



The Millennials are Coming ...Are They More Likely to Scam Insurers? *By Brian P. Henry, Esq.*

Younger consumers are more likely to tolerate padding claims. Will America's largest generation grow more honest as they age?

The insurance world is captivated by the rising use of big data and artificial intelligence. A technological revolution is upon us, and that revolution is already working its way into all aspects of the insurance world, from underwriting to claims to fraud investigations. Peer-to-peer insurance purchased on apps with underwriting, and claims "departments" having no "human touch," tout themselves as the insurance system of the future. Those concerned with fighting the \$80 billion a year cycle of insurance fraud are equally excited about the pro-

spects of what the future may hold. Unfortunately, the fraudsters too are anxiously looking to the electronic future and new opportunities for scamming.

At the risk of sounding too "old-fashioned" though, we should also consider whether, in our rush to understand and use these breakthroughs to discover and combat insurance scams, are we forgetting about the human element that motivates insurance fraud? Are we so "tech focused" that we are both overlooking and failing to properly prepare for what anti-fraud efforts these new-world promises will bring and require? Per-

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haps we are, so let's slow down, unplug for minute or two, and consider some key demographic facts.

Many think the Baby Boomer generation was our nation's largest population change. That is correct, as a population surge. Yet in raw numbers, the 75.4 million Millennials have surpassed the 74.9 million Boomers as the nation's largest population group. Pew Research just recently "defined" Millennials as those born between 1980 and 1996. The Millennials are reaching their high-level impact just as Boomers age and die off. As a result, Millennials as a percent of the U.S. population will continue rising in the coming decades.

A number of studies – some old and some new – are taking a serious look at how this emerging generation views insurance fraud. Proving once again that old age does have some advantages from life experiences, *USA Today* recently noted: "Millennials reported losing money to financial scams . . . more than often than the elderly....40% of Americans in their 20's surpassing the 18% of consumers 70 or older." Are Millennials more trusting, gullible, or have they not experienced enough of life to be as cynical as their parents and grandparents?

Whether or not any of the above are true, Millennials are often heralded as being more "morally conscious" than their seniors. Whether myth or fact, Millennials' answers to questions about insurance fraud may surprise you! A nearly decade-old, though still often-cited, Accenture study¹ of people's attitudes toward insurance fraud gave some of the first clues as to how this large block of up-and-coming insurance consumers may look at the world of insurance fraud. Consumers were asked a very direct question about what is by almost any standard insurance fraud. The question left little "wobble room" or doubt:

"...How acceptable is it for people to submit claims to their insurance companies for items that are not actually lost or damaged, or for personal injuries or treatments they have not actually experienced?"

Older Boomers almost unanimously (97%) found this type of blatant fraud to be unacceptable. As the age groups questioned went younger, however, fewer responders found the scams unacceptable. When consumers aged 18-24 years of age were asked the identical question, fully 16% found making such false claims to be completely acceptable! Given the size of the Millennial generation, that suggests 12 million future U.S. insurance fraudsters. Other fraud questions revealed a similar acceptance of insurance fraud by America's soon to be "in charge" Millennial generation.

Unless their attitudes have markedly changed, those 18-24 respondents in 2011 now aged 25-31 are the first wave of what will be the largest insurance market our nation has ever seen. And if as *USA Today* found this generation is already being victimized by fraud, how will that impact – positively or negatively – how they in turn view fraud and their possible willingness to "get back" by committing frauds of their own?

Will Millennials stay the same, or grow more or less tolerant of fraud as they age? That is certainly a question the leaders today of America's insurance companies should be addressing now if they want to be properly positioned and prepared for the not-to-distant future. While no one's "crystal ball" can be certain, current trends don't seem to point in a favorable direction for a highly-moralistic, anti-fraud future.

Several years following the Accenture study, similar findings emerged in an analysis conducted by the Insurance Research Council.² While the study found many positive points for anti-fraud efforts, chillingly contained in the analysis was the notation:

"Younger respondents, especially young men, were much more likely to view claim padding as acceptable. For example, among males age 18-34, 23 percent agree it is all right to increase claim amounts to make up for premiums, compared with just 5 percent of their older male counterparts and just 8 percent of females aged 18-34."

The idea that nearly a quarter of Millennial-age males are perfectly fine with inflating a claim should cause a near statistical panic to anyone concerned about the future of insurance claims and fraud-fighting efforts. To put this in a statistical model, of nearly 75 million Millennials in America, approximately 49.2 percent, or 36.9 million are male. Applying the acceptance rate of 23% of those males finding it okay by them to inflate a claim creates almost 8.5 million future Millennial male Americans who we can anticipate may submit fraudulently inflated claims.

