Russell Anderson, CFE

Head of Fraud Prevention and Compliance Solutions

LIMRA and LOMA

Fraud is a Cost of Business

Fraud has transformed the customer experience and is now a factor in virtually every business process and customer interaction.

FBI Internet Crime Complaint Center (IC3) Annual Report Analysis

Crime Type	# of Complaints								
	2015	2016	2017	2018	2019	2020	2021	2022	2023
BEC/EAC*	7,837	12,005	15,690	20,373	23,775	19,369	19,954	21,832	21,489
Confidence Fraud/ Romance	12,509	14,546	15,372	18,493	19,473	23,751	24,299	19,021	17,823
Data Breach (Corporate*)	2,499	3,403	3,785	2,480	1,795	2,794	1,287	2,795	3,727
Identity Theft	21,949	16,878	17,636	16,128	16,053	43,330	51,629	27,922	19,778
Investment	1,806	2,197	3,089	3,693	3,999	8,788	20,561	30,529	39,570
Personal Data Breach	19,632	27,573	30,904	50,642	38,218	45,330	51,829	58,859	55,851
Phishing/Spoofing*	16,594	19,465	25,344	26,379	114,702	241,342	342,494	321,136	298,878
Ransomware	2,453	2,673	1,783	1,493	2,047	2,474	3,729	2,385	2,825
SIM Swap								2,026	1,075
Spoofing*				15,569	25,789	28,218			
Tech Support		10,850	10,949	14,408	13,633	15,421	23,903	32,538	37,560
Grand Total's	85,279	109,590	124,552	169,658	259,484	430,817	539,685	519,043	498,576

*Red Figures > Prior Year

2023 Financial Crimes Services and Fraud Prevention Benchmark Study

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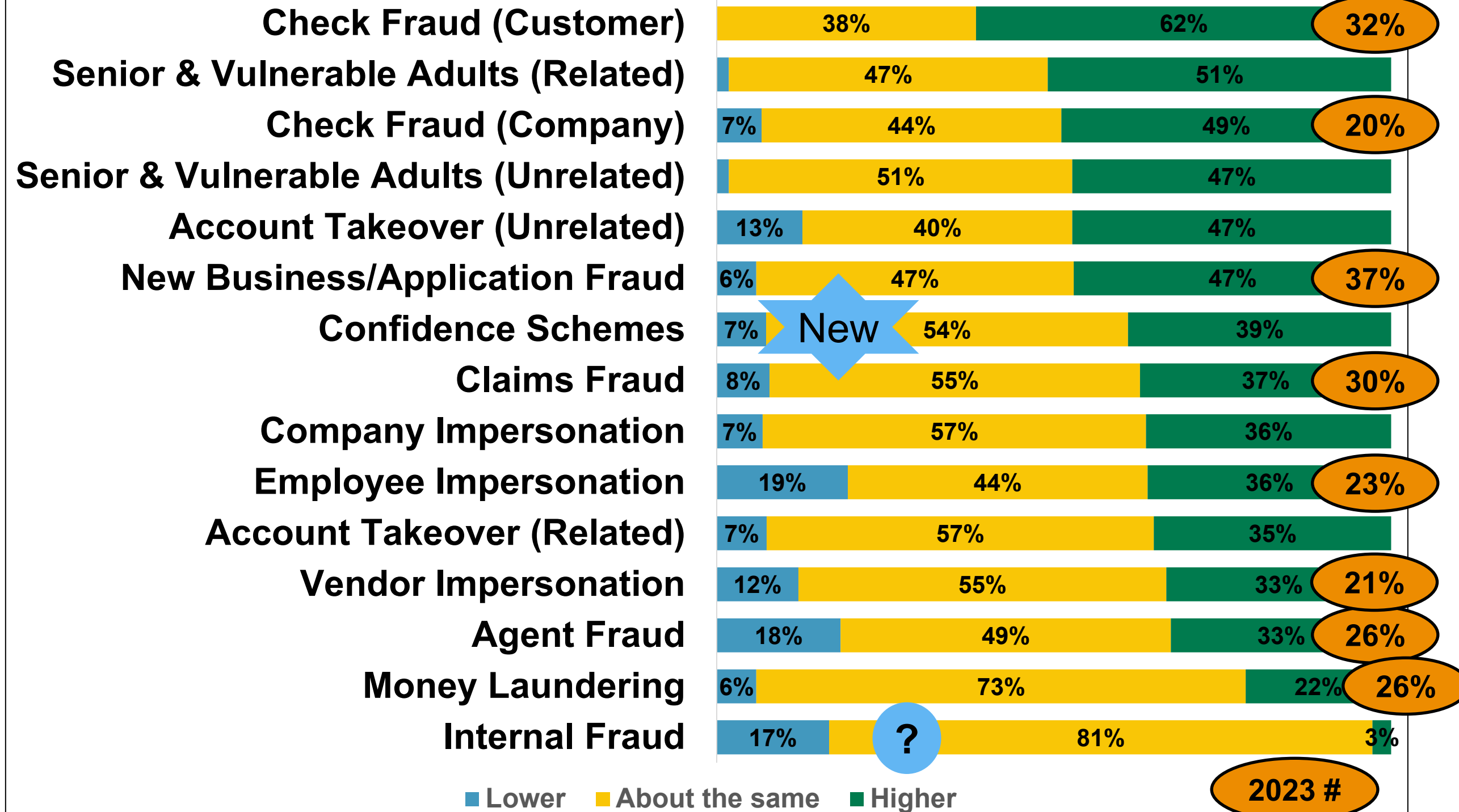
SOCIETY OF ACTUARIES

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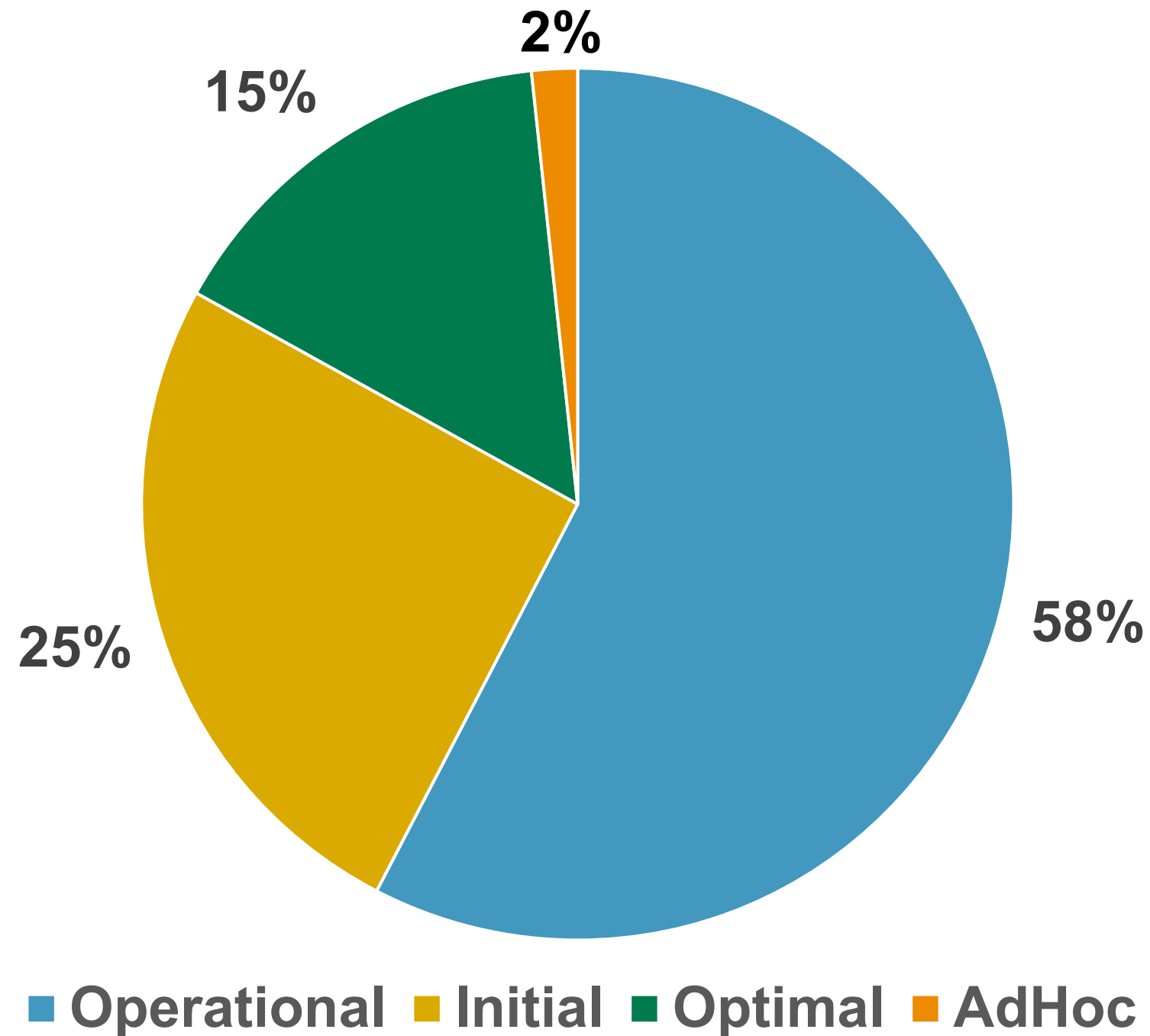# Confirmed Fraud Incidents in 2023 Compared to 2022

Fraud Trends
- What's Old is New Again
- Virtually all Fraud Types Trending Up
- Senior & Vulnerable and ATO Fraud Holding Steady

Is Your Company Experiencing More, Less or About the Same?

