CELENT

INSURANCE FRAUD-DETECTION SOLUTIONS: PROPERTY AND CASUALTY INSURANCE, 2022 EDITION

A Celent SolutionScape, powered by VendorMatch

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EXECUTIVE SUMMARY

A claims fraud-detection system helps insurance carriers identify fraudulent claims, at both the individual and organizational levels. It is typically used by claims teams and in special investigative units (SIU). There are a variety of business benefits that can be achieved from claims fraud-detection solutions, but two of the primary goals are:

- Improving the carrier's loss ratio by identifying illegitimate claims.
- Enhancing the overall customer experience by giving carriers the confidence to quickly indemnify claims that are deemed valid.

This report provides an overview of fraud-detection solutions for property-casualty insurance carriers. The report profiles 11 claims fraud-detection solutions providing an overview of their functionality, customer base, technology, SaaS capabilities, implementation, pricing, and support.

Celent asked firms that provide claims fraud-detection solution for property-casualty insurers to enter information about their company and products into Celent's free digital catalog, VendorMatch (https://www.celent.com/vendormatch). This report presents certain extracts of that information. Additional details about each product are available in VendorMatch, subject to VendorMatch's terms of use.

The goal of this report is to help property-casualty insurers to define their claims fraud-detection solution requirements if they are looking to select a partner. It can be used as the first step toward creating a short list of vendors for evaluation. Insurers continue to have a broad spectrum of systems and vendors to consider when looking for a solution to fit their needs. Insurers can leverage their access to the authors through analyst access calls to learn more about the vendors.

INTRODUCTION

The origins of insurance can be traced back to the beginning of recorded civilization. Some historians cite Babylon, circa 4000-3000 BC, as having the first-known instance of an insurance policy. Loans were granted to merchants with the stipulation that if their shipment was lost at sea the loan did not need to be repaid. Over the next millennia, countless generations of businesspeople and regular citizens alike would benefit from the protections provided by insurance. However, for as long as the insurance business has existed, so has its "evil twin," insurance fraud.

While insurance fraud has existed for thousands of years, today's actors are more sophisticated than ever before. Organized crime rings have, in many instances, been able to scam insurance carriers for large sums of money. According to the Coalition Against Insurance Fraud, 10% of property-casualty insurance losses are estimated to be fraudulent.[1] Industry estimates indicate $500 billion in property-casualty claims were paid out in 2021, which would mean approximately $50 billion in claims were fraudulent.[2]

While organized fraud accounts for a significant portion of false claims payouts, the incidence of "soft fraud," the padding of a legitimate claim, is rampant and arguably more damaging. In a poll by the Insurance Research Council, 24% of respondents in the United States believe it is acceptable to inflate an insurance claim to make up for their deductible.[3] And that is just those who were not too embarrassed to admit it. Overall, soft fraud is estimated to cost insurers a staggering $32 billion a year.[4]

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[1] https://www.propertycasualty360.com/2022/05/17/fraud-in-disaster-claims-cost-insurers-as-much-as-9-2b-in-2021/

[2] https://www.iii.org/fact-statistic/facts-statistics-industry-overview

[3] http://www.insurancejournal.com/news/national/2013/03/20/285243.htm

[4] https://www.iii.org/article/background-on-insurance-fraud

Figure 1: Fraud by the Numbers

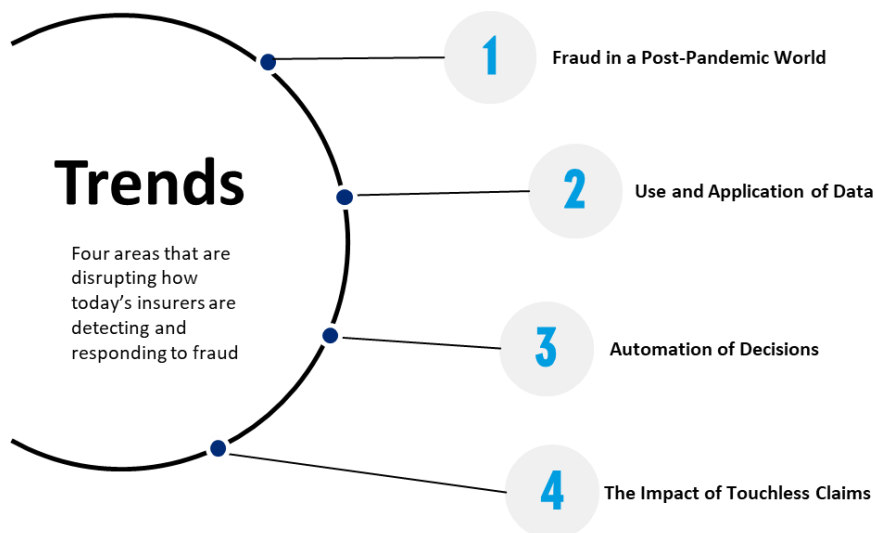| 10%	$500B	24%
Minimum percent of total claims that are estimated to be fraudulent	Claims dollars paid in 2021	Percent of respondents who believe it is acceptable to pad a claim

Source: Celent

Trends Impacting P&C Insurance Fraud

Celent believes there are four major trends that are impacting how insurers are detecting and responding to fraud. Accordingly, today's leading vendors in the fraud-detection space have made valiant strides over the last several years to provide solutions that support carriers. Figure 2 outlines four trends that are disrupting how insurers are detecting and responding to fraud.

