Today's Insurance Fraud Landscape

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Coalition Against Insurance Fraud

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Industry experience

- 35 years experience
  - Former insurance agent
  - Claims representative
  - Auditor
  - Fraud Analyst
  - Special Agent In Charge
  - Assistant Director of Fraud, Enforcement & Licensing

Coalition experience

- 12 years as a member representative
- Executive Committee member
- Public Interest Co-Chair
- Executive Director effective January 1, 2024

Insurance Fraud Defined

The intentional providing of false or misleading information, or withholding of material information, as part of an insurance transaction.

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ESTIMATED COST IN THE U.S.

$308.6 Billion

Across all lines of insurance, according to the Coalition's 2022 "Cost of Insurance Study"

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The Evolving Insurance Fraud Landscape

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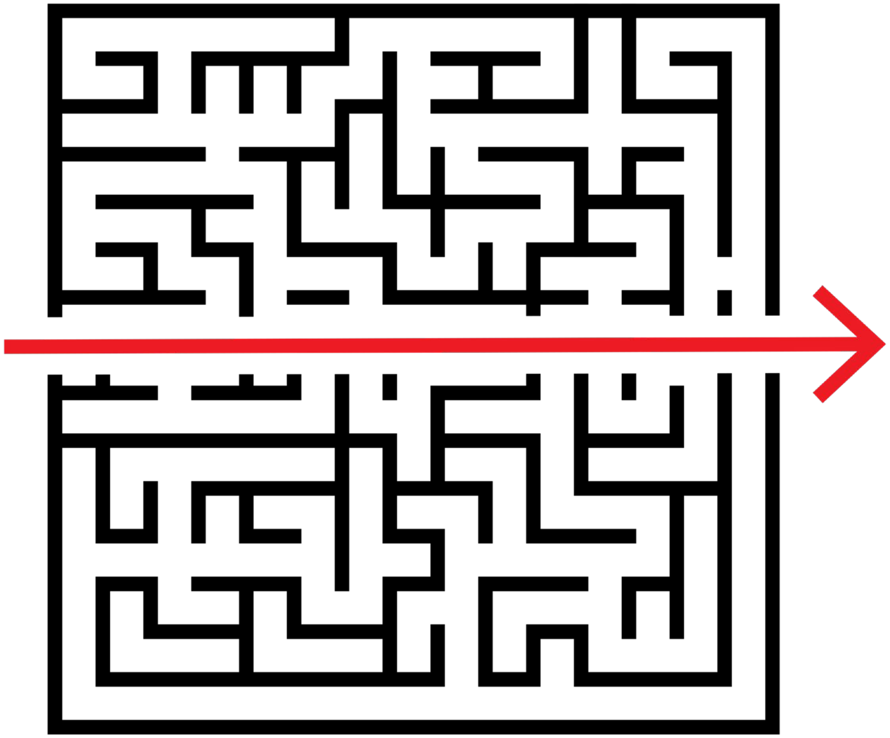
Insurance fraud used to be:

- Opportunistic
- Individual
- Local



Then it became….

Organized

- Staged accidents
- Medical mills
- Crime rings

Then came…

Technology Advancements

- Internet
- Public data
- Portable devices
- Digital platforms
- Real-time payment systems
- Artificial intelligence

Insurance fraud isn't merely evolving…

…it's compounding

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Which leads us to today…

”We’re not in Kansas anymore…”

Dorothy – Wizard of Oz

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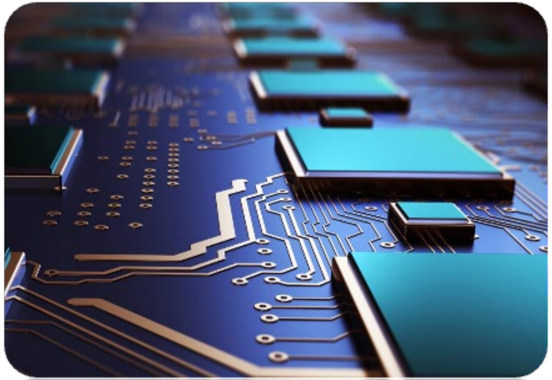
The Insurance Industry Is Up Against Something Unlike It's Ever Seen

What The Industry Is Now Up Against

Technology / Artificial Intelligence



Synthetic Identity Growth

Global Fraud Operations

Cyber Security Incidents

- The insurance industry is being targeted by hackers
- Often use publicly available employee information to impersonate staff
- Looking to steal data to commit fraud, or sell to others to commit fraud

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Account Takeover Schemes

- Criminals use stolen credentials to access insurance accounts
- Deepfake audio and video is being used to impersonate policyholders and beneficiaries
- Impersonation of insurance agency and company websites to steal consumer login and account information

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Money Laundering

- Organized crime groups are exploiting insurance products to move illicit funds into the legitimate financial system.
- Criminal proceeds may be used to purchase policies, annuities, or other insurance products, followed by early withdrawals, cancellations, or fraudulent claims.