Fraud Type	Lower	About the same	Higher	2023 #
Check Fraud (Customer)		38%	62%	32%
Senior & Vulnerable Adults (Related)	1%	47%	51%	
Check Fraud (Company)	7%	44%	49%	20%
Senior & Vulnerable Adults (Unrelated)	1%	51%	47%	
Account Takeover (Unrelated)	13%	40%	47%	
New Business/Application Fraud	6%	47%	47%	37%
Confidence Schemes (New)	7%	54%	39%	
Claims Fraud	8%	55%	37%	30%
Company Impersonation	7%	57%	36%	
Employee Impersonation	19%	44%	36%	23%
Account Takeover (Related)	7%	57%	35%	
Vendor Impersonation	12%	55%	33%	21%
Agent Fraud	18%	49%	33%	26%
Money Laundering	6%	73%	22%	26%
Internal Fraud	17%	81%	3%	?

Legend: ■ Lower ■ About the same ■ Higher

2023 #

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Program Maturity

How Mature is Your Program?

2%
15%
58%
25%

Operational **Initial** **Optimal** **AdHoc**

- If You're Not Advancing Your Program You're Likely Falling Behind
- If You're Advancing Your Program You're Likely Just Keeping Pace

Nearly half (49 percent) of companies believe their program is about equal to that of their peers.
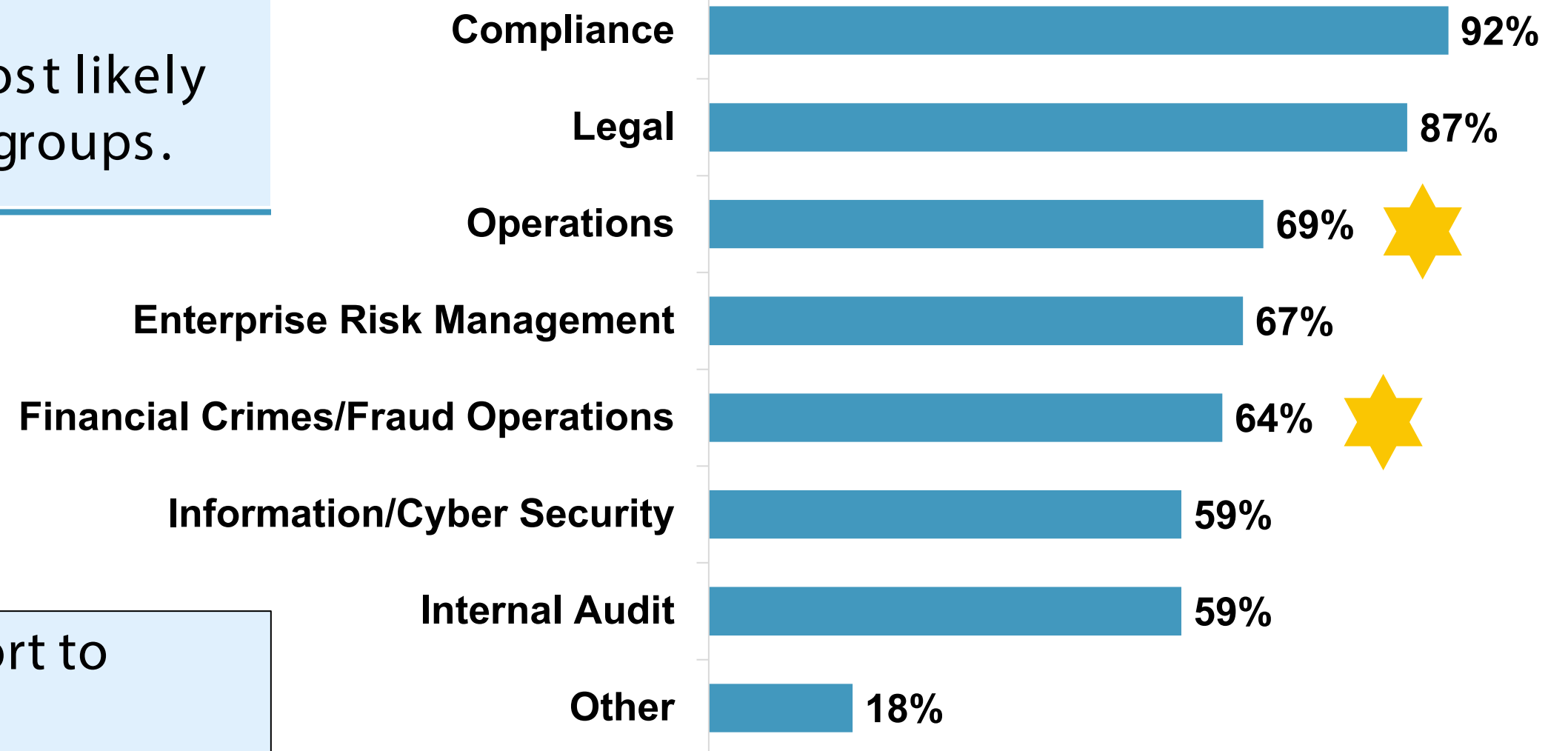
Program Governance

Two in three companies have formal oversight committees

An Average of 7 Teams Play an Active Role in a Company's Financial Crimes Program

Compliance and legal continue to be the most likely areas of companies to participate in such groups.

49% of Financial Crimes Programs Report to Compliance

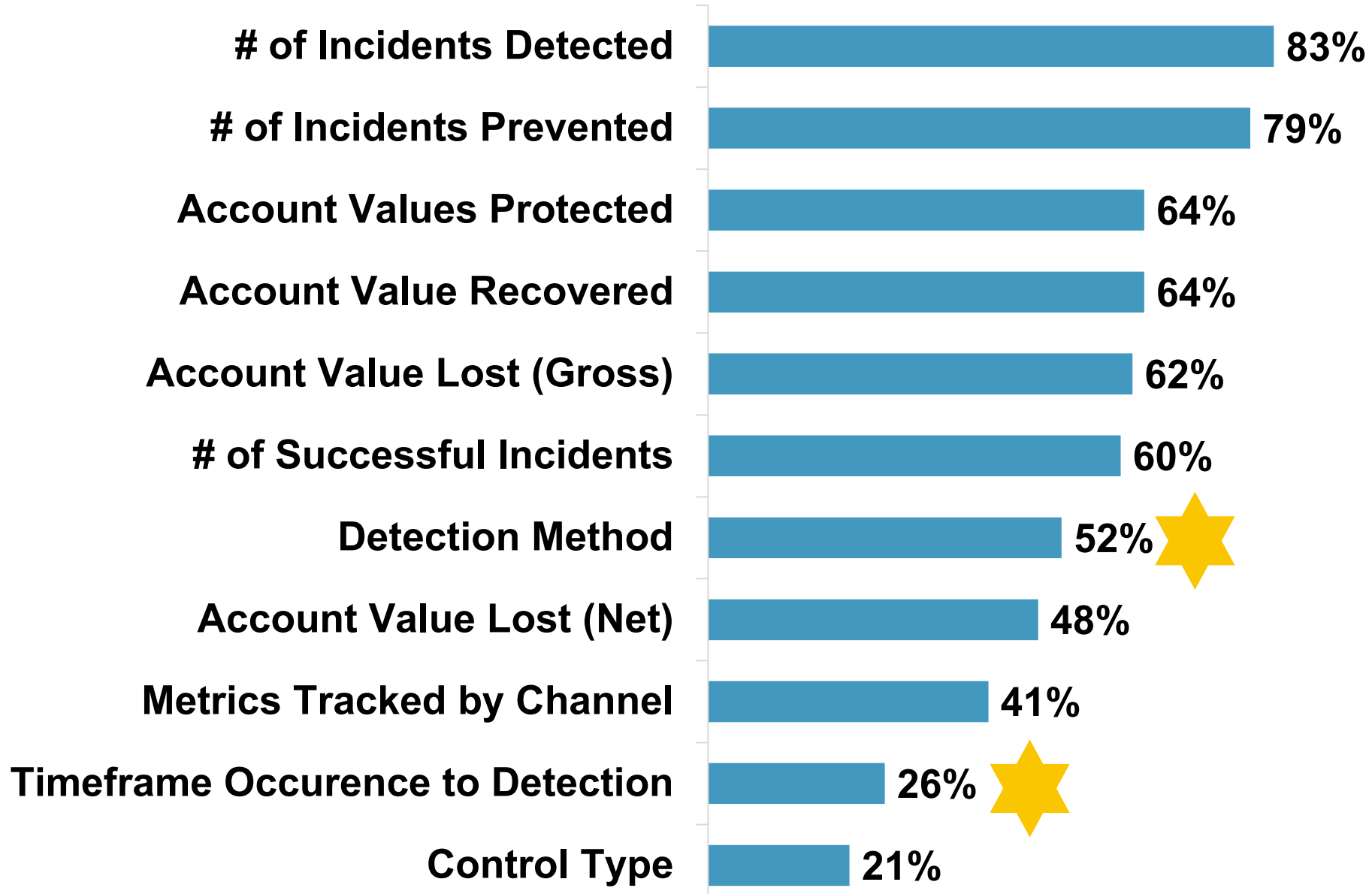## Which Team's Play a Governance Role

Team	Percentage
Compliance	92%
Legal	87%
Operations	69% ⭐
Enterprise Risk Management	67%
Financial Crimes/Fraud Operations	64% ⭐
Information/Cyber Security	59%
Internal Audit	59%
Other	18%

Management Reporting and Success Metrics

Who Receives Regular Fraud Reporting?

