



**Coalition Against
Insurance Fraud**

2022 INSURER SIU BENCHMARKING STUDY

**INSURERS FINDING STABILITY IN THEIR ANTI -FRAUD
UNITS**

AON

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2022 Insurer SIU Benchmarking Study

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About this report:

The Coalition Against Insurance Fraud's biennial anti-fraud benchmarking study gives insurers a data-based tool to gauge how well they are doing compared to the overall market, and to similar competitors. Feedback from participants indicate that the studies have helped either to confirm that insurers are on the right track or that they should adjust their operations to gain better results. But in addition to aiding insurers, the Coalition's study helps the fraud-fighting community gain a big picture to better understand emerging SIU trends and prepare to effectively combat insurance fraud in the future.



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EXECUTIVE SUMMARY

Evaluating your company's SIU operation can be a challenging process. The market has very limited data dedicated to anti-fraud operations and activities. Even with the data that can be collected, companies are challenged with determining the best targets to compare against. Add in the complexities of size, sourcing strategy, lines of business and many other considerations, it can truly be a daunting task.

To better identify industry trends and best practices, the Coalition Against Insurance Fraud approached Ward Benchmarking, a business unit of Aon PLC, to conduct a survey of P&C carriers to understand how they are approaching fraud investigation and management, and what changes are taking place within Special Investigation Unit (SIU) operations. Key areas of focus included SIU organizational structures, budgets, and activities. The goal was to provide meaningful data that would assist insurance carriers in managing their SIU departments and help generate ideas and initiatives to enhance anti-fraud operations.



With the assistance of SIU leaders at member companies of the Coalition Against Insurance Fraud, the 2022 property and casualty anti-fraud survey was designed to help carriers measure and benchmark their performance. A diverse group of 41 property-casualty insurance carriers participated in the 5th iterations of the survey. The following highlights some of the findings of that study.

NOTABLE TRENDS


Staffing and Employee Trends

With the pandemic challenges of last year, most anti-fraud operations continued to grow. On average, study participants saw an increase in SIU staff at 1.4% from 2021 to 2022 with mid-sized carriers leading the way. This is slightly lower than the previous growth rates from the two prior studies that both reported increases of about 2.5%.

While headcount has been on the rise in SIU operations, premium growth rates have been outpacing the increases and lowering the overall FTE ratio. With the current study, carriers saw an average of 0.9 FTE (Full Time Equivalents) per \$100 million in gross premiums written. In comparison, just 5 years ago the average was 1.4 FTE. Scale has an impact as larger carriers drive some of the headcount calculations in the study. It is interesting to note however that for smaller carriers, the gap has narrowed relative to their larger counterparts. Where there were full headcount differences in prior studies relative to \$100 million in gross written premium, the difference in ratio was fractional in the most recent study.

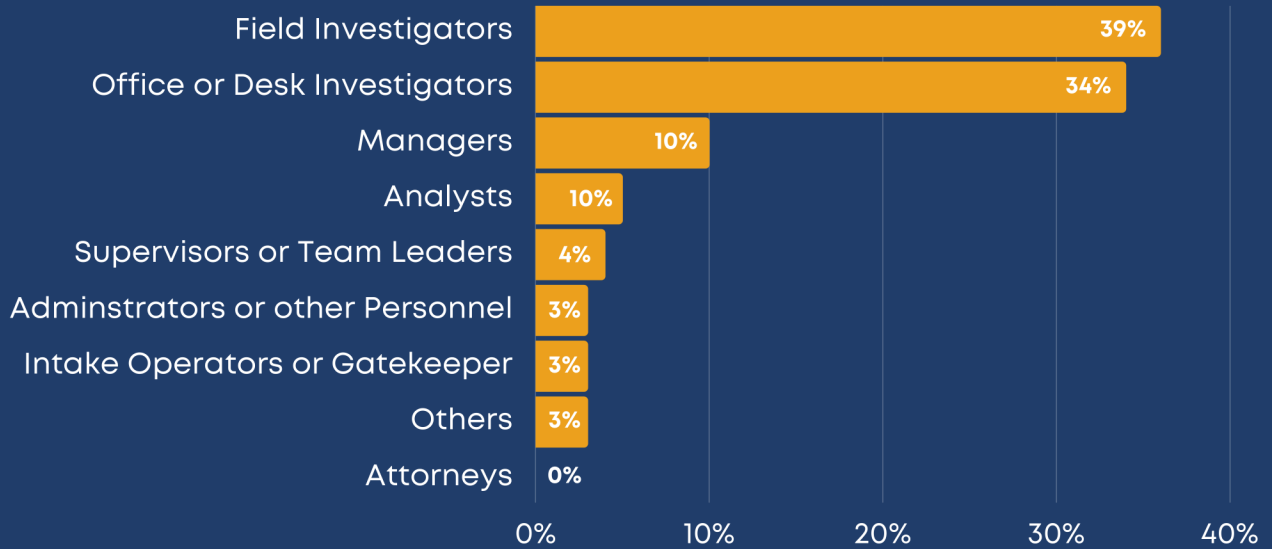
There have been some shifts in where efforts are being applied within anti-fraud operations over the last 5 years. Investigator positions have remained consistent relative to overall staffing in the organization. Desk and Field

