

TransUnion's

# Fraud Prevention Plan

*Tools and tactics to combat fraud across the policy lifecycle*



# FraudNotes: TransUnion's Fraud Prevention Plan

While virtually all of today's insurers use anti-fraud technology, the fact remains that "fraud accounts for 5 - 10% of claims costs for U.S. and Canadian insurers. Nearly one-third of insurers (32%) say fraud was as high as 20% of claims costs," according to the Coalition Against Insurance Fraud.<sup>1</sup>

As fraud continues to grow in sophistication and frequency, early prevention measures become key to remaining profitable while reducing overall fraud exposure. Arming yourself with powerful insights through third-party data and predictive analytics is your best safeguard against this costly, damaging crime.



## In this book

### ➔ Stage 1: Marketing list precision

#### **Insurance Marketing Scores** ..... 4

Insurance Marketing Scores use advanced analytics with fraud modeling capabilities and third-party data to more proactively identify potential fraud with marketing efforts.

### ➔ Stage 2: New business means new risk and opportunity

#### **TruValidate**..... 4

Analyzes and pinpoints behavioral anomalies that may indicate that synthetic or compromised identities are present.

#### **Insurance Prefill** ..... 5

Populates applications with household driver, violation and vehicle information that the applicant must verify prior to completing the application.

#### **Risk Verification Platform (RVP)** ..... 6

Evaluates applicant-provided data to validate identity, address and insurable asset information.

### ➔ Stage 3: Portfolio management: Pricing accuracy for profitability

#### **Risk Verification Platform (RVP)** ..... 8

### ➔ Stage 4: Claims

#### **TLOxp® for Insurance** ..... 9

Consolidates information from more than 10,000 data sources and fuses them with proprietary TransUnion information sets for a customizable 360-degree view of consumers

## STAGE 1: MARKETING LIST PRECISION

*Are you spending marketing dollars on consumers with a higher potential for fraudulent activity?*

### **Solution: Insurance Marketing Scores**

Identifying and suppressing consumers with a higher probability of potential fraud leads to more precise marketing efforts and allocation of resources. Advanced analytics providing multi-layered identity authentication information can help carriers proactively identify anomalies associated with fraudulent activity before you inadvertently advertise to potential fraudsters. Data-driven segmentation insight can further help you manage risk and drive profitable growth.

Insurance Marketing Scores help identify prospective consumers with identity integrity issues associated with fraudulent activity. This scoring and verification capability is your first line of defense in reducing fraud from entering your book of business.

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## STAGE 2: NEW BUSINESS MEANS NEW RISK AND OPPORTUNITY

*How do you verify identities before issuing coverage? Do your mitigation efforts meet consumer expectations for safety, speed and service?*

### **Solution 1: TruValidate**

#### ➔ Identity verification

As consumers quote and buy more online, compromised identities are an emerging concern for fraud at application. If an applicant falsely applies for insurance under someone else's name, insurers risk sharing sensitive information with them and also face the possibility of that applicant falsely opening a claim. You need to be able to analyze and pinpoint behavioral anomalies that may indicate synthetic identities, application velocity or verification discrepancies. Sophisticated new tools with the ability to learn and predict risk patterns can help you anticipate, and in many cases, avoid threats.