Figure 2: Trends Impacting Fraud

Trends

Four areas that are disrupting how today's insurers are detecting and responding to fraud

1 Fraud in a Post-Pandemic World

2 Use and Application of Data

3 Automation of Decisions

4 The Impact of Touchless Claims

Source: Celent

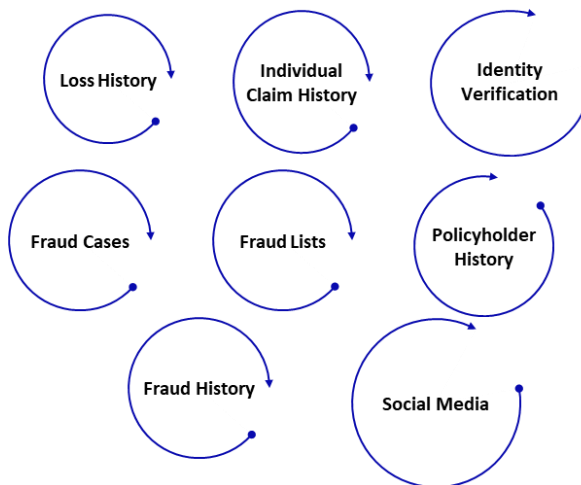### Fraud in a Post-Pandemic World

The pandemic has had a profound impact on the ways in which individuals interact with others and conduct business. Insurance carriers are no exception. With the shift to digital, claims have increasingly been submitted and handled through different, typically more remote, channels. By allowing the policyholder to submit a claim without a human adjuster, there may be increased vulnerabilities to claims fraud. As such, there may be an increased need for fraud-detection tools that can act as guardrails.

Additionally, the "great resignation" has altered the make-up of some organizations. Without a sufficient number of seasoned adjusters who are trained to detect signs of fraud, and combined with the limited number of young employees coming into the workforce, there may be increased reliance on fraud-detection tools as well.

Use and Application of Data

To make machine learning models work effectively, fraud-detection models need to access high-quality data from myriad sources. As such, leading fraud-detection tools are leveraging new data sources and applications of data to improve fraud detection. By integrating with a variety of available internal and external data sources, carriers can have a more complete picture of the claim, which will allow them to make more informed assessments about its veracity. Having access to this data in real time will allow carriers to prudently make claims decisions and create an improved customer experience. The future benefit of having AI/ML models ingest the data stems from iterative feedback loops that may optimize processes and provide insight into fraud factors.

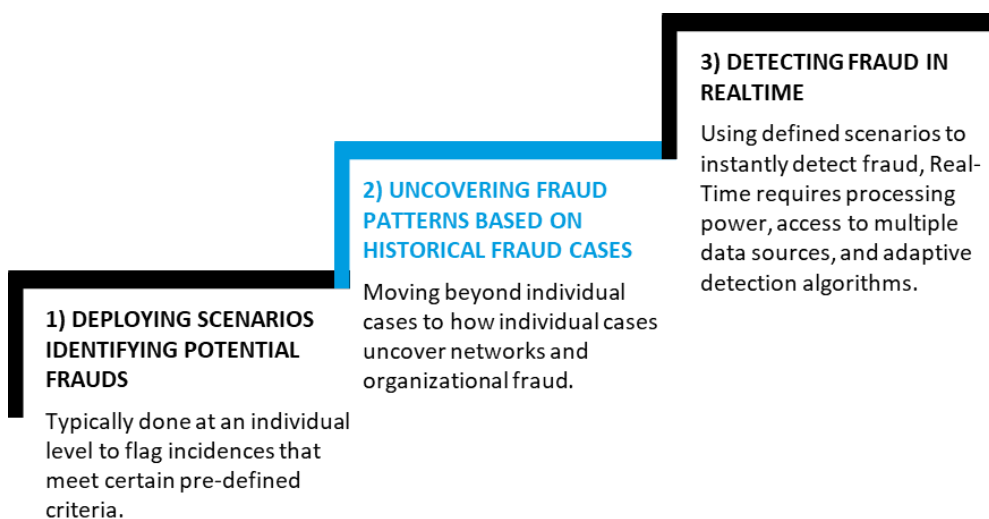**Figure 3: Data Points that May Inform Fraud Detection**

Source: Celent

Automation of Decisions

Today's advanced fraud tools are going beyond simply providing information for an adjuster or SIU employee to decipher. Directionally, they are moving from showing what happened to making intelligent automated decisions based on the fraud model. Figure 4 illustrates the evolution of modern fraud-detection tools. The tools are moving from deploying scenarios to identify potential frauds at an individual level to uncovering larger fraud patterns based on historical cases to, in their most advanced state, using defined scenarios to detect fraud in real time.