No Regular Reporting	3%
Front Line Management	34% ⭐
Middle Management	47% ⭐
Board Members/ Audit Committee	68%
Executive Management	80%
Senior Management	86%
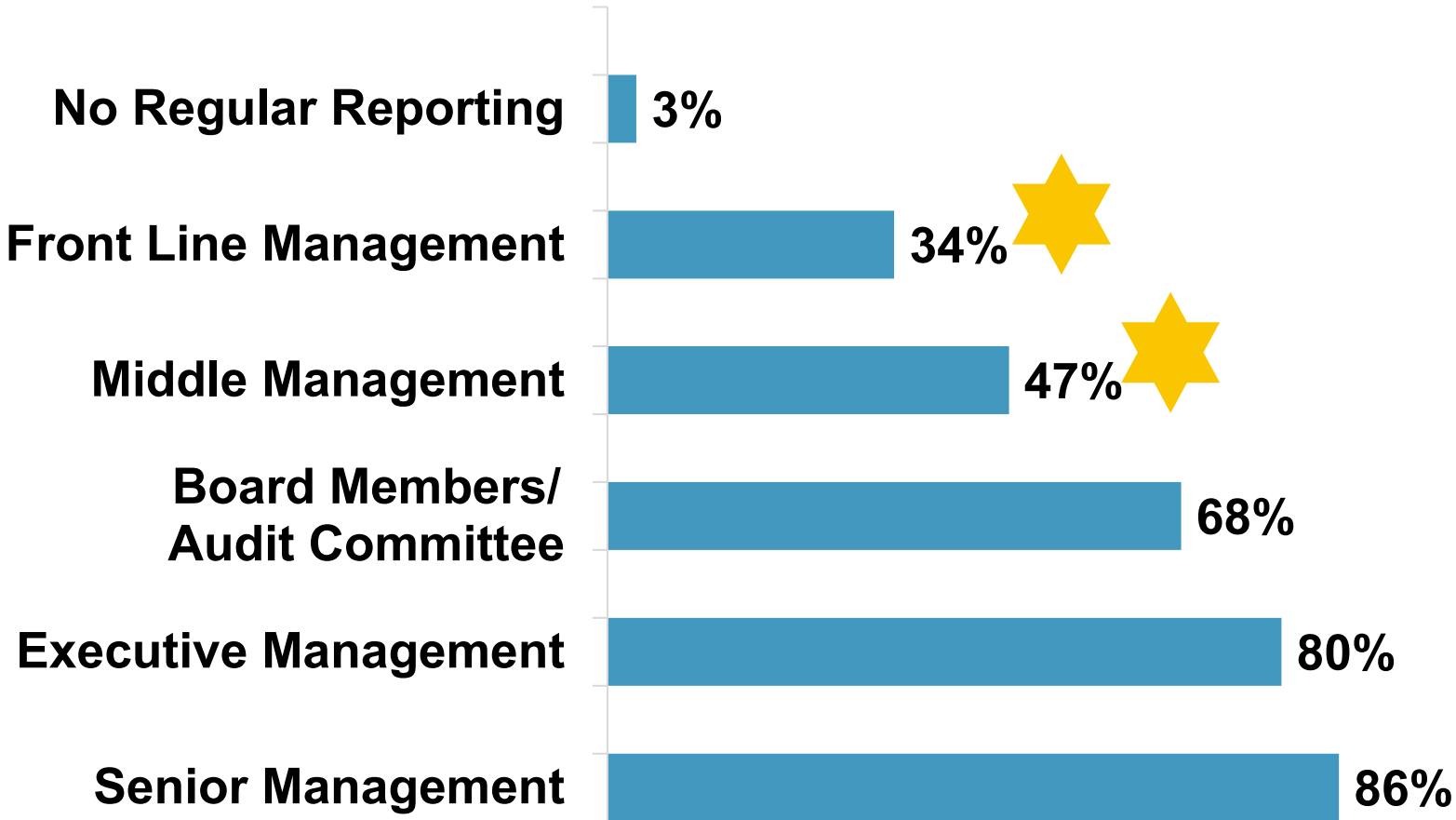
What Metrics Are Used to Measure Your Program?

# of Incidents Detected	83%
# of Incidents Prevented	79%
Account Values Protected	64%
Account Value Recovered	64%
Account Value Lost (Gross)	62%
# of Successful Incidents	60%
Detection Method	52% ⭐
Account Value Lost (Net)	48%
Metrics Tracked by Channel	41%
Timeframe Occurence to Detection	26% ⭐
Control Type	21%

Fraud Risk Management

Nearly three in five companies (56 percent) conducted a formal risk assessment of their financial crimes and fraud exposures during the past 2 years.

The remaining companies either did so more than 3 years ago or perhaps never.

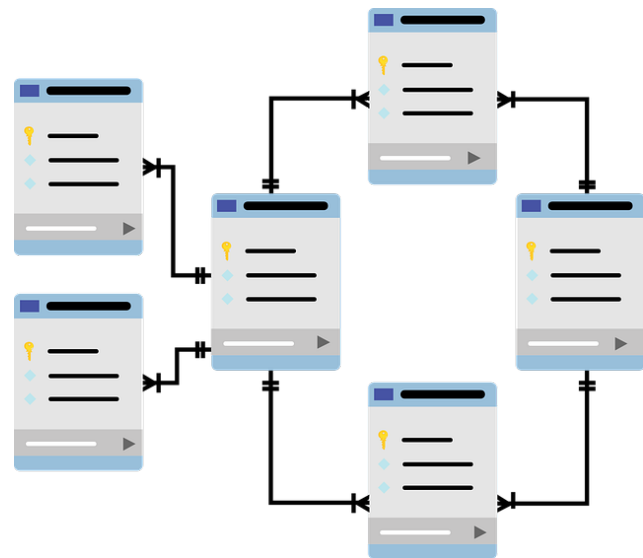## Last Time Formal Risk Assessment Conducted

2023	2022	3 or More Years Ago	Never/Don't Know
40%	16%	22%	22%
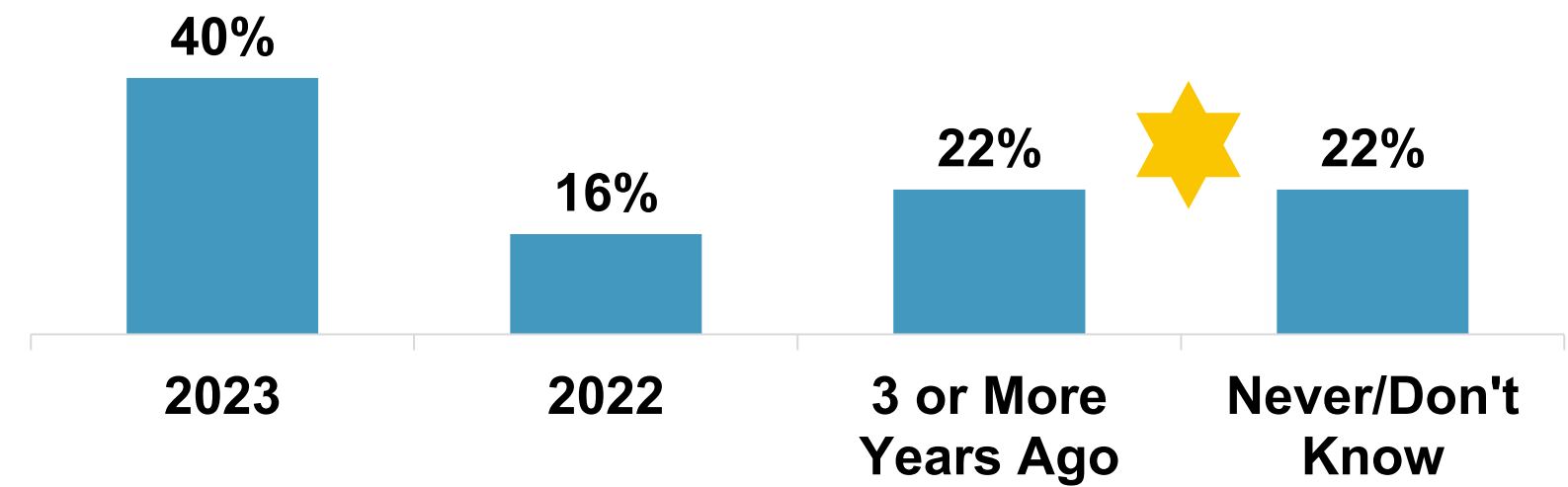
Do You Have a Defined Risk Appetite?