#### **TruValidate alerts are key to overcoming crucial challenges:**

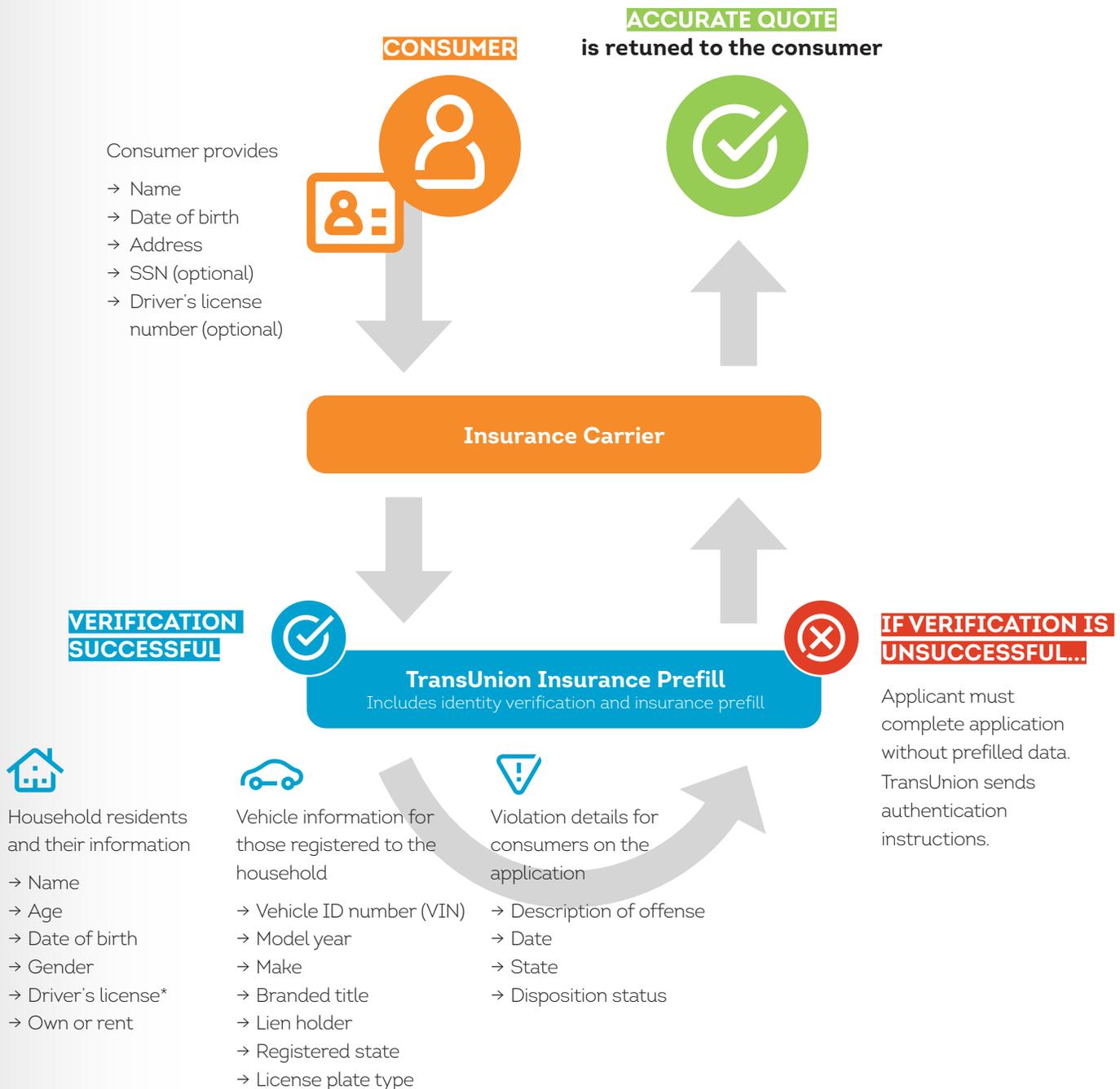
- Reducing fraud at originations
- Improving operational efficiencies
- Pinpointing new, sophisticated and evolving fraud tactics and behaviors in real time
- Defending your business's reputation and maintaining consumer trust

## Solution 2: Insurance Prefill

### ➔ Data prefill and validation

An effective mitigation strategy for rate evasion is prefilling data for the consumer to verify. Drivers residing in the applicant's household, as well as violation and vehicle information, are auto-populated for applicant verification prior to completing the application, thereby validating identity, address and insurable asset information.

When requesting a quote, many consumers cannot easily supply requested information. This leads to incomplete or abandoned applications, or manual work on the insurer's end, which can result in errors. With TransUnion Insurance Prefill, the applicant (or agent) simply enters minimal consumer information, such as name and address, and TransUnion will return available related household and asset information – helping insurers provide more accurate quotes, improve hit rates and reduce costs.