Figure 4:Evolution of AI in Fraud-Detection Tools

3) DETECTING FRAUD IN REALTIME

Using defined scenarios to instantly detect fraud, Real-Time requires processing power, access to multiple data sources, and adaptive detection algorithms.

2) UNCOVERING FRAUD PATTERNS BASED ON HISTORICAL FRAUD CASES

Moving beyond individual cases to how individual cases uncover networks and organizational fraud.

1) DEPLOYING SCENARIOS IDENTIFYING POTENTIAL FRAUDS

Typically done at an individual level to flag incidences that meet certain pre-defined criteria.

Source: Celent

The Impact of Touchless Claims

Many carriers have been moving toward removing human touchpoints in the claims process to create an either touchless or partially touchless claims process. With fewer interactions, there is a perceived increased susceptibility to fraud. In Celent's joint survey[5] with PropertyCasualty360.com on industry attitudes toward touchless claims, respondents were asked to rank eight possible barriers to the adoption of touchless claims. The results indicated that among SIU and adjuster staff, fraudulent behavior was ranked as the No. 1 barrier. To assuage these concerns and create a claims process that is seamless but also protects the carrier, many are looking toward employing real time fraud detection. Having an effective and fully auditable fraud-detection tools can lead to increased organizational buy-in and more confidence in claims that are automated.

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[5] https://www.celent.com/insights/356012498

KEY RESOURCES AND CAPABILITIES OF A FRAUD-DETECTION PLATFORM

In the simplest terms, the goals of a fraud-detection tool are to detect and flag suspicious claims. To do so, most fraud-detection solutions have a baseline set of features and functions. Below is a table of common functionality.

Table 1: Fraud-Detection Solution Features and Functions

FUNCTION	FEATURES
Data	• Ability to aggregate historical data from different internal databases. • Ability to integrate with external data capture tools (IoT, wearables, sensors, etc.). • Ability to consolidate data coming from external databases. • Data quality checking tools. • Automatic data adjustment prompts (unstructured, inconsistent, or redundant data).
Model Configuration	• Reusable, sharable rules, variables, and models. • Rules, variables, and models repository (searchable, version controlled). • Ability to compare multiple scenarios/models. • Real time fraud scoring. • Ability to create multivariable-based algorithms. • Ability to schedule model run-time. • Ability to prioritize model updates and model results (for instance, when multiple results are displayed on a shareable dashboard).
Claims fraud-detection techniques and claims-related models	• Claims fraud pattern identification. • Anomaly detection.

FUNCTION	FEATURES
	- Social network analysis. - Claims severity modeling. - Claims frequency modeling. - Claims settlement optimization.
Special investigation unit (SIU) features	- Ability to design and update monitoring dashboards. - Ability to assign/share fraud cases with other investigators. - Ability to check fraud case logs (status changes, audit trails, etc.).

Source: Celent

REPORT METHODOLOGY

Approach

To analyze the capabilities of P&C fraud-detection solutions, Celent invited a broad set of vendors to participate in this year's report. Not all vendors chose to participate. There was no cost for vendors to be included.

Each participating vendor completed an online RFI in Celent's VendorMatch/RFX platform. The RFI asked for data about the features provided by the solution, its technology and architecture, the current client base, pricing models, and the vendor itself. RFIs were completed for 11 products.

Celent used that data to draft profiles but did not independently confirm the information provided by the vendors. Vendors had an opportunity to review their profiles for factual accuracy. Some of the vendors profiled in this report are Celent clients, and some are not. No preference was given to Celent clients for inclusion in either the report or the subsequent profile.

About the Profiles

Each profile is structured the same way. Profiles present information about the vendor and its fraud-detection offering, client base, and staff dedicated to the platform. Charts provide more detailed information about specific features such as functionality, public cloud provider support, and pricing.

The profiles are presented in alphabetical order.