No, Don't Have One	42%
Yes, Based on Dollar Ammount and Reputation	18%
Yes, Based on Reputation	30%
Yes, Based on Dollar Amount	40%
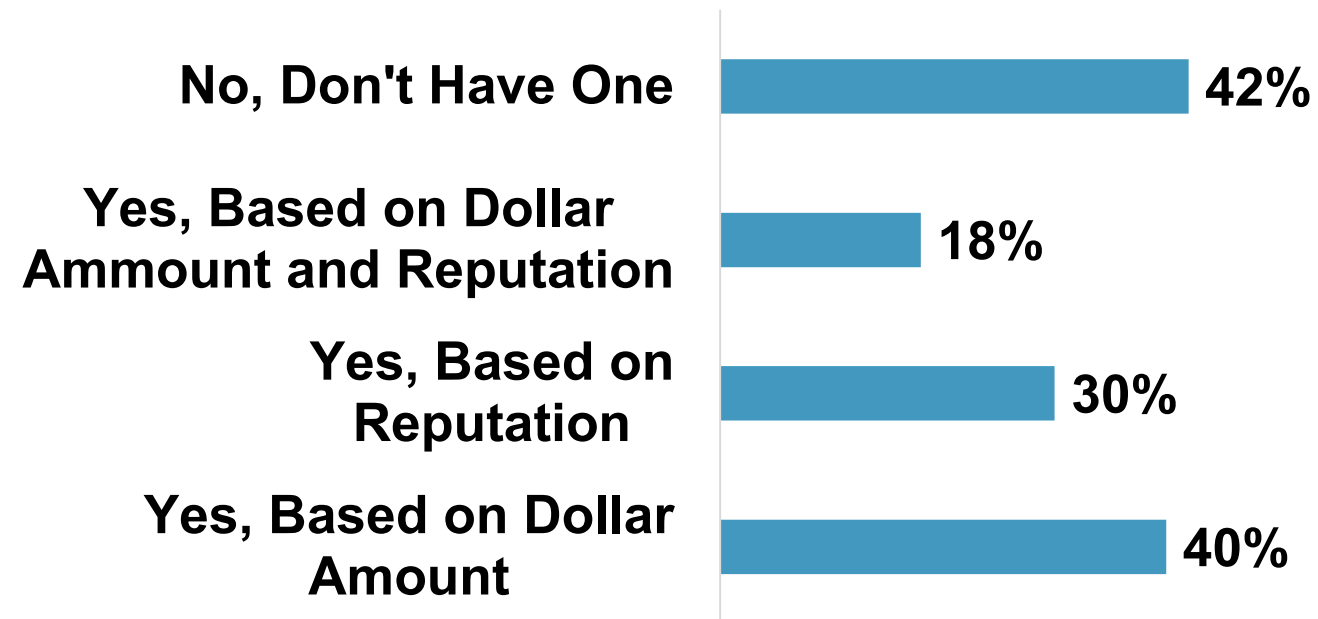
Two-thirds of companies have made adjustments to their programs as a result of these risk assessments.

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Data Use Maturity

The vast majority of companies (>75%) have a data lake or warehouse that provides an aggregate view of at least some of their customer data, account data, or transaction data.

Fewer than one in 10 do not (9 percent).

Where Does Your Use of Data Fall on the Maturity Scale

- 44% Monitoring
- 25% Exception
- 20% AdHoc
- 5% Optimal
- 5% Do not use data
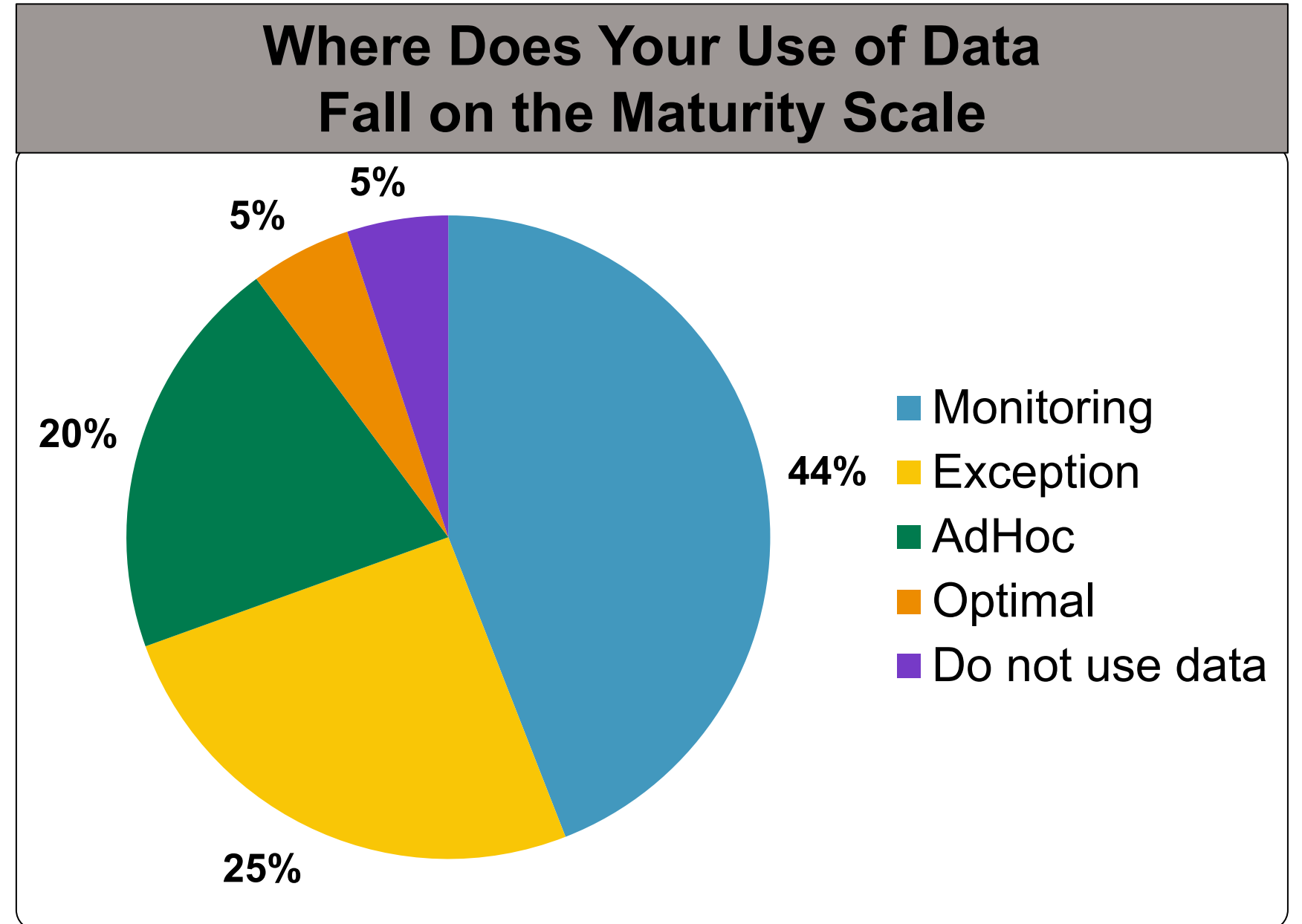
Ad-Hoc – Basic reporting provides raw data for human analysis.
Exception – Alerts generated based on known exceptions or threat indicators.
Monitoring – Alerts generated based on trend and pattern analysis.
Optimal – Program utilizes advanced analytics to identify/predict fraud in near real time.

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Tools Used to Authenticate, Identify and Investigate Fraud

The average company uses 7 different tools to authenticate, Identify and Investigate Fraud.

