How insurers are in control of risks at underwriting

4 examples from international insurance companies
INTERAMERICAN
The company is well known for the progressive and innovative way of working in the non-life insurance industry. For INTERAMERICAN it was hard to filter out just the cases that require an active follow-up. The small underwriting department had to manually check the sincerity and morality of applications, based on instinct and experience.

Reaal
Reaal is one of the largest insurers in The Netherlands. The company is part of Anbang Insurance Group Co., a Chinese insurer with over 20 million customers. They take a proactive approach in fighting insurance fraud, by aligning fraud detection at claims with preventive risk management at underwriting.

InShared
InShared was founded in 2009 as an online insurer and became one of the most successful insurers in the online market. Therefore the main question was: How to build a profitable portfolio as a 100% online insurer? The go-to market strategy of online differs a lot from the traditional channels, and within this InShared made some clear choices. The key focus for InShared was to obtain the highest customer satisfaction, but at the same time work for the lowest costs.

Aegon
Aegon was dealing with fraud and (high) risks in both, its underwriting and claim process. In addition, the company was aware that its financial loss due to fraud can be considerable as well as the damage to its (international) reputation. Aegon used to be a traditional insurance company before it started to set up their own digital sales channel and two external online retail channels.

About the authors
Introduction

Most insurance companies focus on the growth of their portfolio and less on its quality. It is important to have a clear picture of potential customers before they enter an insurance portfolio. Insurers should decide on the amount of risk they are willing to take in. This enables insurance companies to stay in control and maintain the optimal balance between portfolio quantity and quality.

The insurance industry possesses huge amounts of data. This data should not only be limited to usage for fraud management during the claim process. It is also valuable for preventive measures, such as risk assessment at underwriting. The collected information on the insured persons and objects, the claims, and detected fraud helps in making accurate and objective judgements about risks, trends, and the value of policies and portfolios. Insurers can benefit greatly from having access to more data in order to analyze and compare this data, which enables insurers to make better underwriting and pricing decisions. Ultimately, this could result in healthy portfolios and allow insurers to keep pricing competitive without compromising on profit margin.

In this ebook, 4 insurance companies share their experience on the way they are in control of risks at underwriting in order to realize profitable portfolio growth.

INTERAMERICAN:
“Despite our big motor portfolio, which is close to 600,000 vehicles, we have a very small underwriting team. The main objective of the underwriting department is to prevent specific and high risks from entering the motor portfolio.”

Reaal:
“We use the examples of the fraud cases that we find at claims to make our underwriters more conscious of fraud. We proactively estimate risk and stop potential fraudsters before they enter our system.”

InShared:
“The total risk assessment is fully automated. This is how we build a profitable portfolio as a 100% fully online insurer. And in everything we do, objectivity is crucial.”

Aegon:
“For underwriting our digital and retail channels lost all their defaulters within 4 months. We realised a good balance between quantity and quality within their customer portfolio.”
INTERAMERICAN
Prevent rather than cure by aligning preventive risk management and fraud detection

Customer

INTERAMERICAN, part of Achmea, is a leading insurer in the Greek non-life market. The company has a very strong brand and is well known for the progressive and innovative way of working in the non-life insurance industry. INTERAMERICAN’s vision is to become the first Greek digital insurer in 2020.

Challenge

INTERAMERICAN has a multi-distribution strategy which includes selling through agents and brokers, as well as through direct business. The company has an online channel called Anytime, which is the most successful one in the Greek market.

Panos Kouvalis (Motor Underwriting Manager at INTERAMERICAN) states: “Despite our big motor portfolio, which is close to 600,000 vehicles, we have a very small underwriting team. The main objective of the underwriting department is to prevent specific and high risks from entering the motor portfolio.”

For INTERAMERICAN it was hard to filter out just the cases that require an active follow-up. The small underwriting department had to manually check the sincerity and morality of applications, based on instinct and experience.

Vasilis Kokkinos (Data Analyst Underwriting at INTERAMERICAN) explains: “Some typical cases that we are facing every day are coming from people that declare a wrong vehicle age or use in order to increase the insured value. The higher the insured value of the car, the more they can claim later. Another example is that people try to insure a vehicle that already has plate glass damage or they declare a different address or car value.”

Solution

Risk Assessment at Underwriting, Fraud Detection at Claims.

Results

During the first period after implementation, the percentage of suspicious policies (based on the FRISS Score) is between 3 and 3.5%, for which an evaluation takes place. 5 to 10% of these policies require an active follow-up.
Solution

To eliminate high risks and prevent fraudsters from entering its portfolio, INTERAMERICAN has successfully implemented the FRISS solution Risk Assessment at Underwriting.