Limitations

Celent believes that this study provides valuable insights into current offerings in P&C fraud-detection marketplace. However, readers are encouraged to consider these results in the following context. The vendors self-reported. Participants in the study were asked to indicate which capabilities they provide in addition to requesting general information about their client base. While this information was supplemented with publicly available information where possible, Celent did not confirm the details provided by the participants.
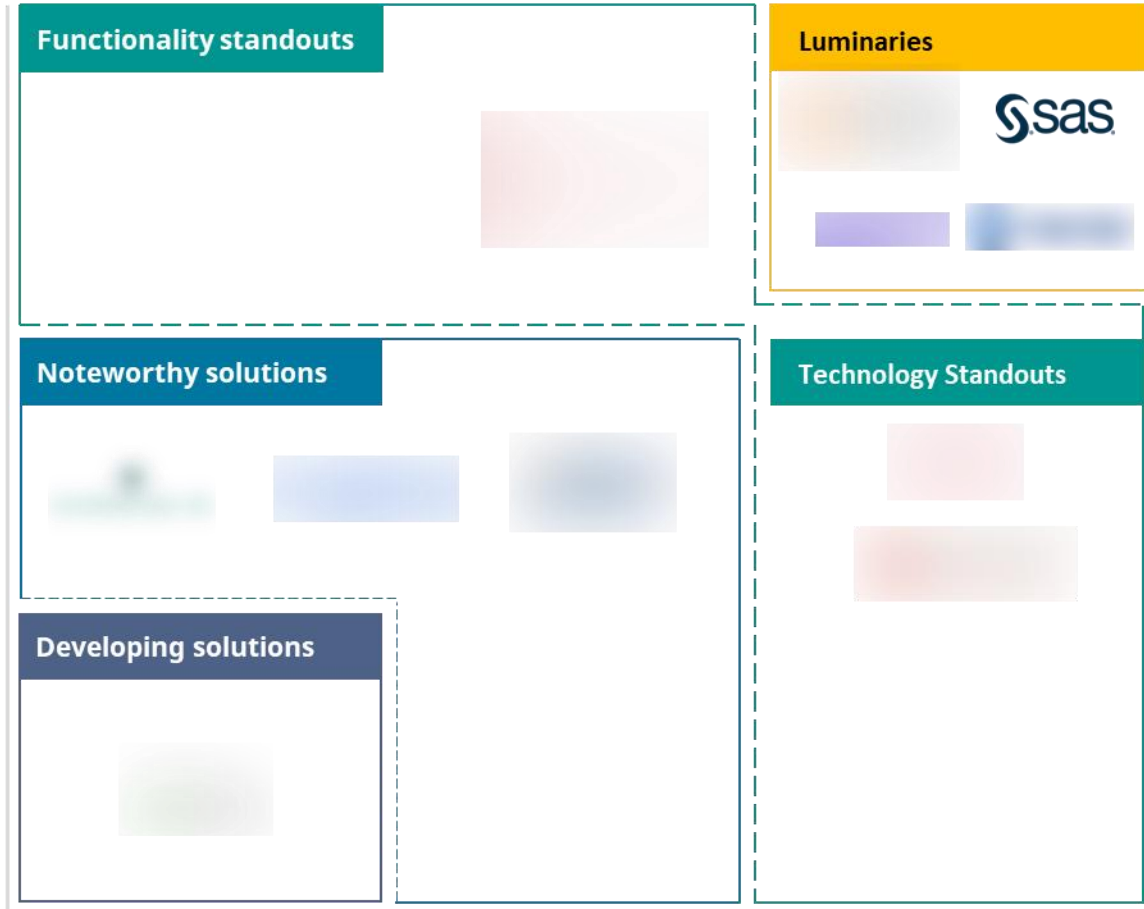
CELENT TECHNICAL CAPABILITY MATRIX

New to Celent's solution reports this year is the Technical Capability Matrix. We have placed each solution into one of five categories based on the sophistication and breadth of its technology and functionality (i.e., plotting the A and B dimensions). Solutions are not ranked within the assigned category; they are listed alphabetically.

The five categories are:

   I.   **Luminary:** Excels in both Advanced Technology and Breadth of Functionality.

   II.   **Technology Standout:** Excels in Advanced Technology but does not yet have as many features as leading competitors (low on Breadth of Functionality). Often newer, these solutions typically have chosen a focused set of functionalities to begin their journey.

   III.   **Functionality Standout:** Lower on Advanced Technology, high on Breadth of Functionality (likely a large installed base). Often more established, these solutions have built out a robust set of features with technology that may not be cutting-edge.

   IV.   **Noteworthy Solution:** Relatively lower on both dimensions, yet still very worthy of consideration by financial institutions.

   V.   **Developing Solution:** Typically, new to the market and low on either Advanced Technology or Breadth of Functionality. Has the potential to mature into a more robust offering over time.

Figure 1: Celent Technical Capability Matrix

Breadth of
Functionality

| Functionality standouts | Luminaries |
| | §sas |

| Noteworthy solutions | Technology Standouts |

| Developing solutions | |

Advanced
Technology

Source: Celent

VENDOR PROFILES

About the Profiles

Each of the vendor profiles presents information about the vendor and its solution, professional services and support capabilities, customer base, functionality, technology, partnerships, implementation time frames, and costs.

