi-based couple

Auto driver Jitendra Singh and his wife Manju were held from Uttar Pradesh where they were hiding sir

Home > Cities > 10 Arrested In Madhya Pradesh For Insurance Fraud Worth Crores

10 Arrested In Madhya Pradesh Insurance Fraud Worth Crores

The police, posed as insurance agents, conducted a covert operation to bust the racket gang's modus operandi.

Insurers stop policy sales in over 60 localities to prevent fraudulent claims



MUMBAI: Recent frauds in small towns such as Ganjam in Odisha and Kuberanagar in Gujarat have prompted insurers such as LIC, ICICI Prudential Life and HDFC Life to ban their agents from selling policies in over 60 localities to prevent fraudulent claims.

Insurance companies have blacklisted some centres such as Meerut and Moradabad in Uttar Pradesh and Darbhanga, Begusarai and Bhagalpur in Bihar. Some other centres like Guntur, Kurnool and Visakhapatnam in Andhra Pradesh are in the negative location list.



**More we sweat during
Underwriting !**

Less we bleed during Claims !!

Predictive Model using Machine learning Technique

Early Claim Model



- An advancement to rule-based techniques, wherein insurers provide scores to rule-based indicators (either manual or automated)
- Based on fraud propensity scores, policies are classified into various segments such as high, medium and are subsequently referred to for further investigations

Issued Policy

Model 1

Risk Prediction
by Model 1

Model 2

Risk Prediction
by Model 2

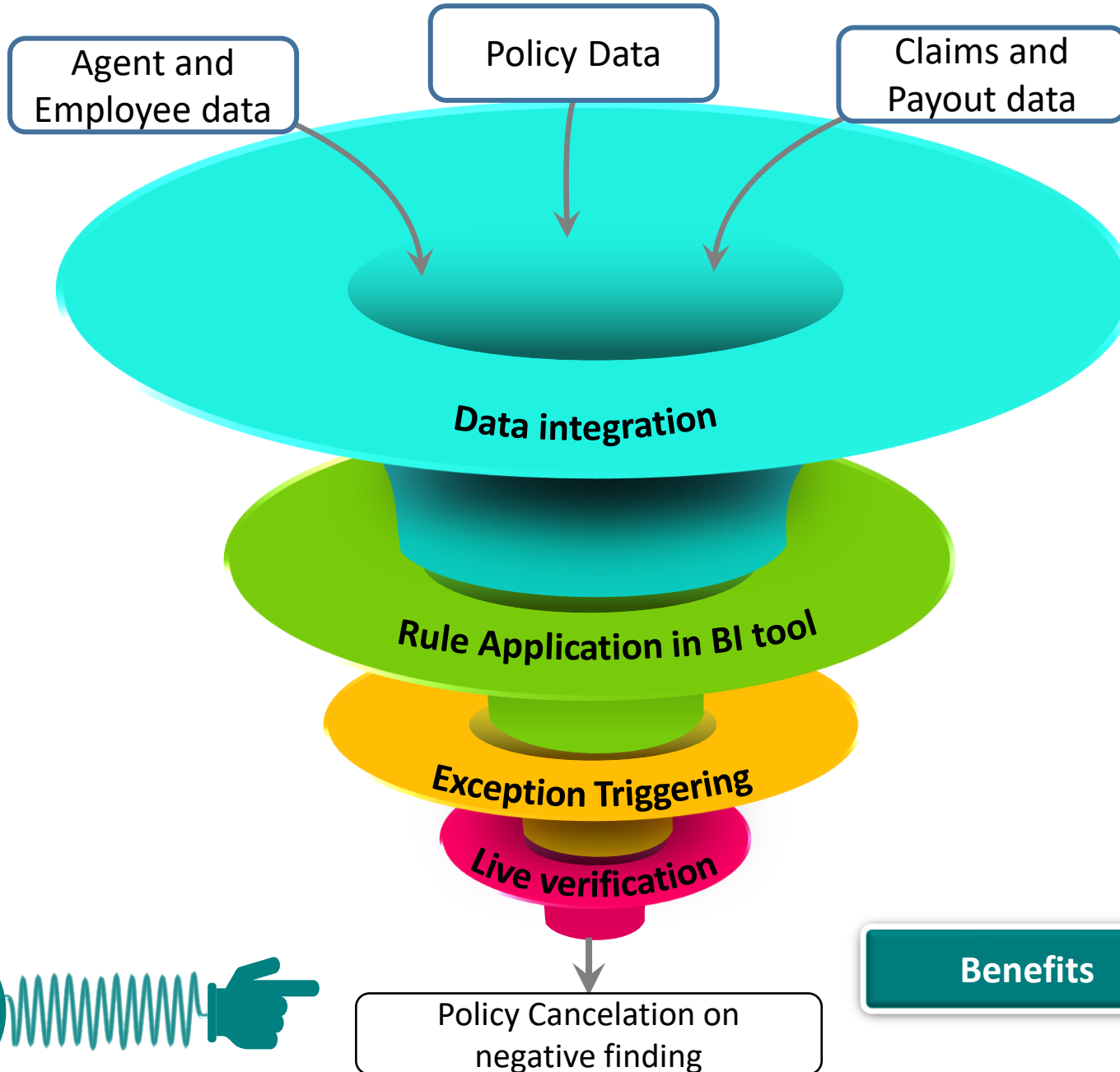
Final Risk prediction

Based on both the model
Final Risk prediction is
obtained

Benefits

1. **Real time Fraud identification**
 - Machine learning model can identify fraud in real time
2. **Fast and Efficient**
 - Machine learning model can run the model on large dataset effectively
3. **Continuous learning model**
 - Predictive model can continuously learn from the regular investigation feedback

Early Warning Signals



1

Data integration

Data integration involves combining data residing in different sources such as policy data, Customer details, Claims data, Payment data and Agent employee data

2

Rule Application

32 Rules are built inhouse by doing extensive data analysis on the data sets using BI tools. Rule-based modeling is a modeling approach that uses a set of rules that indirectly specifies a machine learning in a controlled manner, These rules are applied in BI tool

3

Exceptions Triggering

Daily exception report will provide policy which are high risk as per the EWS rule,, This report also provide information for surveillance as well

4

Live Verification

Basis on the exception reports high risk cases are sent for investigation and after investigation finding policies are cancelled

1.