Kouvalis continues: “Our target is to make sure that high risks and fraud cannot enter our books. We want to have an integrated solution both for motor underwriting and claims, based on user-friendly technology. We looked for a solution in order to achieve our targets, but the most important thing is to have a partner to work together on this. This is the reason why we chose FRISS, a European market leader in fraud detection with many successful business cases, both in underwriting and in claims.”

The project was separated in two phases. In phase one there was a silent mode and all the high risk cases were investigated through the motor underwriting team. If needed they were rejected afterwards. In the second phase, an automatic rejection of these high risk cases was implemented. “The solution was implemented quite smoothly. Both teams were well prepared and made an efficient use of our IT resources. We worked with current processes and data sets and we spent more time on KPI calibration. Therefore, it was possible to finish the project and GO-LIVE within 4 months”, says Kouvalis.

It is important for INTERAMERICAN that Motor Underwriting and Motor Claims learn from each other, work together, combine their reviews and find the important areas for fraud detection.

Both departments need to see the different trends, patterns and data in order to combine them. This is the reason why INTERAMERICAN uses an integrated solution for both underwriting and claims.

Results

By using the FRISS solution INTERAMERICAN has the opportunity to use an easy and efficient process in order to detect high risk profiles and potential fraud policies, as well as fraud patterns that have been used until now and that might be used in the future.

The percentage of suspicious policies (based on the FRISS Score) is now between 3 and 3.5%. For these cases, evaluation takes place.

5 to 10% of these policies require active follow-up, such as:
- Policy amendment
- Re-underwriting of current risks, based on recent photos or documents
- Modification of insured value

“All these cases come from FRISS indicators that compare current information with historical data and/or data from external data sources. Some indicators are linked to a previous policy, for example if the previous insurer covered glass damage or theft”, says Kokkinos.

An important outcome for INTERAMERICAN is the significant increase in the fraud detection awareness in all important departments. These departments include Motor Underwriting, Motor Claims, Issue Departments, but also Sales and top Management. At this point, increased fraud awareness throughout the entire organization is essential for INTERAMERICAN.

Kouvalis points out: “It is a good and trust based relationship with FRISS. Both teams work together, exchanging a lot of experiences and best practices. It’s like working with a partner.”

He concludes: “FRISS is a suitable solution for the Greek market, because it understands the specialties of the Greek market, already has connections with external databases and has very good project management skills.”

Watch the video
Reaal is one of the largest insurers in The Netherlands. The company is part of Anbang Insurance Group Co., a Chinese insurer with over 20 million customers.

Challenge

Reaal has been using FRISS for claims successfully since 2008. In 2015 the company wanted to expand its fraud and risk management by identifying potential fraudsters at underwriting, thus preventing them from entering the portfolio.

This approach helps Reaal to serve its genuine customers more effectively, thus fulfilling one of the company’s main goals. Head of Fraud & Integrity Annemieke Smith-Noort explains: “Reaal’s vision is based on several pillars. Excellent performance is something that we focus on heavily, to ensure that the handling of applications and claims occurs in a way that is most optimal for the customer.”

Reaal is seeing a strong transition in the insurance market. On the one side the company recognizes the importance of an intermediary channel. However, on the other hand it experiences a growing need among customers to apply for insurance policies directly and file claims themselves.

Results

An increase in the number of proven fraud cases, and greater fraud awareness within the Underwriting and Claims departments.

“We use FRISS for all our insurance products so that we can determine the moral risk and potential fraud for every product. We see an increase in the number of proven fraud cases.”

Customer

Reaal is one of the largest insurers in The Netherlands. The company is part of Anbang Insurance Group Co., a Chinese insurer with over 20 million customers.

Solution

Risk Assessment at Underwriting, Fraud Detection at Claims and UBO & Compliance Screening.
To deal with these trends, Reaal has placed its department Fraud & Integrity inside Property & Casualty (P&C). Smith-Noort motivates the grounds: “It enables an optimal cooperation between the departments Underwriting, Claims and Fraud & Integrity.” The company decided that fraud detection at claims is significantly more effective when complemented by preventive risk management at underwriting.

Another challenge was the ability to provide sound feedback to clients. Customers facing a rejected application are looking for an explanation, and Reaal wants to be able to comment thoroughly. The insurer therefore demanded a business solution that supported strong argumentation and documentation.

Solution

To eliminate high risks and prevent fraudsters from entering the books, Reaal has successfully implemented the FRISS solution Risk Assessment at Underwriting. The insurer also uses examples from fraud cases that are detected at claims to make its underwriters more aware of fraud. Reaal is estimating risk proactively and has therefore established efficient business processes to keep potential fraudsters outside.