To gather data on implementation costs and fees, Celent asked vendors to provide their current client base's first-year total cost of ownership for costs associated with software licensing, initial installation, customization, annual maintenance, and training.

SAS: SAS® DETECTION AND INVESTIGATION FOR INSURANCE

Company and Product Snapshot

SAS is a private company headquartered in Cary, North Carolina, US, with sales and professional services personnel located throughout North America, Latin America, Africa, Middle East, Europe, and Asia Pacific. The company has 12,046 employees, of whom 400 are available to provide professional services/client support for the SAS® Detection and Investigation for Insurance solution.

The vendor states it has had no legal issues or bankruptcies.

Table 1: Company Snapshot

Year Founded	1976
Number of Employees	12,046
Revenues (USD)	$3,200,000,000
Financial Structure	Private N/A
VendorMatch Link	https://www.celent.com/vendormatch/discovery/vendors/sas
User Conferences	The vendor offers an annual user conference or customer event.

Source: Vendor RFI

Table 2: Product Snapshot

Name	SAS® Detection and Investigation for Insurance
Year Originally Released	2009
Current Release and Date of Release	SAS Viya 4.0/2022
Revenue Derived from the Product	$15.5 million
R&D Expense	SAS reinvests more than 25% of its revenue into research and development for all software products and solutions.
FTEs Providing Professional Services for Product	400
Regional FTEs (NA/EMEA/APAC/LATAM)	100/200/50/50
Target Market	Property & casualty and life insurers
Installed Base	57

Notable Clients	NC Dept of Insurance, AKSigorta, Ethniki, CNseg, The Insurance Fraud Bureau, Shin Kong Life

Source: Vendor RFI

Overview

The vendor states that SAS® Detection and Investigation for Insurance provides an end-to-end solution for detecting, preventing, and managing both opportunistic and organized fraud detection across multiple lines of business. The solution includes components for fraud detection using advanced analytics and machine learning, advanced searching, alert management and case handling, along with the unique ability to uncover hidden relationships among fraudsters, enabling clients to focus on stopping the highest-value fraud networks. It is designed specifically for special investigation units, fraud analysts, and managers in insurance companies.

Key features include:

Single, end-to-end framework uses multiple techniques—automated business rules, predictive modeling, text mining, exception reporting, network link analysis, etc.—to better identify fraudulent activity and stop payments before they are made.

- *Data management*

    o *Provides an insurance-specific fraud data model. Consolidates historical data from internal and external sources—claims systems, watch lists, third parties, unstructured text, etc.*

    o *Eliminates or reduces redundant or inconsistent data with the solution's built-in data quality tools.*

    o *Seamlessly integrates with existing third party systems.*

- *Advanced analytics with embedded AI and machine learning*

    o *Provides a broad set of modern statistical, machine learning, deep learning, and text analytics algorithms from within a single environment.*

    o *Enables clients to improve fraud models by testing different approaches in a single run and comparing results of multiple supervised learning algorithms with standardized tests.*

    o *Provides an array of analytical capabilities, including clustering, different types of regression, random forests, gradient boosting models, support vector machines, natural language processing, topic detection, and more.*

    o *Continuously updates and improves models based on prior output results.*

- *Rule and analytic model management*

    o *Provides prepackaged heuristic rules, anomaly detection, and predictive models so clients can harness the power of advanced analytics right out of the box.*

    o *Lets clients create and logically manage business rules, analytic models, alerts, and watch lists.*

    o *Enables clients to customize analytical models to identify fraud not found by existing business rules.*

    o *Enables easy management of the deployment, aggregation, scheduling, suppression, and routing of simple or complex rules across multiple factors, such as parties, data sources, and business lines.*

    o *Lets clients run groups of rules and models alone, in parallel or at different times (intraday, daily, weekly, monthly, etc.).*

    o *Facilitates collaboration with other business units on model development.*

- *Detection and alert generation*

    o *Calculates the propensity for fraud at first submission, then rescores claims at each processing stage as new claims data is captured.*

    o *Reviews claims early in the adjudication process so clients can stop suspicious activity at the prepayment stage. Enables clients to incorporate fraud-detection methods into the process at the most appropriate points—e.g., cases where anomaly detection scenarios may require data that is not available until later in the adjudication process.*

- ***Alert management***

    o *Combines alerts from multiple monitoring systems, associates them with common individuals, and provides a more complete perspective on the risk of particular individuals or groups.*

    o *Prioritizes the investigative order of alerts by scoring them in real time, based on specific characteristics. Automatically routes alerts to appropriate team members based on user-set rules and requirements.*

    o *Displays all evidence for each case on a dashboard that clients can customize to accommodate clients' investigative units' processes.*

- *Social network analysis*

- o *Provides a unique network visualization interface that lets clients analyze related activities and relationships at a network dimension and identify linkages among seemingly unrelated claims.*