Real time Fraud identification

- Model can identify fraud in real time

2.

Fast and Efficient

- Model can run the model on large dataset effectively

Investigations during Pandemic

BCP process in wake of COVID

- Lockdown and containment zones
- Neither customers were ready to meet physically nor investigators were ready to travel

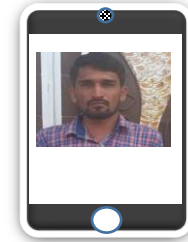
Alternative Applied



BCP Questionnaire created



Social Media Verification



Verification through Video call

Frauds Identified



Impersonation



Policies by Fraud Cartels



Medical Non-Disclosure

Digital Transformation – Face Recognition



Use Case

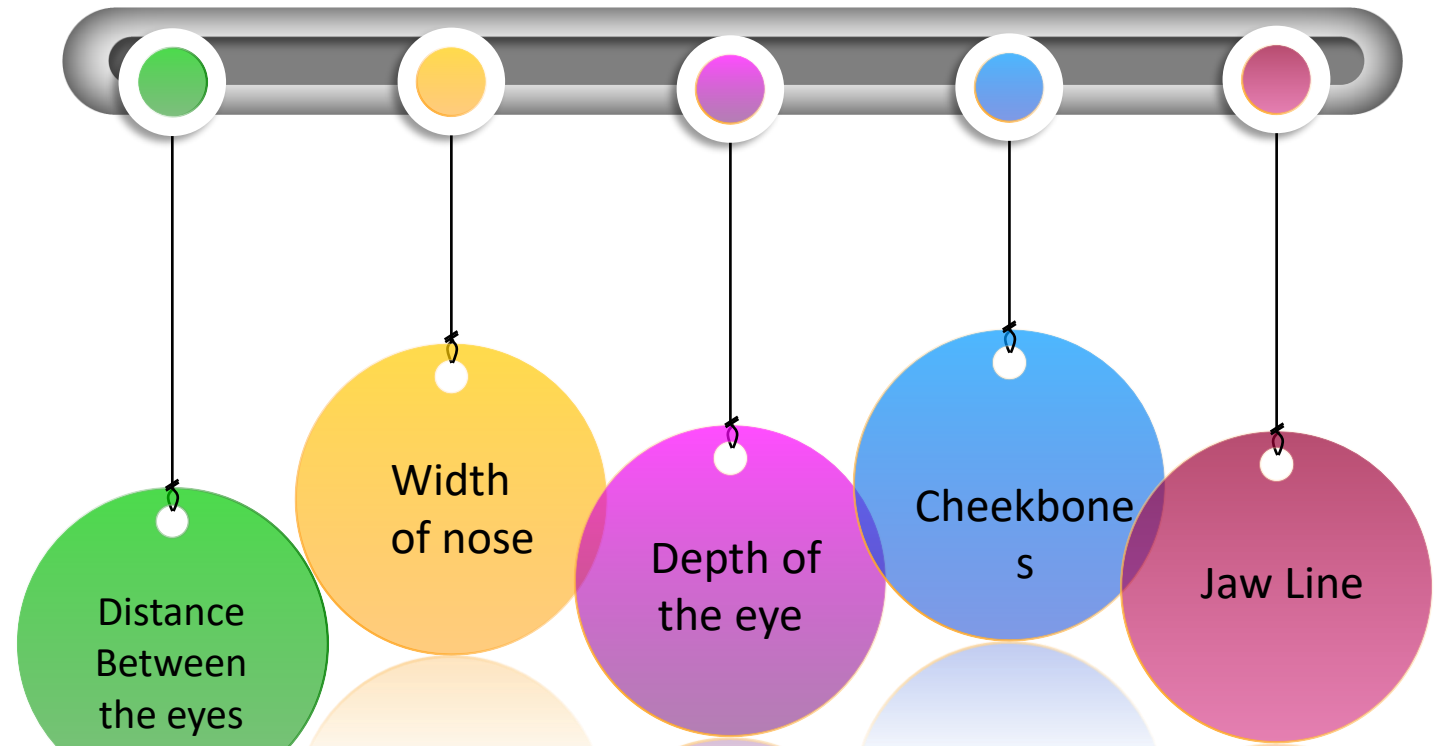
Impersonation : will be able to identify if the customer photograph in KYC is same as that of live photograph

Digital Customer Verification: During video call would be able to identify person on video is same as that of KYC photo

Benefits

Reduction in investigation cost
Remote investigation would help in sending lesser cases to field

Reduction in Investigation TAT
Better efficacy : With automation, chances of compromised investigations becomes less



Disruptive approach towards Fraud Mitigation

1

Crime Network Analysis: Linking the nodes of customer journey for fraud identification



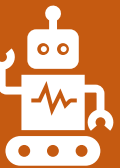
2

Voice Analytics : Use of Voice analytics in Fraud Prediction in online business



3

Robo Investigator: Automation of customer investigations through humanoids




LET'S FIGHT FRAUD TOGETHER

Nirmal Paul

Vice President and Head - Fraud Prevention Unit and Claims Investigation

Nirmal.Paul@BajajAllianz.co.in

 +91 - 9810749825