

# AI is creating fraudulent claims

19 December 2024  Joanna Wallens

Much has been written about artificial intelligence (AI), and its ability to reduce fraud. However, as with many new technologies, AI presents opportunities for criminals looking to take advantage. In this article, we look at the potential impact for insurers, of criminals using AI to make fraudulent insurance claims.

Insurers currently invest at least £200 million each year to identify fraud. However, insurers have seen a rise in the use of documents that have been created or altered using AI and digital tools in order to support claims. According to recent research, 94% of claims handlers suspect that at least 5% of claims are being manipulated with AI. Interestingly, claims handlers believe that fraudsters are targeting smaller claims, with 93% of those surveyed considering that lower value claims (under £2,000) are more likely to involve AI generated or altered documents. Claims valued between £501 and £1,000 were considered particularly vulnerable to manipulation.

42.5% of all fraud attempts in the financial and payments industry now involve AI. AI is enabling deepfakes, social engineering, and sophisticated attacks, which are executed at scale and often by highly organised criminal gangs. AI driven fraud is on the rise. Concerningly, 29% of fraud attempts using AI are successful. In 2023, insurers detected insurance fraud worth £1.1 billion. This was a 4% increase from 2022. The average value of fraudulent claims was £13,000, which was lower than the 2022 average of £14,600.

## What does this mean for insurers?

The highlighting of low value claims as the most likely to be manipulated utilising AI presents challenges for insurers, who must balance the requirement to handle low-value claims quickly and efficiently with the need to take sufficient steps to protect against fraud.

Insurers' use of AI in the claims process has brought efficiency gains, but AI has also brought new threats from bad actors using the technology to enable fraud. Insurers face a difficult balance of allowing legitimate claims through with less friction and introducing additional security measures to reduce acceptance of fraudulent claims. The FCA expects insurers to remove unnecessary barriers and friction in claims processes, but also acknowledges that fraud detection protects customers. Customers also increasingly expect a quick service. Modern technology has enabled rapid fulfilment of tasks in many areas of customers lives, however insurance is not immune from this and must keep up with customer expectations. Insurers are making significant investments to improve their own systems to combat fraud, collectively investing £200 million each year. However, the additional value of fraud detected is struggling to keep pace with the investment.

The importance of industry-wide initiatives is vital for insurers to stay (or get) ahead of fraudsters' use of AI.

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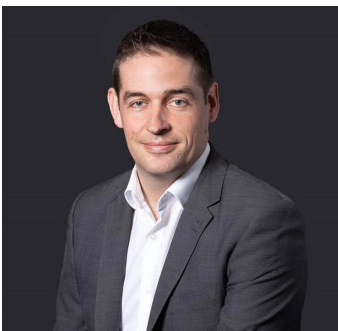


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