- o *Enables clients to produce complete dossiers of networks surrounding a case and gain fast access to full details on all related parties and networks.*

- o *Produces independent and combined fraud scores, so clients can assess overall risk on a customer, claim, or network basis.*

- o *Increases investigator effectiveness by enabling investigators to merge and delete network entities and add annotations (text and images) to specific entities in a network.*

- o *Provides time slider functionality, which enables clients to see how activity in a network develops over a time horizon.*

- *Search and discovery*

  - o *Enables free-text, field-based, or geospatial searches across all data (internal and external).*

  - o *Lets clients refine searches using interactive filters and facets that are customized for the specific user groups.*

  - o *Provides full entity descriptions that include other linked entities, which clients can open and explore to evaluate the likelihood of fraud.*

  - o *Provides an intuitive interface that lets clients construct complex queries without the need to understand specific syntax. For example, clients can use fuzzy searching, proximity searching, and field boosting while restricting searches to specific entity types, fields, comments, or insights.*

- *Case handling*

  - o *Systematically facilitates investigations using a configurable workflow.*

  - o *Stores all information pertinent to a case, including detailed investigation information—e.g., interview notes and evidence for criminal or civil prosecution, restitution, and collections.*

  - o *Assesses overall fraud exposure, including losses due to fraud as well as fraud detected or prevented.*

- *Flexible deployment options and analytical services*

o *Enables faster implementation (and faster ROI) when installed and administered at the SAS hosting site, eliminating the need for staff to oversee the system.*

o *Can be hosted at a client's site, with SAS providing implementation assistance and training.*

o *Can be fully integrated with the client's existing operations environment, workflow solution, and business process management objectives, including thorough business process discovery and review to ensure the client's objectives are met or exceeded.*

Key benefits include:

Detect more fraudulent activity
- *Insert analytical models into the process, in addition to rules engines.*
- *Leverage advanced data mining and machine learning algorithms, as well as open source models.*
- *Analyze millions of claims records and scale both in real time and in batch to gain scores where you need them in the claims process.*
- *Use customized anomaly detection methods to detect previously unknown schemes.*
- *Automatically spot linked entities and crime rings, which can help stem larger losses.*
- *Overcome poor data quality issues associated with imperfect matching and highly linked entities.*

Lower loss adjustment expenses
- *Greatly reduce false positives.*
- *Improve investigator efficiency with advanced case handling tools.*
- *Increase ROI per investigator by prioritizing higher-value claims, entities, and networks and conducting more efficient and accurate investigations.*
- *Capture all claim settlement amounts within the system for reuse with similar claims in the future.*

Gain a greater competitive advantage
- *By quickly deciding which claims require further scrutiny and allowing the rest to pass, receive fewer false positives to reach greater customer satisfaction for legitimate customers.*
- *Satisfy regulatory compliance mandates through enhanced fraud management.*

Prevent fraud losses before settlement
- *Prevent payment on fraudulent claims using online, real time scoring or daily or intraday batch scoring.*
- *Detect loss padding in similar insurance claims with anomaly and loss comparisons.*

- *Detect repeat offenders and more accurately score incoming claims by searching databases and watchlists of known fraudsters and other key entities (physical addresses, phone number, IP address, etc.) and capturing all fraud outcomes, referrals, and suspects within the system for reuse.*
- *Apply risk- and value-based scoring models to output before presenting to investigators.*
- *Detect insider or collusive fraud by integrating staff data and audit records that show who handled which claims.*

Gain a consolidated view of fraud risk
- *Identify cross-product fraud by seeing customer claims for all lines of business.*
- *Move analytics into new business processes to prevent and detect fraud.*
- *Continually improve models and adapt the system to address changes in insurance fraud trends.*
- *Better understand new claim threats and prevent big losses early using social networks and sophisticated data mining capabilities.*

Functionality

Table 3: Functionality

Function	In Production with Clients	Supported, But Not in Production with Clients	Not Supported
Data			
Aggregate historical data from different internal databases	🟢		
Integrate with external data capture tools (IoT, wearables, sensors, etc.)	🔵		
Consolidate data coming from external databases	🟢		
Data quality checking tools	🟢		
Automatic data adjustment prompts (unstructured, inconsistent, or redundant data)	🟢		
Uses additional hardware infrastructure in the cloud to run models on large amount of data	🟢		
Model Configuration			
Reusable, sharable rules, variables, and models	🟢		

Rules, variables, and models repository (searchable, version controlled)	🟢
Compare multiple scenarios/models	🟢
Real time fraud scoring service	🔵
Create multivariable-based algorithms	🔵
Schedule model run-time	🔵
Prioritize model updates and model results (for instance, when multiple results are displayed on a shareable dashboard)	🔵