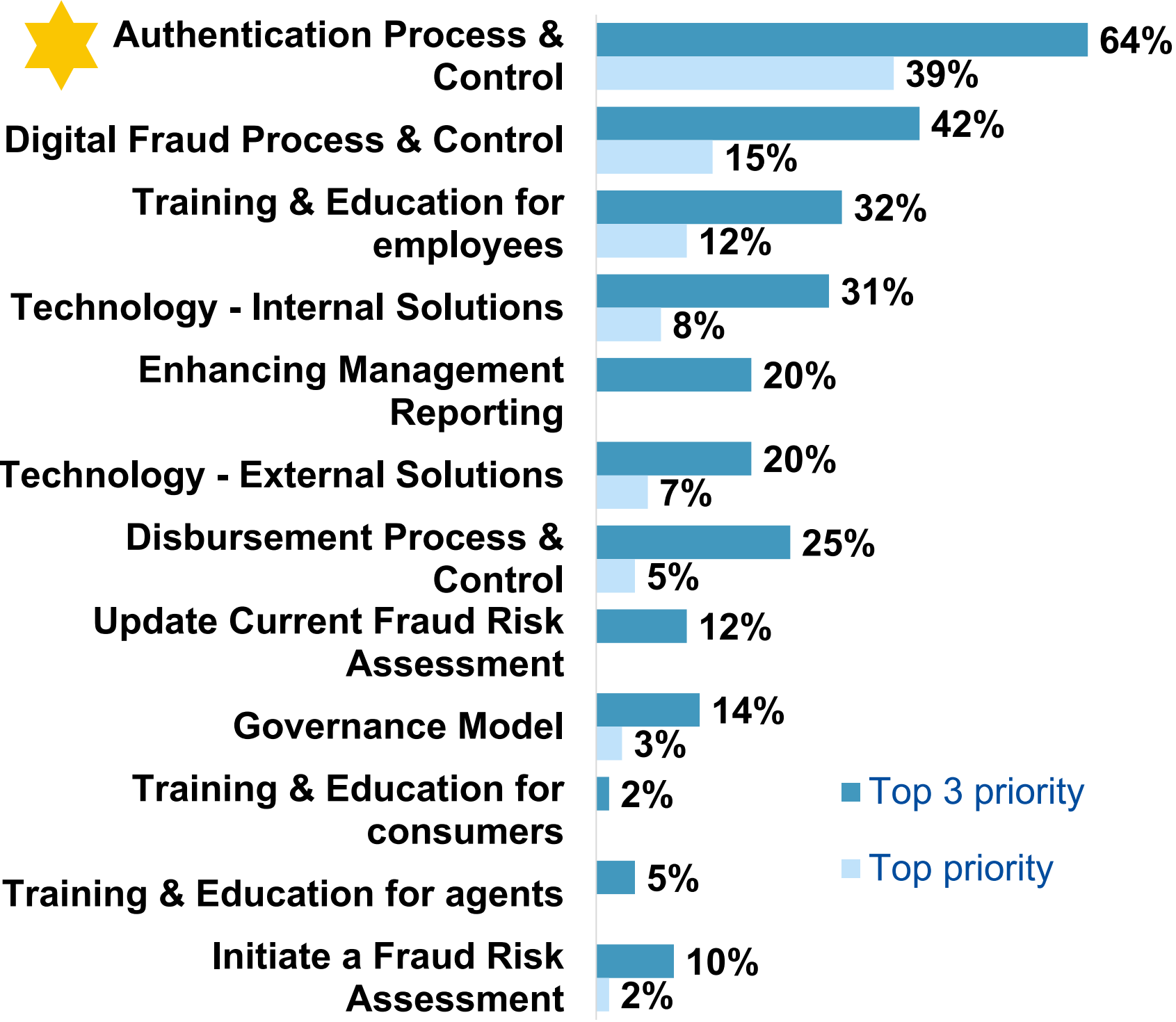Three in four companies plan to implement additional tools this year.

Top 10 Tools Used

Tool	Percentage
LexisNexis Accurint	83%
FraudShare	64%
Refinitiv GIACT	55%
LexisNexis Instant ID QA	41%
Splunk	38%
FS-ISAC	33%
Tools Developed InHouse	33%
Thomson Reuters Clear	28%
TransUnion TLO	28%
Pindrop Protect	26%

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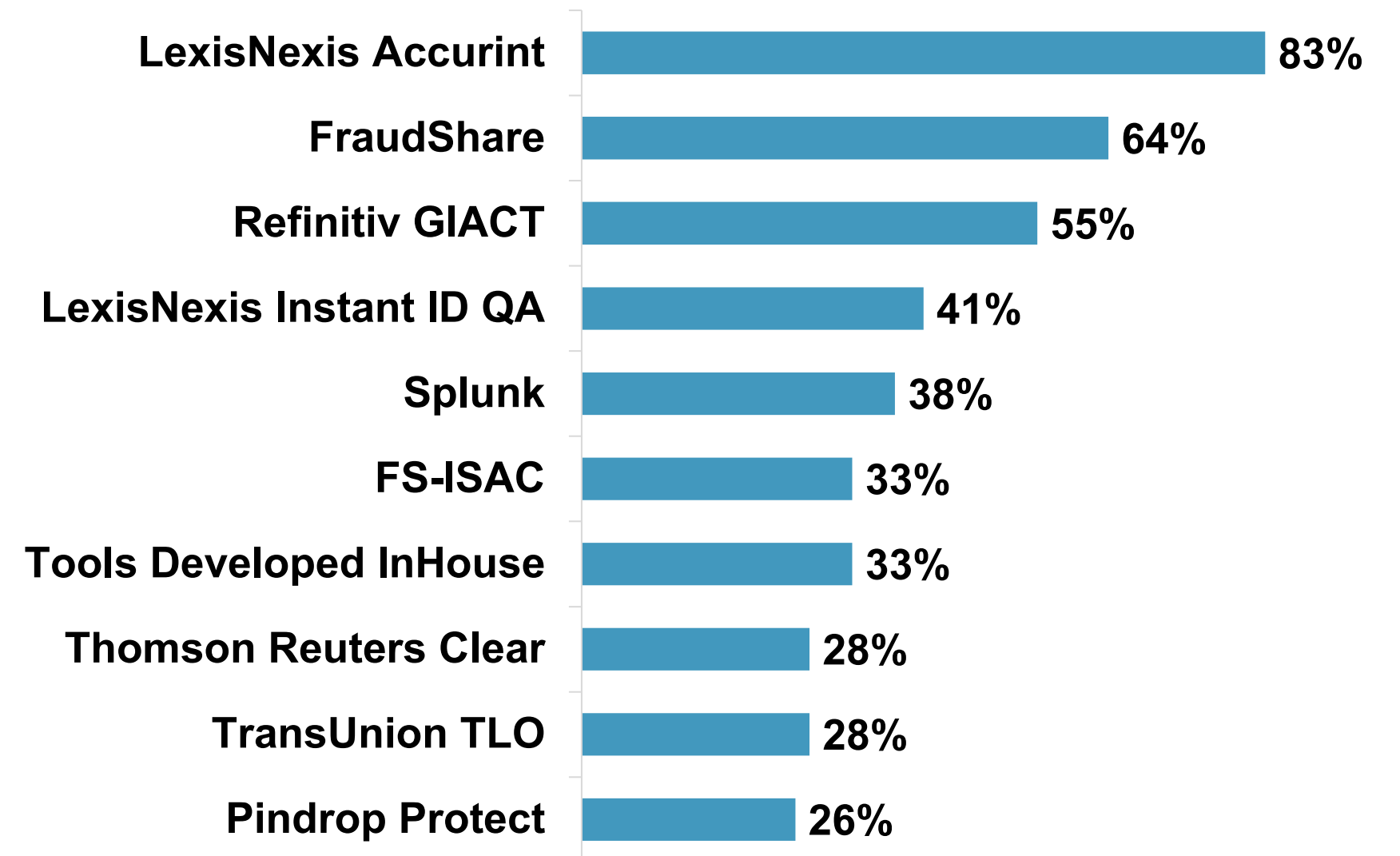
2024 Areas of Focus, Biggest Exposures and Top Challenges

2024 Top Area of Focus

- **Authentication Process & Control** — Top 3 priority: 64%, Top priority: 39%
- **Digital Fraud Process & Control** — Top 3 priority: 42%, Top priority: 15%
- **Training & Education for employees** — Top 3 priority: 32%, Top priority: 12%
- **Technology - Internal Solutions** — Top 3 priority: 31%, Top priority: 8%
- **Enhancing Management Reporting** — Top 3 priority: 20%
- **Technology - External Solutions** — Top 3 priority: 20%, Top priority: 7%
- **Disbursement Process & Control** — Top 3 priority: 25%, Top priority: 5%
- **Update Current Fraud Risk Assessment** — Top 3 priority: 12%
- **Governance Model** — Top 3 priority: 14%, Top priority: 3%
- **Training & Education for consumers** — Top 3 priority: 2%
- **Training & Education for agents** — Top 3 priority: 5%
- **Initiate a Fraud Risk Assessment** — Top 3 priority: 10%, Top priority: 2%

■ Top 3 priority
■ Top priority

2024 Biggest Exposures

2024 Biggest Exposures	% of Companies
Account takeovers/Identity theft	69%
Elder/vulnerable Adult financial exploitation	37%
Claims fraud	20%
Agent misconduct	20%
Application fraud	19%
Cybersecurity incidents	13%

2024 Top Challenges

2024 Top Challenges	% of Companies
Internal challenges (engagement and prioritization)	38%
Staying current on fraud schemes	34%
Technology adoption	26%
Resources	23%
Authentication	19%
Employee turnover/vigilance	15%

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Benefits of Industry Collaboration

Fraudsters Share Information Shouldn't We?

More than 9 in 10 (92 percent) companies see value in sharing fraud metrics and control performance with peers.