## Solution 3: Risk Verification Platform (RVP)

### ➔ Application information verification

Another instance of fraud instigation at new business is rate evasion, also called soft fraud, where applicants alter or omit application information to obtain a lower premium. Incorrect garaging locations, driver omissions and purposeful understatement of the condition or mileage on the vehicle in question are all common soft fraud tactics that require attention before issuing a policy. In fact, 1 in 10 Americans with car insurance have intentionally provided false or incomplete information when purchasing a new policy.<sup>2</sup>

TransUnion's Risk Verification Platform evaluates applicant-provided data to validate identity, address and insurable asset information, including:



### **Identity: Consumer provides incorrect personal information**

- Consumer database
- High risk fraud alerts
- Social Security Administration – deceased
- Telephone listings
- Property file and assessor records
- Driver license files
- Fraud/false identity reports

### **Garaging: The address provided for the vehicle doesn't match records on file**

- High risk addresses
- Address/phone mismatch
- Custom ZIP code rating table for higher rated addresses
- Business on premises (batch)

### **Vehicle: Vehicle ownership and history details don't match the records on file**

- Vehicle registration verification (owner/vehicle/state)
- Branded title (indicator or detail)
- Recent and severe damage reports
- Commercial use/registration



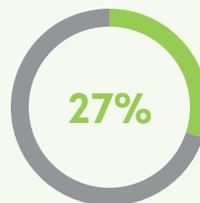
“Stopping fraud at new business has the greatest return on investment – where the alternative is spending money to acquire a customer only for fraud to be committed, a claim to be paid out and incurring the expense of investigating that claim.”

Geoff Hakel, Senior Vice President of TransUnion's Insurance division

Policyholders' misrepresentations of application facts, vehicle usage or garaging locations to obtain cheaper policy rates is estimated to cost auto insurers approximately \$16B a year.<sup>3</sup>



lowballed mileage<sup>2</sup>



left a driver off of a policy<sup>2</sup>

## STAGE 3: PORTFOLIO MANAGEMENT: PRICING ACCURACY FOR PROFITABILITY

*Are bad actors giving you a bad name?*

### Solution: Risk Verification Platform

Rate evasion can also take place with current policyholders, so monitoring in-force policies for signs of potential fraud is vital. For example, a policyholder may be using their vehicle differently today than when the policy was first issued (such as driving for a ride-sharing service in their spare time). Other examples include not disclosing a divorce, understating the condition of a new vehicle or failing to disclose frequent borrowers or youthful drivers. These are factors that lead to rate increases for highly valued, honest customers. Maintaining underwriting discipline and healthy customer relationships depend on your ability to decrease exposure at every stage of the policy lifecycle.

Self-disclosure is an unreliable means to tackle growing threats. Your ability to identify discrepancies in a policyholder's provided data is essential to decreasing claims and fraud exposure. Risk Verification Platform identifies inconsistencies in applicant and policy holder information.

#### Fraud steals

The ability to triage claims and flag a portion for further analysis can improve operational efficiencies, shorten claim cycle time, maximize loss recovery and reduce expenses.

**\$34B** a year from property-casualty fraud alone<sup>3</sup>

**\$80B** a year across all lines of insurance<sup>4</sup>

## STAGE 4: CLAIMS

*Are you leveraging third-party data and analytics to efficiently investigate claims and ensure fair payouts?*

### **Solution: TLOxp for Insurance**

Hard fraud includes a policyholder or third-party claimant deliberately staging or embellishing an accident for financial gain. False or exaggerated claims, such as injuries, damage to vehicle and theft of vehicle, require substantial investment (time, people, money) to avoid unnecessary payouts.

Limiting exposure to costly investigations to prevent paying faulty claims requires mitigation tools and strategies applied throughout all stages of consumer engagement. When you investigate claims efficiently and effectively, you can reduce expenses, maximize loss recovery and improve the customer experience.