Claims Fraud Detection Techniques and Claims-Related Models

Fraud pattern identification	🟢
Anomaly detection	🟢
Social network analysis	🟢
Claims severity modeling	🔵
Claims frequency modeling	🔵
Claims settlement optimization	🔵

Special Investigation Unit (SIU) features

Design and update monitoring dashboards	🟢
Assign/share fraud cases with other investigators	🟢
Check fraud case logs (status changes, audit trails, etc.)	🟢

🟢 = Available out of the box

🔵 = Configurable through a scripting language/coding

⚫ = Under development/On road map

🔵 = Configurable using simple tools for business user

🟡 = Available with integration to a third party solution

⚪ = Could develop—would be considered customization

🔵 = Configurable using simple tools for IT user

🟡 = Available with integration to a separate module provided by this vendor

🔴 = Not available/Not applicable

Source: Vendor RFI

Customer Base

Figure 1: Client Base by Geography, Size, Type of Insurer, and Deployment Type (Global)

SAS did not provide insurer type distribution but noted 57 P&C carriers in addition to 11 insurance fraud consortiums.

Source: Vendor RFI

Technology

Table 4: Technology Options for the Solution

Technology Options	Responses
Code Base	Java: 50%
Database	DB2, Oracle, Postgresql, SQL
Scalability	The vendor's largest deployment (total number of transactions processed daily system): Not disclosed Scalability metrics: Not disclosed
Integration Methods	Web services, HTML, HTTP, RESTful HTTP style services, JSON format, Custom APIs, native messaging

Source: Vendor RFI

Table 5 SaaS Capabilities

Elements	Response
Supports a multitenant architecture	Yes

Source: Vendor RFI

Table 6: Deployment Options and Public Cloud Provider Support

Public Cloud Providers	Availability
Microsoft Azure	✔
Amazon AWS	✔
Google Cloud Platform (GCP)	✔
Alibaba Cloud	✔
IBM Cloud / Bluemix	✔
Oracle Cloud	✔
Salesforce Cloud, Force.com, AppExchange	✔
Other	✘

Source: Vendor RFI

Configuration

Table 7: Change Tooling and Upgrades

Types of Changes	Availability
Business Rule Definition	✔
Data Definition	✔
Table Maintenance, List of Values, etc.	✔
Interface Definition	✔
Product Definition	☐
Role-Based Security, Access Control, and Authorizations	✔
Screen Definition	✔

Legend: ✔ = Configurable via tools for business users; ☐ = Configurable via tools for IT users; ■ = Configurable via the vendor; ⊖ = Configurable via scripting; ● = Coding required; ✘ = Not available

Source: Vendor RFI

Data

SAS' data model is proprietary.

Regarding industry standard data model schemas, the vendor follows ACORD.

The database was designed from the ground up for this product.

The solution uses a standard data model design that can be extended using standard RDBMS tools. The data model can be released to the client and can map to an intermediate format to share with a client (such as an industry standard).

The solution uses a standard data model design that can be extended using standard RDBMS tools. While SAS allows client-specific changes, it discourages them because of the potential impact in migrating to newer releases of the solution.

SAS provides data lineage capabilities to help document and manage metadata across systems—from both SAS and third party tools—transformation jobs, and data models. SAS helps clients build the set of policies, processes, and boundaries to holistically manage their data, helping their organizations achieve consistency and transparency for the long term.

Security

The vendor is not PCI compliant.

Security tokens/pins, biometric security support, multifactor authentication, and federated identity support are available as authentication factors for internal and external users.

The system does not have penetration security.

Partnerships

Table 8: Implementation and Support

Type of Partnership	Partner Vendor
System Integrators	Accenture, Core Compete (now part of Accenture), Tata Consulting (India), Zencos (US), Paspara (Lithuania), Zreya (Malaysia), Timestamp (Portugal), Accord Business Group (United Arab Emirates), MIAC Computing (Israel), DataScience (Middle East), Facts Consulting (Southern Africa), and GMWIT (Brazil)
Fintech Partners	Guidewire, Duck Creek, ISO, NICB, ThreatMetrix, GIACT, Plaid, Boku, Prove, Intellicheck, BioCatch, DataVisor, Iovation, Socure, and TransUnion

Source: Vendor RFI

Implementation, Support, and Pricing

Table 9: Implementation, Support, and Pricing

Typical Implementation Team Size	1 to 5

Resource Breakdown	Vendor: 60%; Insurer: 30%; Third party: 10%
Location of Employees	SAS has employees in North America, EMEA, APAC, and LATAM, with 200 in North America, 110 in EMEA, 50 in APAC, and 40 in Latin America
Average Time to Implementation	Initial implementation: 4 to 6 months Second and subsequent line of business: 1 to 3 months Second and subsequent states/jurisdictions: 1 to 3 months
Preferred Implementation Approach	Not disclosed
Pricing Models	Subscription-based license, term license, enterprise license, other pricing model not listed
Factors Used to Determine Pricing	Annual premium volumes/revenues; however, the vendor notes it will be moving more toward usage based pricing in 2023. Usage-based factors: Number of concurrent users Tier-based factors: None Other factors:

Source: Vendor RFI

Pricing

The following table shows the average total costs of the vendor's current client base. This includes costs associated with the software license or subscription, initial installation, customization, annual maintenance, and training in the first year. It also estimates the remaining costs for full implementation, including license fees, maintenance, customization, and other fees.