Improve processes by understanding industry metrics, trends, and control practices	94%
Use awareness of emerging threats impacting peers to propose controls and budgets	87%
Build a stronger defense for all industry participants	83%
Provide input to senior leadership on peer metrics and prevention enhancements	81%
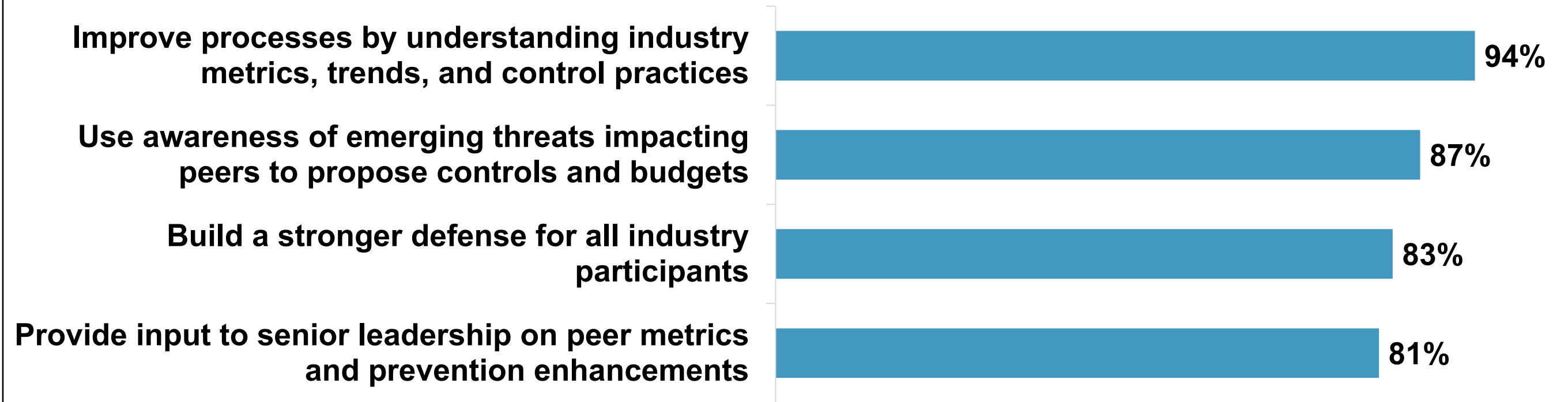
What actions does the industry need to take to better combat fraud?
#1 - 36% Increased Collaboration
#2 - 24% More Staff & Budget Resources
#3 - 24% Better Technology

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2023 Annual Report to FraudShare Members

FraudShare - Third-Party ATO Fraud Incident Analysis

Third-Party ATO Fraud Continues to be a Growing Threat

	2020	2021	2022	2023	
FraudShare Incidents Occurred	1,549	2,037	2,971	3,497	Incidents Up 18% in 2023
Average Account Value Targeted	$218,000	$337,000	$256,000	$280,000	
Average Disbursement Requested	$58,000	$176,000	$83,000	$124,000	
Accessed Rate**	58%	62%	59%	63% ⭐	
Days from Incident to Detection	18.9	15.3	15.1	11.2 ⭐	

Incidents
Up 18% in 2023

$100k+ 16%
$50k-$100k 17%
$25-$49k 19%
<$25 48%
Most Popular $50,000k 8%

*FraudShare data as of 4/2/24
** Access = Fraudster was able to submit a request, obtain account information or update an account, it doesn't indicate funds were disbursed.

FraudShare - Third-Party ATO Access Point Analysis

Customer Portal Continues to be # 1 Target
- Fraudsters Appreciate Good CX Too
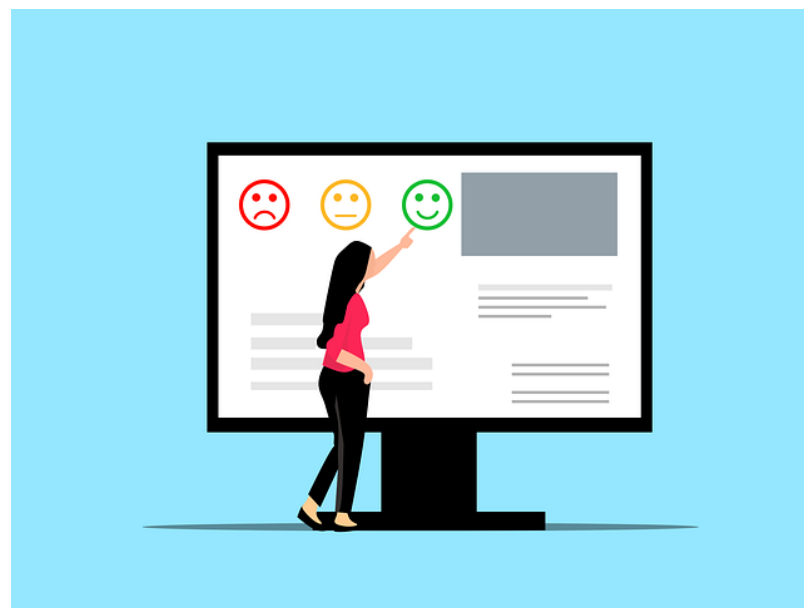
Access Point	Percent of Incidents Occurred			
	2020	2021	2022	2023
Customer Portal	45.4%	55.8%	58.9%	62.9%
Contact Center	47.9%	39.2%	35.8%	33.0%
Processing Center	12.3%	9.2%	7.7%	8.5%
Advisor	3.2%	2.4%	2.9%	2.5%
Advisor Portal	0.8%	1.9%	0.9%	1.6%

* A single attack can target multiple access points resulting in % not equaling 100%

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FraudShare – Third-Party ATO Access Point Analysis

Customer Portals Can be The Weak Link

2023 Stats					
Access Point	**% Accessed**	**Avg. Days to Detect**	**Avg. Disb. Requested**	**Top 3 Detection Methods**		
Customer Portal	71.8%	10.7	$75,241	Customer (32.4%)	3rd party Utility (25.9%)	Internal Report (20.6%)
Contact Center	51.5%	7.9	$137,615	3rd Party Utility (36.9%)	Employee (32.0%)	FraudShare (16.1%)
Processing Center	81.3%	13.1	$68,806	3rd Party Utility (32.4%)	Customer (24.6%)	Advisor (22.2%)
Advisor	81.9%	7.3	$674,339	Advisor (63%)	Employee (12.0%)	Customer (10.8%)
Advisor Portal	68.5%	9.6	$310,485	3rd Party Utility (42.6%)	FraudShare (38.9%)	Internal Report (20.4%)

50% Via Email or Fax

2 Request >$2m

When Fraudsters Use Email or Fax:
72% Access Rate | Customer Detects 40% | 15 Days to Detect

FraudShare – Third-Party ATO Detection Method Analysis

Detection Method Matters

Top Detection Methods	Percent of Incidents Detected				2023 Stats	
	2020	2021	2022	2023	% Accessed	Avg. Days to Detect
3rd Party Utility	22.3%	20.0%	24.8%	27.6%	47.7%	9.8
Customer	23.4%	26.3%	28.8%	26.9%	82.4%	28
Employee	31.9%	24.3%	23.6%	20.9%	52.3%	12.2

* A single attack can be detected by multiple methods resulting in % not equaling 100%

Customer No Longer #1 Detection Method

Don't Want Customers to be Your Detector

Top Companies that Detected Most Incidents Using FraudShare in 2023

Average % Detected Using FraudShare	29%
Largest Average % Detected Using FraudShare	71%

FraudShare – Third-Party ATO Top Banks Used

Fraudsters favor a few small regional banks and select Banking-as-a-Service (BaaS) providers

Top 10 Banks Used	% of Incidents	# of Companies	Values Targeted	Amount Requested	% Increase Over 2022
Sutton	11.5%	17	$37,840,620	$2,379,818	14%
GreenDot	9.9%	15	$23,996,803	$2,866,377	**81%**
Pathward (MetaBank)	7.2%	24	$33,164,807	$1,529,185	2%
Chime (Bancorp)	6.2%	16	$12,118,412	$1,105,415	**82%**
Go2Bank	4.4%	14	$11,948,129	$652,357	10%
Coastal Community (Bluevine)	4.0%	14	$9,019,217	$1,022,460	9%
Coastal Community (One Finance)					
Chime (Stride)	2.8%	13	$15,431,373	$6,433,126	**58%**
Evolve	2.8%	10	$5,550,330	$849,670	**86%**
SoFi	2.8%	9	$6,692,936	$460,043	**141%**

Top 5 Banks Account for 39% of Incidents

Top 10 Banks Account for 54% of Incidents

FraudShare – Sharing Fraud Data Works

FraudShare Combats Fraud Through Collaboration

FraudShare

- Built by the Industry for the Industry
- Confirmed ATO Fraud Data
- Helps its 54 Members:
  - Prevent ATO Fraud
  - Investigate ATO Fraud
  - Benchmark ATO Fraud

FraudShare Founders Council

AIG, John Hancock, MassMutual, Nationwide, New York Life, Pacific Life, Prudential, Sammons, Securian & Symetra

