

Fraud Prevention Implementation and Regulations

October 2017



About the Speaker

EY, Fraud Investigations & Dispute Services



- ▶ Kanny Lee is an Executive Director with the Fraud Investigations & Dispute Services of EY Singapore. He has over 17 years of international consulting experience with a focus on technology.
- ▶ Kanny is the former Head of Fraud Prevention at the Hong Kong Credit Bureau and prior to that was the Greater China lead for cyber-crime investigations at an international security consulting firm.
- ▶ He has been involved with high profile cases such as unraveling the Bernie Madoff Ponzi scheme to investigating the abuse of steroids in US Major League Baseball. In 2013, he investigated the global ATM cyber heist which netted USD \$40M for criminals.
- ▶ He has collaborated with various global law enforcement agencies in the prosecution of financial crimes and publishing of reports on data breaches.

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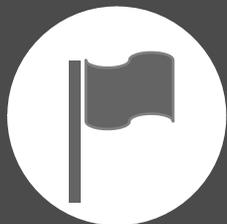


Industry Approach for Fraud Detection



How Insurers have adopted technology for fraud detection

- Detection of Rogue Agents
- Guide wire Fraud Module



Leading practices for deploying fraud detection

Executive Summary

Industry Approach for Fraud

In order to truly combat fraud, Insurers can't rely on the data accessed from their own proprietary data alone which provides a single, limited view of behaviors and vulnerabilities. Instead, leveraging a breadth of data shared from industry participants or driven by a regulatory body if we want to stop fraud before it has a chance to strike. We will cover how Malaysia insurers have taken an consortium approach whereas in Singapore the regulator has outlined the approach via regulation.

Application of Fraud Detection Solutions

How has private industry players like EY supported Insurers to detect, analyze and automate fraud mitigation by leveraging technologies such as data analytics. We will cover recent case studies involving regional insurers such as detection of rogue agents

Leading Practices when deploying Fraud Detection Solutions

What have we learned from implementation of fraud detection solutions and what are some do's and don'ts when applying analytics for fraud detection

Industry Approach For Fraud

Southeast Asia

Singapore

Monetary Authority of Singapore (MAS)

- ▶ MAS Insurance Fraud Risk Guidelines
- ▶ MAS Notice 123 - Reporting of Suspicious Activities & Incidents of Fraud
- ▶ Insurance Act – Chapter 142
 - ▶ Section 31A: Disqualification of director or executive officer of licensed insurer
 - ▶ Cannot appoint a senior executive with prior offence record without approval from MAS
 - ▶ Fine of S\$250,000 and an additional fine of S\$25,000 for each day of continued breach.
 - ▶ Section 35V: Authority may prohibit person from carrying on business as insurance intermediary
 - ▶ Insurer or insurance intermediary cannot employ any person who has been issued a Prohibition Order resulted from offence of fraudulent act.
 - ▶ Fine of S\$50,000 and/or maximum 2 years of imprisonment.

Malaysia

ISM industry solution

- ▶ Industry-wide Data Warehouse for Pricing
- ▶ Data collection (web services, XML, SOAP), analysis and intelligence presentation
- ▶ Statistics database, reports, insurer portal, company benchmark dashboards
- ▶ Fraud detection: claims submitted to ISM are cross referenced with thousands of claims and detect suspicious patterns
- ▶ Automated matching or ad-hoc online query
- ▶ **In process of implementing** fraud scoring and threshold to eliminate false positives
- ▶ NCD confirmation
- ▶ Vehicle market value guide
- ▶ Inter-company confirmation of exposure, liability and recovery

Application of Fraud Detection Solution

Case Studies

Asian Insurer

Fraud detection within core insurance system

- ▶ Internal fraud module to analyze claims and determine a risk potential, as data is entered into the claim system
- ▶ Fraud score is calculated using business rules and loss details
- ▶ If the fraud score reaches a preset threshold, the claim will be assigned to appropriate personnel
- ▶ Controls are in place to hard-stop the claim workflow from progressing and to track subsequent decisions
- ▶ The solution includes integration to external fraud analytics engines and blacklist database

Australian Insurer

Fraud detection using analytics engine

- ▶ The financial crime and compliance analytics software is deployed in the IT infrastructure of the insurer and integrates to core system
- ▶ The integration is invoked in real time for all new claims, and nightly batch when claim data changes
- ▶ Various data sources used by the fraud engine are internal. **No external feed.**
- ▶ Audit trail of investigation and comments are recorded in the fraud engine
- ▶ Fraud engine returns a fraud score and diagnostic code
- ▶ Similar process in place to block the claim

When Implementing Fraud Detection

Some Do's and Don'ts...

Do's

Start with figuring out your own fraud patterns

Begin with an assessment that pinpoints issues that your business is facing

Anticipate that the fraud will **evolve**

Transition from rules based tools that “check the box” to more robust behavioral analytics

Don'ts

Don't run straight to predictive models

Prediction requires a concise and diverse historical data set

Don't confine **Fraud Technology decisions** to IT

The best use of analytics comes via feedback from the front lines