SHIFT

Fraudsters Are Using AI
Insurers Must Respond In Kind

Dan Donovan
Vice President, Shift Technology

The Growing Challenge of AI and Digital Fraud

159%
Increase in digital fraud attempts in insurance**

8x
Higher claims severity from fraud networks***

58%
Increase in claim frequency on investigated policies***

* CAIF "The Impact of Insurance Fraud on the U.S. Economy, 2022"
** TransUnion Quarterly Fraud Report, 2022
**** Based on Shift customers

A Full Suite of Advanced AI To Fight Digital Fraud

Data Modeling

- Data cleansing
- Natural Language Processing
- Entity resolution
- Feature engineering

Machine learning

- Generative AI
- Unsupervised learning
- Supervised learning
- Reinforcement learning

Document Analysis

- Metadata analysis
- Image comparison
- OCR
- Image analysis

Network

- Network analysis
- Major Case

2024 Fraud Trend - Generative AI Fraud

Fraud Methods

GeneraGenerative AI Text Prompt/ehicle

Prompt
Write up the description of a hit and run car crash as if I was talking to my insurance company

GPT
Hello, I need to report a hit and run car crash that just occurred. I was driving on Main Street around 3:00 PM when another car suddenly swerved into my lane and collided with the side of my vehicle. The impact caused significant damage to the driver's side of my car, including a dented door and broken side mirror. I attempted to pull over and exchange information with the other driver, but they immediately sped off without stopping. Unfortunately, I was unable to get their license plate number or any other identifying information. I've already contacted the authorities to file a report, but I wanted to notify my insurance company as well. Can you please assist me with starting the claims process and scheduling an assessment for the damage?

Impact to Insurers

43%
Increase in digital fraud in 2023*

48%
Consumers report being targeted by fraudsters via email, text, phone**

Advanced AI Approach

- Metadata analysis
- Image comparison
- Image analysis
- Generative AI

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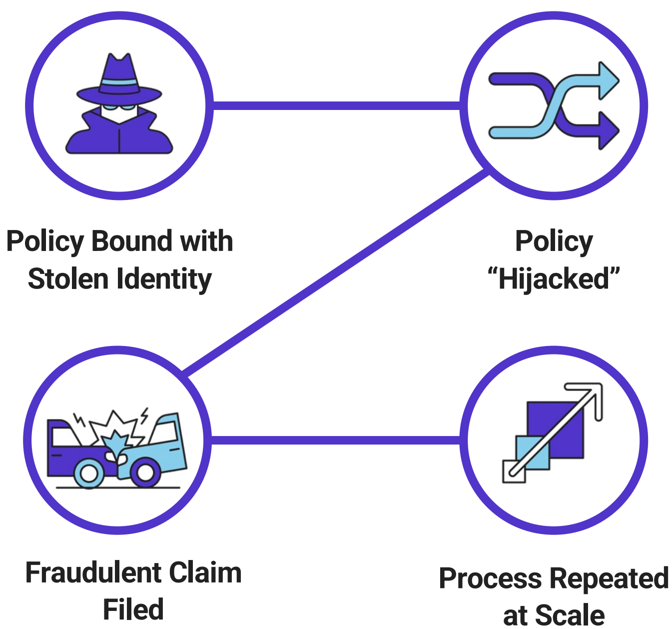
* PYMTS 2023 Intelligence Study
** Transunion 2023 Q4 Consumer Pulse Study

2024 Fraud Trend - Policy Hijacking

Fraud Methods



Impact to Insurers

400+

Policies in single network detected in UK*

$1M

Exposure in single network detected the the US*

Advanced AI Approach

- Entity resolution
- Unsupervised learning
- Network analysis

* Based on Shift Customer Results

2024 Fraud Trend - Temporary PII

Fraud Methods

555-465-6249

555-213-2590

555-789-2354

VoIP Second Line Apps

Impact to Insurers

2X

Likelihood temporary PII found in cases of proven fraud*

58%

See fraud affecting customer experience**

Advanced AI Approach

Entity resolution

Network analysis

Reinforcement learning

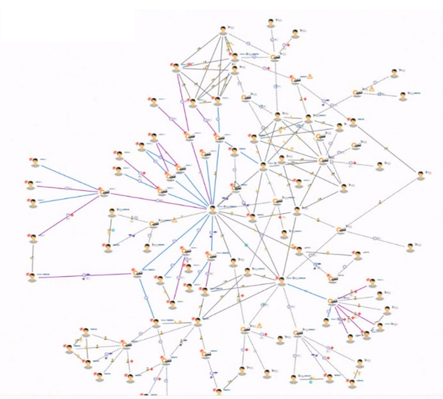
* Based on Shift Customer Results
** Forrester “Insurers: Strike The Right Balance Between Fighting Fraud And CX”

2024 Fraud Trend - Multi-Brand Networks

Fraud Methods

Typical Major Case

Expanded Across Brands and External Data



Impact to Insurers

122%

Increase in network connections across multiple brands*

#1

Largest network in history discovered at Top 5 Insurer*

Advanced AI Approach

- Data cleansing
- Unsupervised learning
- Network analysis

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* Based on Shift Customer Results

Where Insurers Can Start

1

Evaluate Risk Priorities
Assess which types of fraud trends might be most important to address, given the go-to-market model and growth plans

2

Consider Build vs Buy
Review vendors and tools available to address priority fraud risks, the total investment relative to the fraud impact, and IT resourcing availability for staying ahead of trends

3

Ensure Data Security
Given the increased cyber security risks posed by fraud trends, validate that vendors and partners are maintaining the highest security certifications and protocols

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Contact us at:
Dan.Donovan@shift-technology.com

Visit us at:
Shift-Technology.com

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