FraudShare Combats Fraud Through Collaboration

Significant Untapped Value

FraudShare Detects 30% of Incidents Targeting Those That Most Effectively Use it
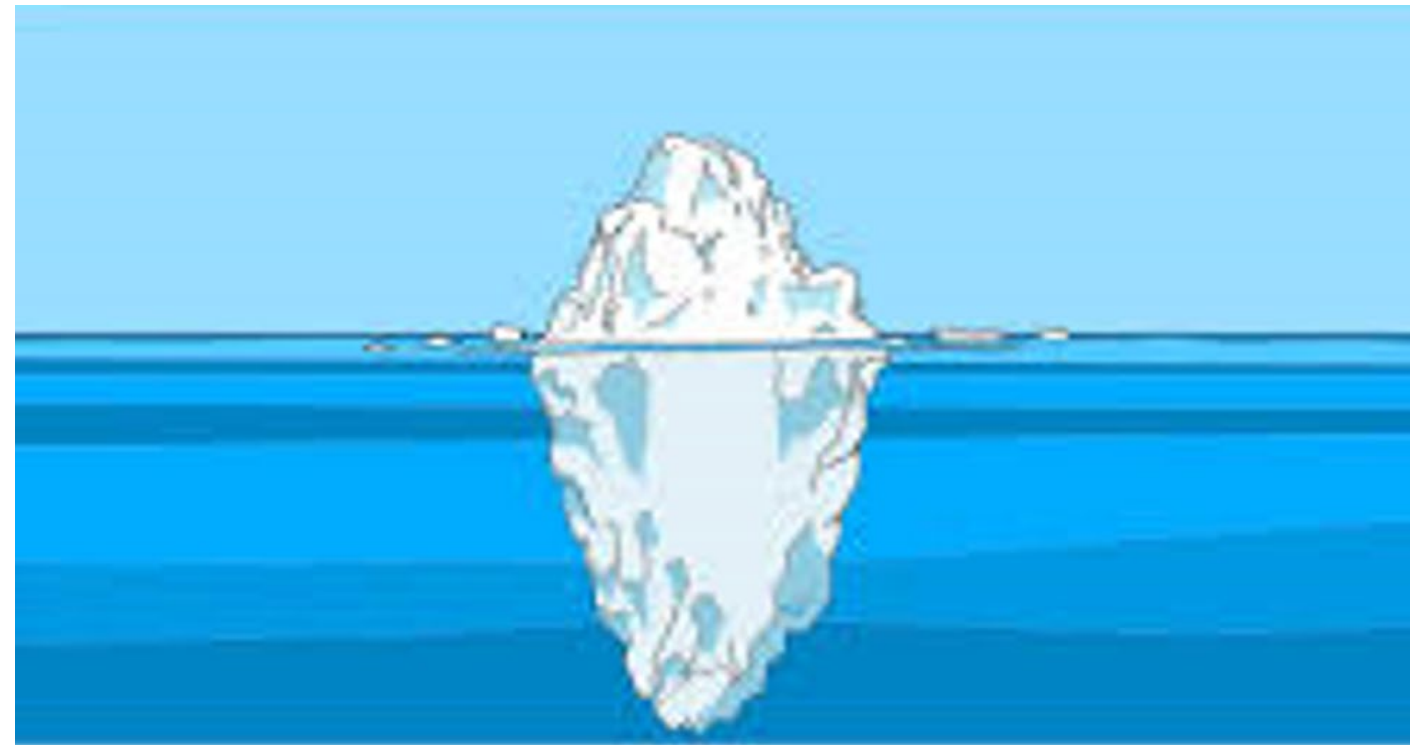
For Every 1 incident detected by FraudShare 7 others should have been

Imagine What Could be Accomplished with Processing More Data through More Sophisticated Capabilities

FraudShare TheNextGeneration

FraudShare TNG Aspirational Goal

FraudShare TNG aspires to establish the Life Insurance Industry as the leader in Customer Protection throughout the entire Financial Services Industry.

FraudShare TNG

FraudShare TNG a Holistic Customer Protection Platform

Partnered with Verisk*

Powered by Member Data
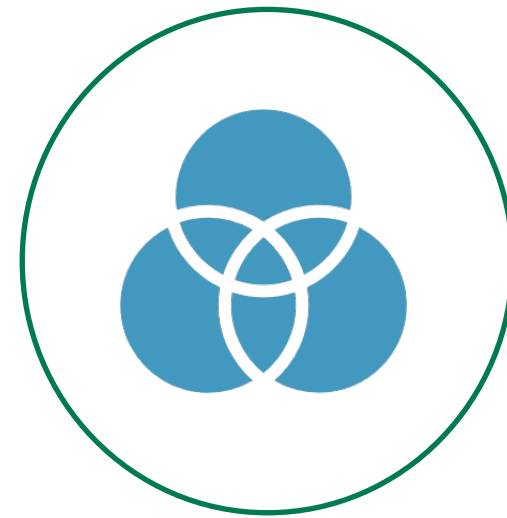
Leverage Automation
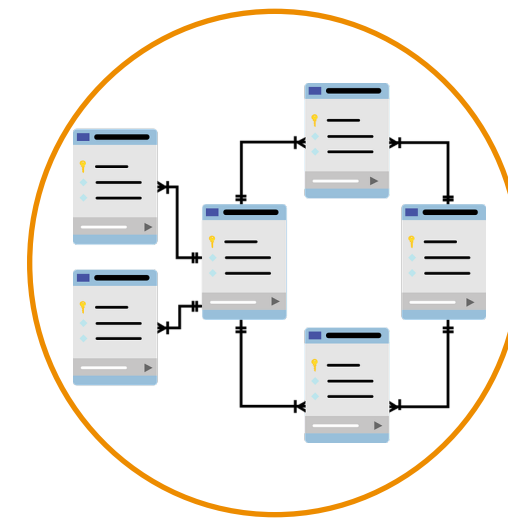
True Data Consortium Database

Real Time Fraud Prevention

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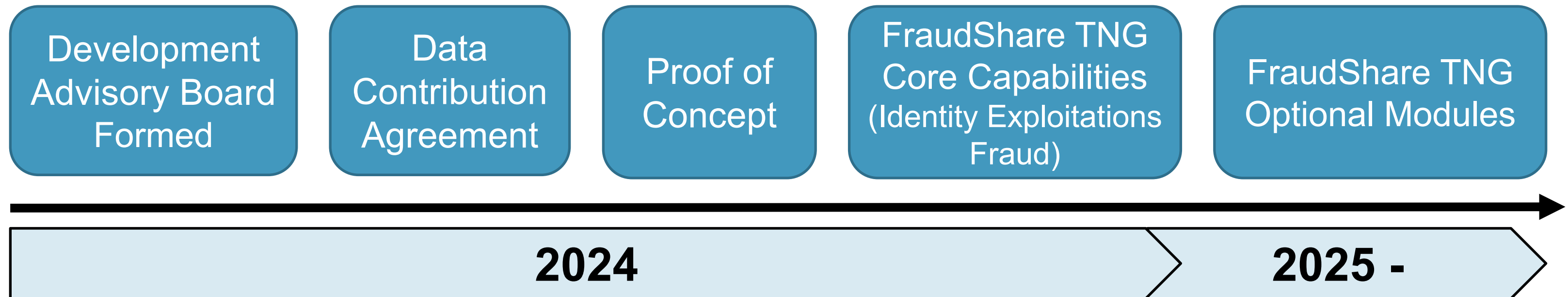SOCIETY OF ACTUARIES

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FraudShare TNG Capabilities

FraudShare TNG

- Modern Technology
- Designed to Support Long Term Vision (ATO+)
- Modular Design; Flexible Capability Adoption
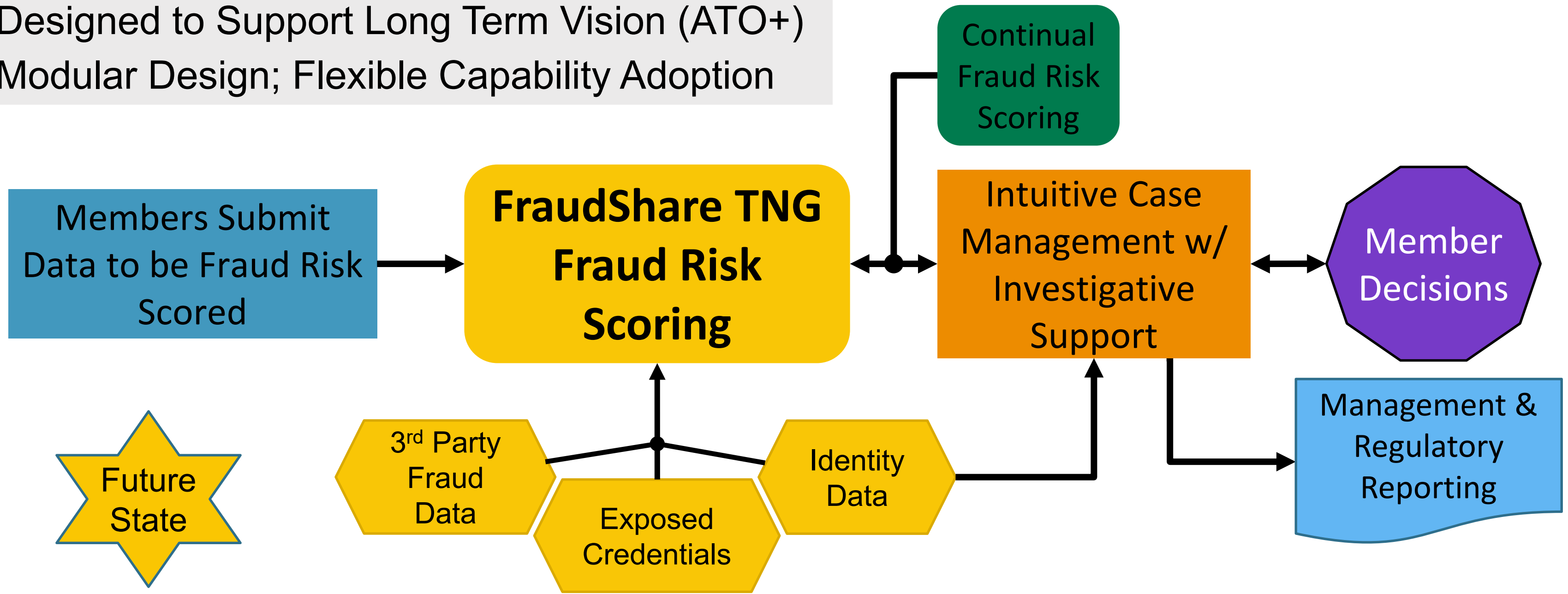
FraudShare TNG – The Approach