Human Trafficking

- Transnational criminal networks are using human trafficking to carry out insurance fraud schemes
- Victims are lured by fraudulent employment opportunities / pretenses
- Once recruited, they may be held against their will, threatened, and forced to participate in insurance fraud

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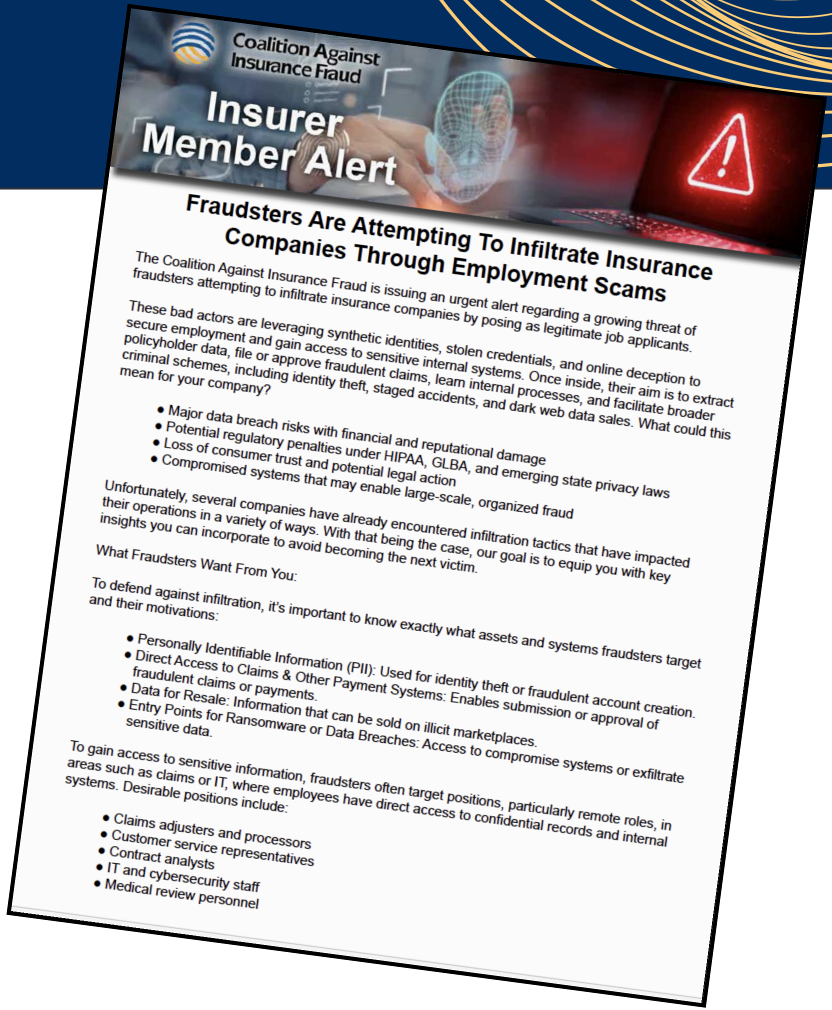
Employee Infiltration Schemes

- Fraudsters are attempting to infiltrate insurance companies by posing as legitimate job applicants
- Goal is to gain access to sensitive internal systems and data
- Human Resources now plays a critical role in identifying and mitigating employee infiltration risks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Insurer Member Alert

Fraudsters Are Attempting To Infiltrate Insurance Companies Through Employment Scams

The Coalition Against Insurance Fraud is issuing an urgent alert regarding a growing threat of fraudsters attempting to infiltrate insurance companies by posing as legitimate job applicants.

These bad actors are leveraging synthetic identities, stolen credentials, and online deception to secure employment and gain access to sensitive internal systems. Once inside, their aim is to extract policyholder data, file or approve fraudulent claims, learn internal processes, and facilitate broader criminal schemes, including identity theft, staged accidents, and dark web data sales. What could this mean for your company?