“Almost ten years ago Reaal started working with FRISS Fraud Detection at Claims. When we decided to implement a solution for underwriting, it was the logical continuation to choose for FRISS again,” says Annemieke Smith-Noort.

Something that also appealed to Reaal is the FRISS Score, which indicates the risk of fraud. The FRISS Score is supported by a learning cycle to enable continuous improvement. Syreetha Yue, responsible for the Fraud Desk at Underwriting, explains: “for us, it is extremely important that the FRISS Score is transparent and reliable especially in the case we need to give feedback to our client.”

Results

Reaal is experiencing positive results from working with FRISS at both the Underwriting and the Claims department. Yue clarifies: “We use FRISS for all our insurance products so that we can determine the moral risk and potential fraud for every product. We see an increase in the number of proven fraud cases.”

On top of this, implementing the software solutions has revealed additional benefits to Reaal. “What is even more important, is the growing awareness within the Underwriting department. In combination with the FRISS results we see that the awareness of fraud has improved massively. Our colleagues at Underwriting really see FRISS as an extension to their work. With FRISS they are much better able to assess applications and anticipate on potential risks.”

Smith-Noort acknowledges these observations and concludes: “together with FRISS we keep building and sustaining a healthy portfolio.”

“Together with FRISS we keep building and sustaining a healthy portfolio.”
InShared is an Achmea initiative. Achmea is the largest indemnity insurer in the Netherlands with such well-known labels as Centraal Beheer, Interpolis and FBTO. InShared was established with several reasons in mind:

- internet is becoming an increasingly important sales channel for insurance;
- consumer behavior is changing;
- consumers do not purchase an insurance policy based on confidence;
- consumers do not always understand the risks of their behavior;
- indemnity insurance is becoming a commodity/comparable product;
- insurers should put the interests of the consumer first;
- cost leadership and high customer satisfaction can be obtained.

The insurance product was redesigned based on these principles. The InShared concept is unique and has consequently won several innovation awards. “We all benefit” is a slogan that clearly indicates that having a healthy portfolio is a joint responsibility (“We bear the risks together, as a group of clients. The better we do this, the more money you get back at the end of the insurance year”). InShared believes that the joint prevention of unnecessary claims is just as important as the joint sharing of claims. That’s why InShared also shares the profit generated from this prevention.

80% of the premium is reserved for the payment of claims. The remaining amount is refunded to the customer. Customers receive a larger share if they do not claim and have done more on prevention. The organization and processes are simple and are completely internet based. There is no call center, but customers have a digital policy folder where they can customize everything and can also submit claims. Additionally, InShared is a combined effort, but has gathered a network of partners that contribute to high quality, flexibility and low costs.

All this leads to an efficient organization that operates at substantially lower costs and shares the common goal of prevention and management of incurred claims.
Challenge

InShared was put on the market as a new initiative. The go-to market strategy of online differs a lot from the traditional channels. Within this, InShared made some clear choices.

The key focus for InShared was to obtain the highest customer satisfaction and at the same time work for the lowest costs. A major marketing effort was undertaken and the concept generated a lot of attention. This resulted in a significant increase of new customers, gained via the relative anonymity of the internet. For InShared it were risky times, because it was very easy to build up the wrong customer portfolio. And one bad customer could easily destroy the business objectives. Therefore InShared’s main focus from the start has been to build up a healthy customer portfolio.

In order to prevent getting high risk profiles in our portfolio, they needed a good risk assessment. At first bad risks had a major impact on the combined ratio of small portfolios and on the validity of the concept. In short the challenge was: “How do you build a profitable portfolio in setting up a 100% internet insurer?”

Solution

The management of InShared was aware of this challenge. That is also why, from the first day that InShared was operational, the FRISS solution handled the actual underwriting of new customers.

This means that a real-time check of the customer’s risk occurs at the moment that this customer wishes to purchase an insurance policy with InShared via the internet. This risk is determined using indicators such as the person’s conduct, payment risk and claim risk. The estimation of this risk ultimately determines whether, and under what conditions, the customer is accepted.

“The total risk assessment is fully automated. This is how we build a profitable portfolio as a 100% fully online insurer.”

The risk is estimated by a combination of applied knowledge rules, external data sources and custom profiles developed in FRISS.

Results

The deployment of FRISS ensures InShared that underwriting operates efficiently and that reckless people are kept out. It is apparent that low claims ratios start at underwriting. InShared is very transparent with their claim ratios and report them on their website every three months. Customers can see if less than 80% of the premiums was paid on claims and therefore a refund will occur.

InShared only earns money when the costs remain below 20% and all customers drive responsibly. Being a 100% internet insurer means processes are automated as much as possible or done by the customers. For example, there is no underwriting department within InShared, so the size of the entire organization is limited.