FraudShare TNG - Collaborative, Iterative Design and Build

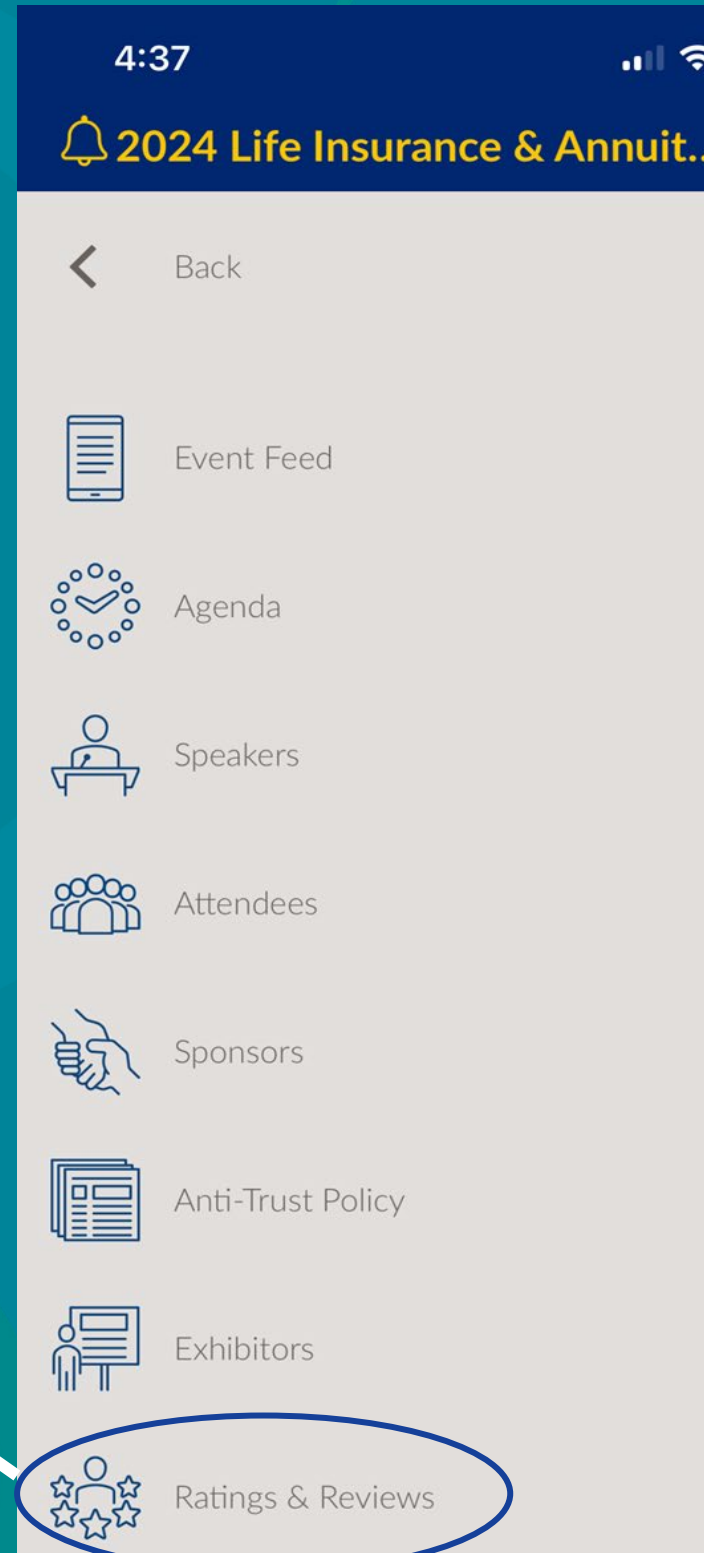| Development Advisory Board Formed | Data Contribution Agreement | Proof of Concept | FraudShare TNG Core Capabilities (Identity Exploitations Fraud) | FraudShare TNG Optional Modules |

2024 → **2025 -**

FraudShare TNG Development Advisor Board Members
Allianz, Ameriprise, CNO, Global Atlantic, John Hancock, MassMutual, MetLife, New York Life, Northwestern, OneAmerica, Pacific Life, Prudential, Sammons, Securian, The Standard, & Symetra
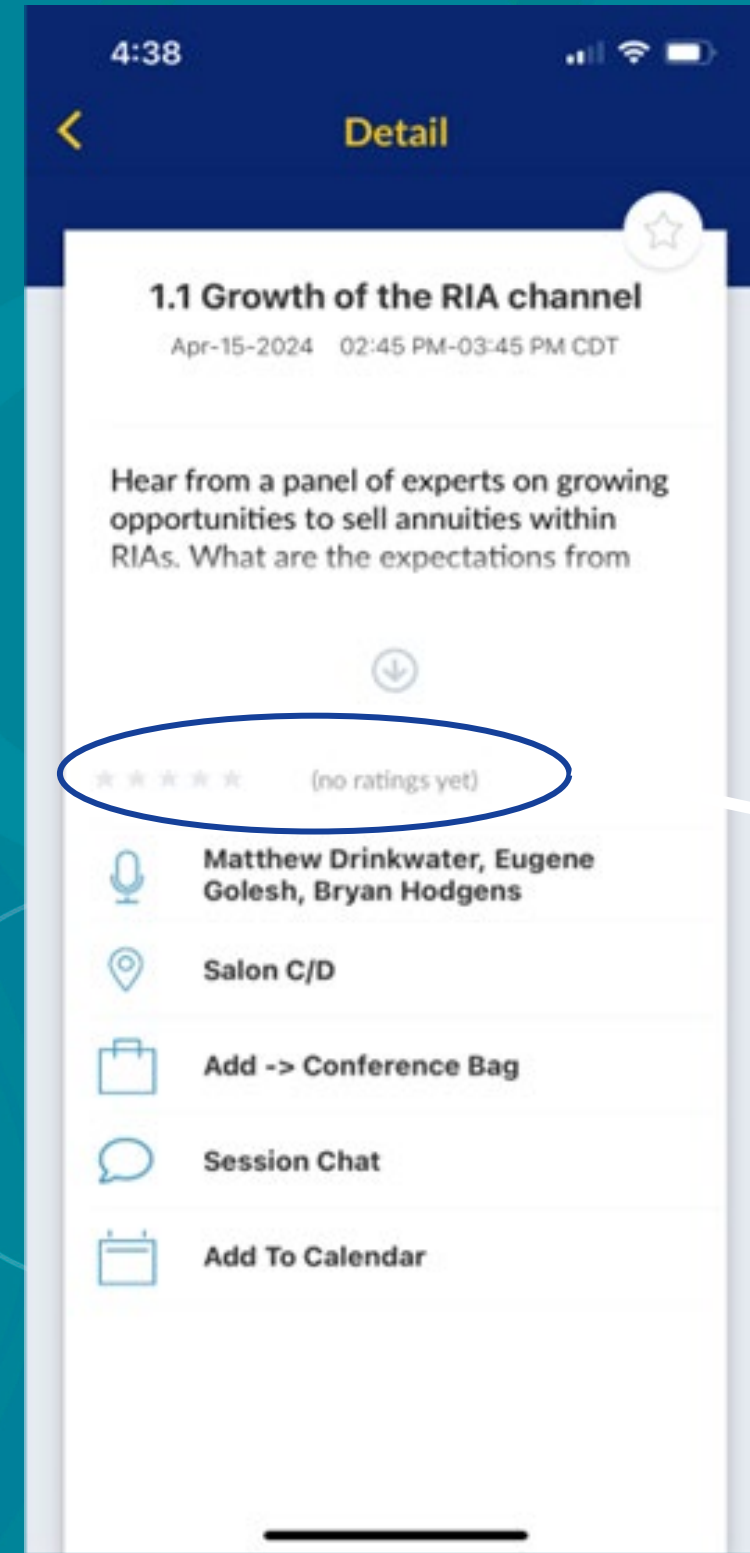
Please Provide Your Feedback on the Conference App

Thank You