Investigators represent roughly three quarters of the total headcount in SIU. With technology changes, efficiency gains, and pandemic remote strategy changes, there has



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EMPLOYEE DISTRIBUTION



been a shift in how companies view these roles. Where companies had a significant number of investigators classified as field in our study, 5 years ago, the balance between that and desk investigators is closer to about 50/50 overall. The impact is greater at larger carriers but the ratios for small and mid-sized companies has also shifted.

Relative to overall employee counts, there has been a decrease in management/leadership compared to prior studies. Management, supervisors, and team leads represent 14% of the overall SIU staffing. Where we've seen increases in overall headcount mentioned earlier, it was primarily driven by staff level positions. As a result, the span of control (staff headcount per manager) has increased over the last five years. Management level roles now have about 6.3 staff level positions reporting to them compared to 5.8 in 2017.

The average salary for SIU roles in the study have also been increasing over the last several years but appears to be in line with traditional merit rates. From 2017 to 2019, the study showed an increase of about six percent with the same reported from 2019 to 2021. The overall average salary is sitting at \$89,000, primarily driven by investigator positions. Influenced by shifting field investigators and their higher average salaries over to desk positions in the last 5 years, desk investigator salary has seen increases of around 11 and 8%, respectively. Field staff have seen increases closer to the average of all SIU staff reported in the survey. With continued demand for employees in the insurance industry and retention of key staff within claims weighing on leaders, it will be interesting to see if this will impact our next iteration of the study as it relates to salary.

Expenses and Budgets

As the impact of the pandemic and inflation continue, expense management is an increasing focus for insurance carriers. Managing claims costs is a primary target for these activities. Anti-fraud activity provides carriers an opportunity to help offset costs but can often be challenging to quantify so developing and managing budgets is important. In the current environment, it is important to note that budgets for SIU have been increasing. While there were increases of 5% reported from 2019 to 2020 the current study reflects a slight increase coming into 2022 at 6%. Overall, SIU budgets represent about 0.13% of overall premium. There is some variability on how companies report what is included in budget figures so with some additional costs calculated in the study an adjusted total is slightly higher.

While higher in the 5-year period, the budget cost per investigation decreased slightly from the prior study. The budget expense per investigation in this study is down about 3% from the 2019 results coming in at just under \$1,100. In comparison to the 2017 study, budget cost per investigation has increased 10%. It is interesting to note that in this study national carriers had a distinct advantage on this metric coming in more than 50% lower than regional carriers. Scale and line of business however have an impact on those companies as the regional carriers tend to have a greater percentage in commercial lines premium.



Workflow and Productivity

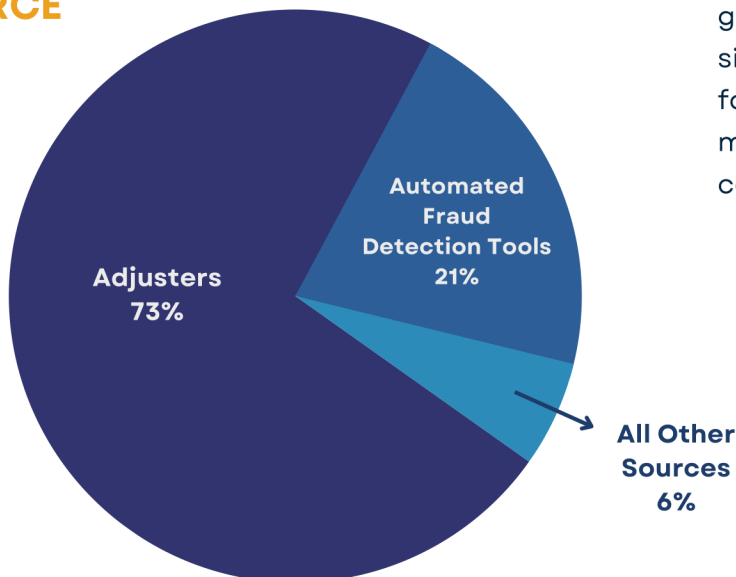
Strategy around automation in fraud detection is an important element for consideration but the last five years have yielded little change in investigation percentage. While automated fraud referrals to SIU have increased as a percentage of the total, the acceptance of those remained stable. Compared to 2017, there was a 1-point decrease in the acceptance ratio for automated referrals at 21% in the recent study. Adjusters still account for most referrals to SIU with an acceptance ratio over double that of automated referrals. In all, roughly 60% of all referrals are accepted for investigation and are driven by small and mid-sized companies.