In 2017 the Coalition Against Insurance Fraud, a consumer and insurer anti-fraud advocacy group based in Washington, D.C., commissioned its third study on the "Four Faces of Fraud". Originally begun in 1997 and repeated in 2007 and 2017 the report sampled nearly 3,000 Americans to secure a statically-accurate report on how our nation's population views insurance fraud. Respondents in the first study found misrepresenting an incident to obtain payment for a loss not covered to be unethical at a rate of 91%. By 2007 that per-

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centage slipped to 87%. While it is encouraging the response rate “ticked” back up slightly in 2017 to 88%, a companion question raises a potentially graver concern.

When asked if submitting a claim for more than the actual amount of damages was unethical, only 84% said “yes”. This compares with 91% finding doing so unacceptable in 1997. Just like the American population, Millennials comprise a growing number of statistical respondents. The apparent result? The tolerance for fraud appears to rise in proportion as younger age group percentages increase. These younger respondents in the sample pool find such actions to be acceptable and not unethical. Stay tuned to 2027 for what may be the best evidence to come yet of the “march of the Millennials”. Many fraud watchers are also hopeful Accenture or another organization will soon build-upon the now seven-year old data samples gathered in 2011.

Why should we care? The raw numbers and monetary impact should be enough to garner any insurance professional’s attention. But equally, the Millennial marketplace is also on the verge of changing the very way insurance is bought and how claims are processed. Change is coming and coming fast to the world of insurance. Is the insurance agent of today soon to be replaced by AI and insurance purchased on a smartphone? Literally hundreds of billions of dollars rest on the answer to that question. Many placing their “bets” today believe we stand on the cusp on the biggest change in insurance marketing, underwriting, and claims, in history. And, as is normally the case, those seeking to profit from fraud will be there first committing their schemes and scams before plans and policies are in place to identify and stop them.

Both startups and traditional insurers are looking at “peer-to-peer” insurance models. These app-based insurers and programs often rely on speed more than thorough review of underwriting and claims handling. Regardless, this insurance model is being driven by and tailored to the Millennial generation. Millennials do not want to take the time to sit with an agent, fill out forms, and receive policies via “snail mail.” They want their insurance – and the resulting claims – handled in the same way they digest their news, make meal reservations, and do their banking: online, via an app, and done NOW! Whether it is in securing a policy, paying for coverage, or making a claim, peer-to-peer insurance intends to deliver a product to meet the demands of this new generation.

To prove the point one such insurer boasts it paid a claim in a world-record setting three (3) seconds – from submission to approved payment – all without any human involvement. The claim for a nearly \$1,000 jacket (minus a deductible) was handled in full by “AI Jim,” the company’s artificial intelligence claims program, which, in less than the time it takes you to

read this sentence, performed eighteen (18) anti-fraud algorithms to analyze the claim. So much for the world of claims and SIU investigations, proofs of loss, and examinations under oath.

And don’t think for a minute this is “accidental.” In promotional videos for its insurance services, this same company touts its ability to pay claims so you can “go out and party.” The latter phrase even appears in bold-face type to emphasize the quick payment of claims and the ability to then “hit the town.” While appealing to the Millennial crowd, it must be asked how enticing is such as system those eyeing a quick financial payout from insurance fraud?

These new insurers often claim that in addition to computer analysis, they rely on the “inherent honesty” and “moral attitudes” of Millennials to be honest in their insurance dealings – especially if the insurer donates a percent of the profits to charity. The concept is by “giving back” Millennials will not “rob” from those in need by making fraudulent or inflated insurance claims. More seasoned, or perhaps cynical, fraud investigators may counter: *“True, unless the fraudsters view themselves as the more-deserving charity!”*

Millennials are the future policyholders in America. That means they will also be our nation’s future claimants and fraudsters. Time will tell how their real attitudes toward insurance fraud actually play out when faced with these ethical and moral decisions. What we do know is the Millennials will form the largest block of insurance buyers in our nation’s history. More studies are needed starting now to understand what this new generation foretells in terms of insurance attitudes and insurance fraud proclivities. While big data and AI are important to fighting insurance scams, let’s remember that it’s we humans – based on our morals and values – who decide whether to commit insurance fraud. The Millennials are coming . . . but are we truly prepared to know what that really means?

¹Accenture; Insurance Consumer Fraud Survey 2010

²Insurance Research Council; “New Study Finds Lower Acceptance of Insurance Fraud and Strong Support for Fraud-Fighting Efforts.” March 23, 2013.