KYC - the gatekeeper against insurance fraud

The insurance industry is increasingly exposed to fraudulent practices and is more vulnerable, susceptible than ever, motivated by insufficient resource allocation for attack prevention and good security, but still less than the banking industry. When customer data is stolen, it also implies fraud.

> "The insurance field is composed of more than 7,000 firms that collect over $1 trillion in premiums annually." (Federal Bureau of Investigation of the US government)

In such a way, authorities worldwide are doing their best to impose a series of sanctions to combat money laundering. As an example, European regulators require insurance companies to comply with appropriate Customer Due Diligence (CDD) measures or in other words Customer Identification Program (CIP) to prevent and protect against fraud. This process/method is vital and underlies the prevention of fraud by the insurance industry, and which is part of the process of KYC (Know Your Customer).

The KYC's goal and what is it eaten with?

KYC is a fundamental part of any financial, banking, insurance company's game plan. It's the process of verifying the identity of a customer in a timely and secure manner, being at the same time part of the Anti-Money Laundering (AML) regulations framework. It takes place before or during a client's onboarding and authentication, perfectly by electronic identity verification.

KYC's main goal is understanding better clients and their financial transactions, thereby effectively managing risks. More importantly, used by various companies in many sectors for fraud detection, customer viability testing, or market segmentation purposes. KYC is a way to protect companies and individuals to save money and avoid losses or different fraudulences.

Referring to the **modern-day fraud types**, among them are the following:

- Money Laundering;
- Fake Accounts;
- Stolen Identities;
- False Insurance Claims;
- Application Fraud.

Its policies are an extremely global tool that fights against money laundering, corruption, fraud, financial terror, illegal transactions, and other similar situations. If you do not use this special tool, obtaining information about individuals and legal entities can be time-consuming, and the quality of the data obtained is not guaranteed.

"The whole market for KYC solutions is evaluated at $ 5.6 billion with a yearly increase rate of 16%, with a forecast size of $ 11.8 billion in 2022." (Office of War Information (OWI))

Insurance Due Diligence

Considering that insurance companies are increasingly neglected by money laundering and other types of fraud, the due diligence comes to the rescue, helping to classify risks, find out their levels and check the details of each client thoroughly.

KYC addresses two main areas of concern:
➡ business' Customer Identification Program (CIP);
➡ Customer Due Diligence (CDD).

Undertaking due diligence, useful client's details like names, social security numbers, birthdays, and addresses, and others, the identity of the client is rigorously checked, namely, if s/he is not intricated in corrupt, illegal activity, suspected financial crimes, or money laundering, bribery, continuously monitoring his/her profile by suspicious activities. Fulfilling this customer data collection, the client remains to be protected following GDPR regulations.

In this process, companies also neglect the Anti-Money Laundering (AML) Compliance Program, which helps prevent financial attacks.

Based on this, the AML and KYC platforms simplify the activity of not only the business, but also the client.

Thus, in addition to collecting customer data, the company checks the customer's level of trust by following the Customer Due Diligence process. Due to the fact that in many cases the initial half-year analysis of the client is not enough, insurance companies constantly monitor, namely, the transactions that they do on the basis of an adequate system of internal control and monitoring, Money Laundering Regulations.

IT and its benefits in preventing insurance fraud

e-KYC is the base of todays' modern insurance security process and takes the KYC to the next level. A part of this is, the trending comprehensive customer authentication solution, called "Video-Based Identification Process (VBIP)". Through this, the company receives a real-time audio-video authentication connection or live photos with the help of which the company can continuously monitor all the client's actions and at the same time easily detect suspicious procedures. Beside this, the location tracking of the client is also mandatory, using Geotagging, which consists of the live investigation of his/her location via Google Maps.

e-KYC simplify digitizes the insurance industry, offering a series of **benefits** such as:

- Speed;
- Accuracy;
- Cost;
- Adaptability;
- API Integration;
- Analytics, auditing, tracking, and reporting;
- Customer Experience;
- Efficiency.

Nevertheless, the solutions of companies developing KYC products are used by businesses, governments, and non-profit organizations around the world. Banks such as Bank of America, Royal Bank of Scotland (fingerprint), Barclays (fingerprint), HSBC (face), Wells Fargo (either voice and face, or vascular) have already successfully used remote identification eyeball) and Citibank (by voice).

What is the benefit for customers? Very simply, the client lifecycle becomes secured, offering long-distance access online activities, all electronically, and is protected against fraud, this is great, isn't it?

"Already Australia, Brazil, Canada, Europe, India, Mexico, New Zealand, South Africa, and the UK are implementing such methods." (KYC laws around the world)

Modern and efficient SOLUTION

Today, there are many companies and tools that provide innovative solutions to prevent insurance fraud. But the question is that you need to use one solution, effective and at the same time simple.

"21% of insurance plan to invest in IT in the next two years."(Coalition Against Insurance Fraud)

DAS Solutions creates custom KYC and identity verification platforms for insurance firms, offering behind-the-scenes protection to clients from various malicious schemes. Thus, your company will increase the productivity and safeguard of your business thanks to a scalable and automated omnichannel solution. If you plan to optimize processes and allow employees to work more efficiently, then the coolest solution is DAS Solutions.

With advanced technologies and innovative analytics, identity verification, monitoring, and screening, the entire process becomes fast, simple, reliable, and secure. Smart KYC onboarding and monitoring reduce human error where possible and, ultimately, helps insurers prevent fraud while avoiding costly non-compliance penalties.

Contact us today and protect your business with a scalable method and automated way, while saving time, money, and resources. We will be glad to customize the right KYC answer for your company.

Interesting Stats

- Insurance fraud steals at least $80 billion every year from American consumers. (Coalition Against Insurance Fraud estimate). https://insurancefraud.org/fraud-stats
- Insurance Europe estimated that fraud, both detected and undetected, represents up to 10 percent of Europe's overall claims expenditures. https://www.insuranceeurope.eu/
- Based on PwC's survey from 2020, 6 is the average number of frauds reported per company. https://www.pwc.com/gx/en/services/forensics/economic-crime-survey.html
- In addition, PwC noted in its Global Economic Crime Survey that a whopping 62 percent of global insurers have been exposed to fraud or financial crime during the past 24 months, compared to 37 percent and 35 percent in previous years. https://www.pwc.com/gx/en/services/forensics/economic-crime-survey.html