The underwriting rules helped us in lowering the acquisition costs and optimizing our pricing. And in everything we do, objectivity is crucial. Today, our acquisition share is over 10% in the Dutch market. Our claims ratio is fully on target. And most important, our customers rate us with an 8.1 out of 10.
AEGON
Complete fraud, risk and compliance solution for all non-life insurance products for a more profitable portfolio

Customer
Aegon

Challenge
How do you build a profitable portfolio in setting up a direct channel?
How to increase the fraud detection rate with a minimum of false positives?
How to reduce the combined ratio of all non-life insurance portfolios?

Solution
Risk Assessment at Underwriting, Fraud Detection at Claims.

Results
Identify risks and detect fraud continuously, straight through processing, profitable portfolio, removed all defaulters within 4 months, reduced combined ratio

Customer

“Aegon lost all defaulters within 4 months in the portfolios of its digital and retail channels”

Challenge

Unfortunately, Aegon was already dealing with fraud and crime within their portfolio and claim process and was seeking for ways to combat this. In addition, Aegon was aware that its financial loss due to fraud can be considerable as well as the damage to its (international) reputation. Aegon used to be a traditional insurance company before they started to set up their own digital sales channel (Aegon.nl) and two retail channels (Kruivat.nl and Trekpleister.nl). Within a short period of time Aegon realised that these channels attract different audiences. Moreover, it was more difficult to maintain a good overview of these ‘anonymous’ channels. The churn-rate was high and Aegon’s portfolios contained a considerable share of defaulters. Out of FRISS’s experience with other (internet) insurers FRISS knows what the ‘pains’ are. Aegon acknowledged this and wanted to act quickly to improve the profitability of its digital channels as soon as possible.

Aegon provides insurance, pensions and asset management in more than 25 countries. Listed on the Amsterdam and New York stock exchanges, Aegon has A-level ratings from the three main credit rating agencies. In the Netherlands about 475.000 cars drive around with an Aegon insurance. That is why Aegon has its own Aegon Claim Service with a network of damage repair companies. Besides car insurance they develop several other non-life insurance products.
Solution

Aegon was looking for a solution that could:

- Improve the ‘anonymous’ direct/digital channels, become more profitable
- Better recognize and identify risks, as well as detect fraudulent claims
- Obtain an appropriate balance between quality and quantity within the portfolio
- Provide clarity and uniformity within claim and underwriting process
- Facilitate straight through processing within the claims and underwriting process
- Realize a fast implementation

Both risk assessment in the underwriting process and fraud detection in the claims process are integrated into the Aegon architecture, in a way that ‘straight through processing’ could be facilitated. The FRISS fraud & risk platform for Aegon is applicable for all non-life insurance products, in order to make Aegon’s customer portfolios more profitable.

Aegon selected FRISS because of FRISS’ position in the market and its proven track record within the field of fraud and risk at other insurers with a direct/digital channel. FRISS’ ability to realize a fast implementation of a solution that would solve an urgent and important issue for Aegon was also a criterion. The biggest challenge for FRISS was the privacy and data protection rights which it had to be compliant with. For Aegon, as well as for FRISS, data handling and the accompanied legislation is crucial. That is why both parties made agreements with each other concerning compliance and security of data.

Results

After a fast implementation Aegon is now able to better recognize risks in the underwriting process and is able to improve the identification of fraudulent claims with fraud detection. For underwriting its digital and retail channels lost all their defaulters within 4 months. Aegon realised a good balance between quantity and quality within their customer portfolio. Moreover, because the FRISS solution is integrated within Aegon’s infrastructure, straight through processing has been realised.

“After a fast implementation Aegon is now able to better recognise risks in the underwriting process and is able to improve the identification of fraudulent claims with fraud detection”
FRISS has 100% focus and dedication to fraud detection and risk mitigation for non-life insurance companies worldwide. FRISS helps insurers to improve their combined ratio in order to achieve profitable portfolio growth and enhance the perception in the market as a trustworthy insurer. FRISS believes in honest and fair insurance premiums, for everyone.

FRISS is live in 8 weeks and has a ROI within 12 months, due to the experience with 100+ implementations at insurers in countries across the globe. Customer specific configuration is the main part. Rather than general purpose analytic software or homegrown systems that have to be built from scratch, FRISS is largely prebuilt and therefore a ready-to-use business solution, with very short implementation times.

As a proven standard the FRISS Score enables better decisions. It is the core of the solutions and indicates the risk for each quotation, policy or claim. FRISS cares for its customer before, during and after implementation. The FRISS Learning Cycle supports a journey of continuous improvement to stay ahead in dynamic times and to sustain for the future.