- Major data breach risks with financial and reputational damage
- Potential regulatory penalties under HIPAA, GLBA, and emerging state privacy laws
- Loss of consumer trust and potential legal action
- Compromised systems that may enable large-scale, organized fraud

Unfortunately, several companies have already encountered infiltration tactics that have impacted their operations in a variety of ways. With that being the case, our goal is to equip you with key insights you can incorporate to avoid becoming the next victim.

What Fraudsters Want From You:

To defend against infiltration, it's important to know exactly what assets and systems fraudsters target and their motivations:

- Personally Identifiable Information (PII): Used for identity theft or fraudulent account creation.
- Direct Access to Claims & Other Payment Systems: Enables submission or approval of fraudulent claims or payments.
- Data for Resale: Information that can be sold on illicit marketplaces.
- Entry Points for Ransomware or Data Breaches: Access to compromise systems or exfiltrate sensitive data.

To gain access to sensitive information, fraudsters often target positions, particularly remote roles, in areas such as claims or IT, where employees have direct access to confidential records and internal systems. Desirable positions include:

- Claims adjusters and processors
- Customer service representatives
- Contract analysts
- IT and cybersecurity staff
- Medical review personnel

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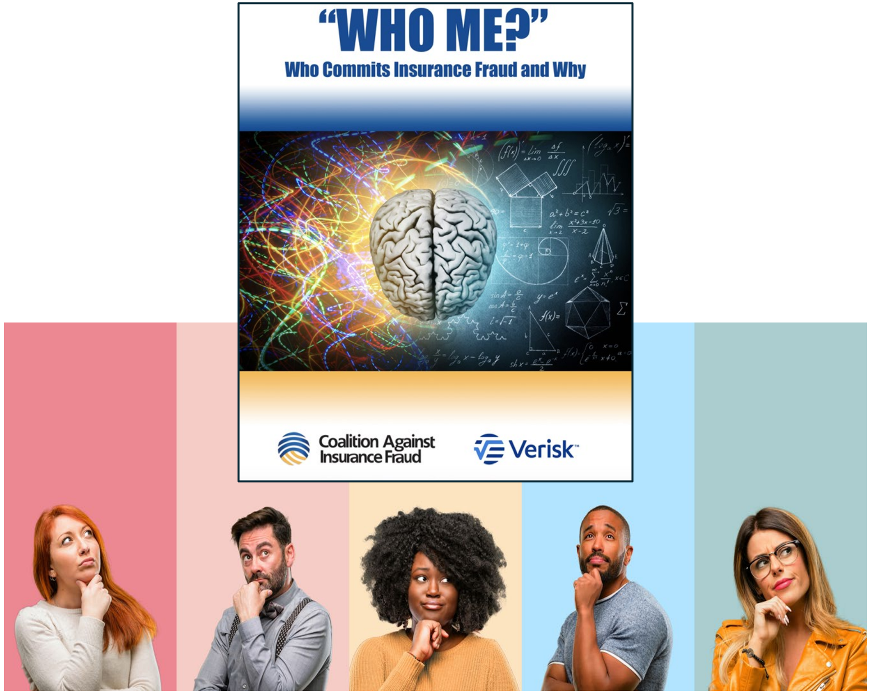
Illicit Licensing Schemes

- Identity theft
- Synthetic identity use
- Testing fraud
- License use by unlicensed individuals
- Advance commission schemes
- Submission of fraudulent claims

Changing Consumer Attitudes



- 15% of the US population (50 million Americans) don't view insurance fraud as a crime
- Percentage is even higher for those 18-44 years of age
- Don't believe they're affected by insurance fraud
- Jealous or envious of others who commit it
- Believe there's a low probability of being caught

2023 Coalition / Verisk
Who Me? Who Commits Insurance Fraud & Why

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Licensing Must Now Be Viewed With a Fraud - Prevention Lens

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Considerations may include…

- Incorporating additional identity verification steps
- Monitoring applications and examinations for shared devices, IP addresses, telephone numbers, email addresses, mailing addresses, payment methods, unusually rapid completion and repeated attempts involving multiple identities
- Comparing information across resident and nonresident applications and investigating material inconsistencies in identity, address, examination history or disciplinary disclosures
- Sharing confirmed patterns with other departments, examination vendors, licensing organizations, law enforcement and affected insurers
- Updating the PMLA to ensure states have the authority to promptly disable licensing credentials

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