TLOxp consolidates information from more than 10,000 data sources and fuses them with our other proprietary information sets. That lets you reduce manual searches, receive multiple reports in one efficient file and review completed files in unrivaled return time.

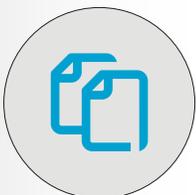
## CAPABILITIES



**BATCH MONITORING:** Continuous batch monitoring can instantly notify you of any changes or updates to your list the moment they happen.



**API INTEGRATION:** Secure integration with most of today's software systems lets you view search results using your current familiar applications.



**BATCH PROCESSING:** Improved filtering capabilities enabling you to handle high-volume searches through our massive repository with ease.

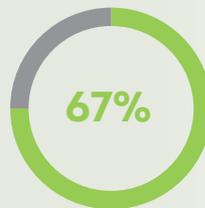
## CONTINUING ENGAGEMENT: TURNING CONSUMER INSIGHT INTO CONSUMER LOYALTY

Customer engagement is a constant objective. Effectively implementing the above strategies offers the added benefit of more helpful, frictionless customer engagement along the way. As regular users in a digital environment, today's consumers understand that sharing information with insurers is necessary to obtain adequate protection, personalized coverage and a more positive and seamless overall experience.

*“Maintaining effective, ongoing engagement with today's consumer requires carriers to leverage the information they learned about the consumer at application throughout their relationship.”*

Mark McElroy, Executive Vice President of TransUnion's Insurance solutions

With continued profitability in mind, your most effective prevention plan must start early and cover all stages of the insurance policy lifecycle. Knowing exactly who you're insuring with real-time insight will help keep you competitive, profitable and ahead of fraud risk.



**67%** of 25-35-year-olds would be willing to have a sensor fitted to their car or home if it could lower their premiums.<sup>5</sup>



**50%** of U.S. consumers would be prepared to provide their insurer with additional personal and lifestyle information to enable them to see a best deal for relevant services.<sup>5</sup>

## TransUnion

TransUnion is uniquely positioned to give insurers access to a robust suite of multilayered fraud solutions and insights that can enable smarter, safer and more profitable decisions throughout all stages of consumer engagement. Stay tuned for more fraud-related content, and for more information on identity tools that help acquire, sustain and protect your customers, contact us at [transunion.com/business](https://transunion.com/business).

## About TransUnion (NYSE:TRU)

Information is a powerful thing. At TransUnion, we realize that. We are dedicated to finding innovative ways information can be used to help individuals make better and smarter decisions. We help uncover unique stories, trends and insights behind each data point, using historical information as well as alternative data sources. This allows a variety of markets and businesses to better manage risk and consumers to better manage their credit, personal information and identity. Today, TransUnion has a global presence in more than 30 countries and a leading presence in several international markets across North America, Africa, Latin America and Asia. Through the power of information, TransUnion is working to build stronger economies and families and safer communities worldwide.

## We call this Information for Good.

### Footnotes:

<sup>1,4</sup> "By the Numbers: Fraud Statistics." Coalition Against Insurance Fraud. Accessed June 8, 2018. <http://www.insurancefraud.org/statistics.htm>.

<sup>2</sup> Glover, Lacie. "2017 Driving in America Report: The Costs and Risks." NerdWallet. June 13, 2017. Accessed June 08, 2018. <https://www.nerdwallet.com/blog/insurance/state-of-driving/>.

<sup>3</sup> "Background On: Insurance Fraud." Insurance Information Institute. November 6, 2017. Accessed June 08, 2018. <https://www.iii.org/article/background-on-insurance-fraud>.

<sup>5</sup> "Insurance 2020: The Digital Prize – Taking Customer Connection to a New Level." PwC. 2014. Accessed June 08, 2018. <https://www.pwc.com/gx/en/industries/financial-services/publications/digital-non-life.html>.

# FraudNotes