Shifting headcount from field to desk investigators along with strategy has shifted workloads over the last 3 studies. In 2017, desk investigators were managing over 30% of the accepted referrals. That has shifted over the last 2 studies where the metric has moved to 42% and now 44%, in the most recent version.

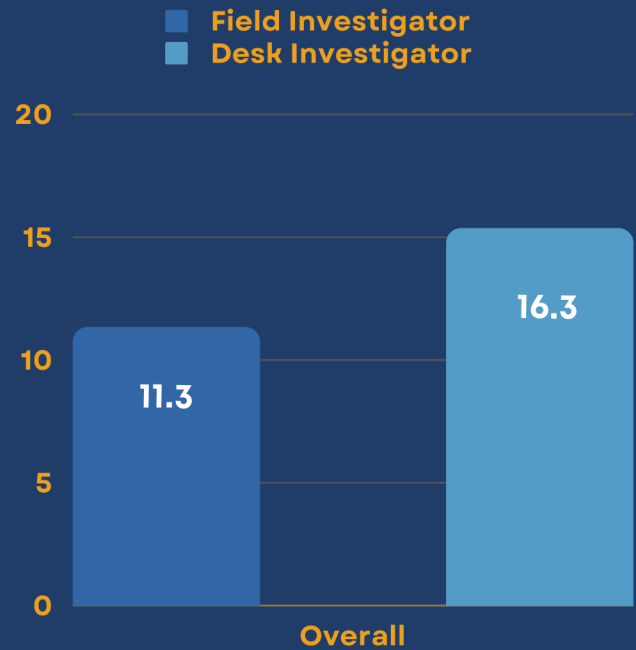
With the increase in headcount and overall volume, traditional workload metrics have shifted. On a combined basis (field/desk investigators), the annual accepted referrals per investigator remained consistent from 2017 at roughly 160. With the shifting investigator approach from field to desk and changes in capabilities, we've seen the workload for desk investigators shift from managing over double that of field to now only about 50% more.

Vendor investigation usage has increased over the last 3 studies. As a percentage of total investigations, vendor assigned investigations increased in each iteration. Specific to the most recent results, the greatest change came in mid and small sized companies. It was also most notable for personal lines carriers compared to multi-line and commercial focused companies.

ACCEPTED REFERRALS BY SOURCE



Monthly Average Referrals per Investigator



Top Concerns

Anti-fraud leaders are balancing several concerns with challenges in emerging trends and how the operational landscape is being impacted. Below is a list of the top concerns listed by those leaders.

- Staffing and talent management
- Artificial intelligence and fraud identification automation
- Legal/regulatory environment and oversight
- Managing emerging fraud trends
- Organization technology challenges and SIU prioritization

There continue to be several opportunities for SIU leaders going further into 2022 and 2023. Finding the sourcing solutions to accomplish anti-fraud goals along with realizing additional expense and efficiency strategies will be at the forefront for many carriers. As with the insurance industry in whole, retaining and

While the findings identified are important, care must be given to evaluating the best targets and benchmarks for individual organizations. Size, business mix, and channel can all impact SIU strategy.

acquiring key claims talent to support anti-fraud activities will continue to play a factor in planning for the best structure to drive results. Comparing SIU operations to the industry will continue to be vital for most companies in driving strategic initiatives and objectives. While the findings identified in this summary are important, care must be given to evaluating the best targets and benchmarks for individual organizations. Size, business mix, and channel can all impact SIU strategy.

QUESTIONS? CONTACT US.

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For more information on how we can help or to purchase the detailed results of the study, please contact Vince Albers at Vincent.albers@aon.com for more information.