Table 10: Five-Year Pricing Estimates for North America

Average Total Costs	Licensing/Subscription	Implementation	All Other
Average Year One Costs	Not disclosed	Not disclosed	Not disclosed
Average Remaining Costs (Year Two and Beyond)	Not disclosed	Not disclosed	Not disclosed

Source: Vendor RFI

PATH FORWARD

Insurance fraud is an age-old problem that will never cease to exist, but today's carriers have an opportunity to leverage solutions that will help them to at least mitigate the costly problem. Owing to a variety of reasons, particularly heightened customer expectations, many carriers have focused on automating human touchpoints and creating a more frictionless claims process. With that comes increased susceptibility to fraud. As such, fraud-detection tools are vital resources with a proven ROI that Celent strongly suggests carriers employ.

For Insurers

There is no "one-size-fits-all" fraud detection solution, but there are myriad options to fit almost any set of requirements. An insurer seeking a fraud detection solution should begin the process by looking inward and outward. Every insurer has its own unique business objectives, mix of lines of business, staff capabilities and financial resources. This unique combination of these factors, along with the organization's risk appetite, will influence the list of vendors for consideration.

Some vendors are a better fit for an insurance company with a large IT group that is deeply proficient with the most modern platforms and tools. Other vendors are a better fit for a company that has a small IT group and wants a vendor to take a leading role in maintaining and supporting its applications.

We recommend that insurers looking for a fraud detection solution narrow their choices by focusing on four areas:

- *The technology:* Leading fraud detection tools have invested in AI/ML to create real-time fraud scoring models. Carriers should both be aware of their business needs and the solution's capabilities so they can ensure the tool is best aligned with their objectives. It should be noted that not all carriers need the most cutting-edge fraud detection tools.

- *The functional capabilities:* It is important to understand the functionality needed and available out of box. Carriers should also check to see what is actually in production.

- *The vendor's stability, knowledge, and investment in the solution:* Consider the partnership dimension carefully. Key functional gaps are quickly closed by leading vendors.

- *Implementation and support capabilities and experience:* The relationship between an insurer and its fraud detection platform vendor will likely last a few

years or more. Celent can help with selection projects; we know the vendors and the markets well.

For Vendors

Solution providers have invested significantly in bolstering their capabilities and differentiating themselves from their peers. The result is a maturing solution environment. The leading vendors have strong AI/ML capabilities, are delivering robust functionality, employ open application programming interfaces (APIs) for ease of integration, and are cloud ready.

Celent recommends vendors differentiate themselves by:

- Developing increasingly useful AI/ML models that can effectively make decisions.
- Continuing to move to open APIs and other integration frameworks to drive the easy orchestration of processes and data across external digital capabilities.
- Focusing on improving usability for both new and experienced users and managers.
- Making implementation faster and less expensive. It may be worth considering pre-integrating with a core claims system vendor.
- Continuing to expand functionality—especially in different lines of business and in the use of AI and analytics capabilities.
- Investing in embedding cloud-native capabilities into the product.

Was this report useful to you? Please send any comments, questions, or suggestions for upcoming research topics to info@celent.com.

LEVERAGING CELENT'S EXPERTISE

If you found this report valuable, you might consider engaging with Celent for custom analysis and research. Our collective experience and the knowledge we gained while working on this report can help you streamline the creation, refinement, or execution of your strategies.

Support for Financial Institutions

Typical projects we support include:

Vendor short listing and selection. We perform discovery specific to you and your business to better understand your unique needs. We then create and administer a custom RFI to selected vendors to assist you in making rapid and accurate vendor choices.

Business practice evaluations. We spend time evaluating your business processes and requirements. Based on our knowledge of the market, we identify potential process or technology constraints and provide clear insights that will help you implement industry best practices.

IT and business strategy creation. We collect perspectives from your executive team, your front line business and IT staff, and your customers. We then analyze your current position, institutional capabilities, and technology against your goals. If necessary, we help you reformulate your technology and business plans to address short-term and long-term needs.

Support for Vendors

We provide services that help you refine your product and service offerings. Examples include:

Product and service strategy evaluation. We help you assess your market position in terms of functionality, technology, and services. Our strategy workshops will help you target the right customers and map your offerings to their needs.

Market messaging and collateral review. Based on our extensive experience with your potential clients, we assess your marketing and sales materials—including your website and any collateral.

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