

SHIFT

Life Insurance

Fraudulent gains with Fake ID

A typical fraudsters process and how manual checks and static rules can't catch them

It takes a genuine, hard working person decades to save a legacy, perhaps to pay the mortgage, pass on to children or simply save for retirement. Someone skilled in defrauding life insurance earns this in a matter of months in a couple of, now easy, steps.

So why are insurers currently only detecting a handful of cases when industry statistics suggest it should be in the thousands and what can we do?



According to the ABI, **4.5%** of opportunistic fraud cases are related to life insurance¹. Yet most insurers are detecting less than 1%.

It starts with understanding the fraudsters process and what we are missing:

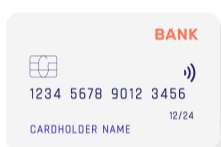
Step 1: Procure multiple fake IDs



Stolen and synthetic IDs – Fraudsters use a number of methods such as impersonation to gather ID details from unwitting people. Sometimes blending real details with fictitious fragments to create synthetic IDs.

Fake ID purchase – There are many providers all offering different documents and cards cheaply and with no paper trail. A fake drivers licence (RRP £35) is a great starting point for any fraudster.

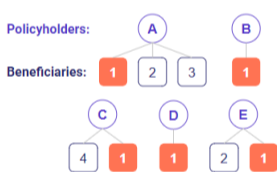
Step 2: Open a bank account



Using their newly procured ID they **open a bank account** that they can pay premium from. They often try several banks and building societies in the same week to maximise success.

→ 8.6M² people have admitted to using fake, fraudulent or borrowed ID materials.

Step 3: Instruct multiple life insurance policies and pay the premium



Fraudsters **invent multiple different back stories** for the IDs, using different numbers of beneficiaries and initiate policies for each one.

→ Manual checks and simple rules don't spot the similarities in the beneficiaries especially over time.

They use the same beneficiary (themselves) on each one but tweak the details each time, using a mixture of **real and synthetic data**.

Policies are often taken out with the same insurer, as the fraudsters get to know their particular checks and process. They leave time between applications to maximise the chances of acceptance.

Step 4: Wait a bit... then claim



Fraudsters **complete the claim forms**, provide the policy details and attempt to **skip providing the death certificate**.

→ Many claims start processing without this

If the certificate is insisted upon, they use the fake documentation from step 1, using different death circumstances and causes.

→ The fakes are of a high quality and any manipulation is often not visible on manual inspection so they pass as legitimate.

What can we do?

AI reconstructs beneficiaries on all policies, to look past any small changes in detail and **illuminate where details have been reused**.

AI alerts handlers before any claims are made, highlighting where **beneficiaries with similar details** have been found on unrelated policies.

Investigators can see immediately **where the issues lie with context** and underlying proof gathered and presented in a single dashboard.

Document analysis can check for documents that have been **previously used** on claims, have been **manipulated** or are **commonly available** on the internet.

“The highest ever volume of **identity fraud** cases was recorded in 2022 – over **277,000** cases. This is up by nearly a quarter – **23%** – on 2021 and accounts for **68%** of all cases on the NFD”

—Mike Hayley, CEO, Cifas

¹ ABI Life Insurance Fraud: <https://www.covermagazine.co.uk/news/4123505/value-average-insurance-fraud-jumped-2022>

² Biometric Update 2023: <https://www.biometricupdate.com/202301/8-6m-fake-id-users-in-uk-gbg-report>

SHIFT

About Shift Technology

Shift Technology delivers AI decisioning solutions to benefit the global insurance industry and its customers. Our products enable insurers to automate and optimise decisions from underwriting to claims, resulting in superior customer experiences, increased operational efficiency, and reduced costs. The future of insurance starts with Decisions Made Better.

Learn more at www.shift-technology.com/en-gb