WTF!*

What's The Fraud

Travel, technology and the battle against bogus claims

Charles Taylor Talks to

Bobby Gracey,
Group Head of Counter Fraud at Charles Taylor

Scott Clayton,
Head of Claims Fraud, Zurich

UK residents make around 95 million overseas visits annually, highlighting the scale of the market for travel insurers. We spoke to Bobby Gracey and Scott Clayton about the unique aspects of this sector and how they apply to the wider fight against fraud.

Q. The travel insurance market presents some unique challenges. What do you see as the biggest fraud risks facing the sector today?

A. Bobby Gracey, Charles Taylor: "One of my biggest concerns is the push towards straight through processing in areas like travel. Fraudsters are sophisticated technology users and if we're too quick to implement fully automated validation, we'll let them bypass the broader counter fraud capabilities within our teams."

Scott Clayton, Zurich: "Travel is relatively inexpensive compared to other insurance products and so the risk versus reward is more attractive to fraudsters. There's also less rigour around travel underwriting than with motor or household policies. Fraudsters can test the water with claims for baggage, lost belongings and missed departures and if they get away with these, it can quickly escalate into multiple claims from repeat perpetrators."

Q. Insurers are investing heavily in technologies such as AI, network analytics and external data sources. What have been the biggest lessons from implementing these solutions?

A. Gracey: "One of my bugbears is that insurers take such different approaches and that their commitment to fighting fraud and their tolerance levels are so inconsistent."

Clayton: "If you apply for a bank loan, you get a swift decision, based on solid due diligence. They know who you are, your credit rating, where you live, who you work for. They know you're good for it. And that's where the insurance industry needs to get to. We've been working with an AI-enabled platform that's transformed our fraud detection levels because of the insight it generates from cross-referencing multiple internal and external data sources. Insurers have lots of customer information. We need to translate that into a better understanding of each individual and their potential fraud risk."

Q. As fraud technology becomes more sophisticated, how do you see the balance evolving between automation and human expertise?

A. Gracey: "Carriers need to assess their outsourcing strategies and ensure the quality of fraud detection and data scrutiny is consistent throughout their supply chains. Without that consistency, it really undermines the inhouse efforts they're making."

Clayton: "Technology is great at generating fraud referrals, but you then need somebody to investigate. We don't make automated decisions. We don't repudiate claims on the back of a piece of technology deciding we shouldn't pay out. There's always a human in the loop and I can't see there being fully automated decisions within the next five years."

Q. As a keen golfer, if counter fraud strategies were scored like golf, what would count as a birdie, an eagle and the elusive albatross?

A. Gracey: "For me, a birdie is continued industry collaboration at the same pace as the past 10 years. An eagle would be the creation of minimum best practice standards at an industry level. And finally, an albatross would be the emergence of real and powerful deterrents, including custodial sentences."

Clayton: "Let me be more general and describe what I would view as an under-par performance. For me, it's getting a handle on the size of the prize and bridging the gap between your overall fraud exposure and what you're detecting. Our fraud strategy is all about maximizing that detection and I hope that's what defines us."

Q. If you had a crystal ball, what will the counter-fraud landscape look like ten years from now and what will drive the biggest change?

A. Gracey: "I'd like to see more top-down thinking from boardrooms to really explore how we can combine technology and human talent to progress from fraud detection to more proactive fraud prevention."

Clayton: "AI is being applied everywhere. AI relies on data and the more relevant data we can analyse, the better our decision making will be. A lot of criminality overlaps into insurance. The DWP deals with benefit fraud and many perpetrators are involved in personal injury fraud. Criminals have car and home insurance. I believe insurers can deliver data analysis that disrupts current law enforcement strategies and creates significant societal benefits."