

INTEGRATED SOLUTIONS | INSURANCE

Onboarding: Balance customer expectations with fraud controls



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CIO DIVE

5.74M

Reported cases of identity theft in 2021, with total losses reaching nearly \$6 billion. Since 2020, cases of fraud have increased 70 percent.¹

In a world where the line between virtual and offline identities has become increasingly blurred, it's more important than ever for organizations to ensure they know the true identities of their users, customers, employees, and partners.

That task has become more important – and more difficult as scammers become more sophisticated. Increased availability of digital identity data has allowed fraudsters to create more convincing fabricated identities and made knowledge-based authentication (KBA) less reliable. There were 5.74 million reported cases of identity theft in 2021, with total losses reaching nearly \$6 billion. Since 2020, cases of fraud have increased 70 percent.¹

Additionally, consumers expect a great user experience. Nobody wants to physically go to the brick-and-mortar location and stand in line. Therefore, despite such threats, the shift toward online transactions and virtual consumption continues its ascent. One study found that more than 80 percent of consumers said they wanted more self-service options online.² However, the same study also found that 40 percent of businesses think they already offer enough self-service options online.



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If businesses want to remain relevant in today's marketplace, they must provide more self-service to their customers. They have to address the risk of identity fraud with proactive solutions. While identity proofing alone may have solved some of this problem in the past, forward-thinking businesses and government agencies are starting to incorporate identity affirmation as well as making use of biometrics and document verification.

- **Identity proofing** confirms the individual claiming the identity has an authentic ID and that it belongs to the person using it, using biometrics and other methods.
- **Identity affirmation** pulls additional data from supporting documents supplied by the user to further determine the validity of the identity.

Failing to implement both identity proofing and identity affirmation can ultimately become a drag on your business. A customer who must come into your brick-and-mortar store and stand in line to complete an in-person registration will have a less enjoyable customer experience than a customer who can complete the entire process

at home on their own time. If your competitors offer an on-demand, anywhere experience, they're going to quickly take market share if you don't offer one as well.

Even if you do have identity affirmation functionality, if it's not quick and easy for customers to use on their preferred platform, you risk them abandoning the process and your company altogether. Nine in 10 businesses report experiencing some abandonment during the customer onboarding process—with the banking sector experiencing the highest abandonment rate (almost one in four customers).³

Meeting customers where they are, means allowing them to transact with your company on any platform they wish, and at any time that works for them. Increasingly that platform is mobile.

MORE THAN

6 in 10

U.S. website visits now originate on mobile devices, compared to fewer than 40% on desktops.

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A robust, document-centric digital identity proofing and affirmation service that works across platforms and integrates easily into your existing workflow can make your transactions more secure and reduce the risk of fraud from bad actors pretending to be someone else. That's important not only for your brand's reputation but also in many industries for regulatory compliance.

What does this mean for your business? Having an identity proofing and affirmation solution that's compliant, user-friendly, and reliable is table stakes in today's world in terms of both security and customer satisfaction. It also reduces costs and improves the efficiency of your processes.

Onboarding customers digitally versus in-person saves your business both time and money. However, it opens the door to fraud and online abandonment of the onboarding process. Identity proofing and affirmation addresses those pain points, meeting the needs of both your business and your customers.



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Benefits of identity proofing and affirmation

There are several benefits to having a strong identity proofing and affirmation product integrated within your existing onboarding system.

An improved user experience

Consumers want to do everything online now, including applying for loans or updating government documents. They expect all their transactions to occur quickly and without friction on their platform of choice. Verifying their identity entirely online means significantly less work for them and saves them the time and energy required to visit a brick-and-mortar location or find a notary. It also increases their engagement with your brand, resulting in more satisfied customers.

Heightened security

Highly regulated industries like banking or healthcare are hyper focused on cybersecurity, but it's become increasingly important for businesses in every industry to make sure they have best-in-class fraud prevention procedures in place. Fraud is not only becoming more frequent, it's also getting more expensive. **Every \$1 fraud cost e-commerce businesses \$3.13 in administrative costs, legal expenses and brand damage last year.**⁴

That cost was more than \$4 for financial services firms and more than \$5 for real estate companies.

End-to-end identity proofing and affirmation tools are not only crucial to reducing this risk, they also have the added benefit of increased customer confidence that your organization is taking proper care with their data and other sensitive information. That's especially important when you're interacting with a new customer for the first time, as is often the case during onboarding.

Greater efficiency

Shifting from a manual process to using artificial intelligence for identity proofing means the process will become faster, have fewer mistakes, and cost less. An added benefit is that digitizing the process means it can take place at any time, so your customers can log on and open an account at a time that's convenient for them, regardless of whether you have a branch open at that time or workers on the clock. Automated identity proofing and affirmation also scales easier than manual systems, making it easy for your company to ramp operations up or down based on market conditions.

How ABBYY's solution works

While some vendors provide one part of the identity proofing or verification process, ABBYY's solution is an all-in-one tool built on its proprietary mobile capture and intelligent document processing capabilities that organizations can tailor to meet their needs.

“The ABBYY solution goes beyond simply checking that it is an ID, it's checking who you are. It's checking the security features of a myriad of IDs, because there are so many different types of government identification.”

↳ **Mike Smart, Senior analyst and operations officer at NelsonHall**

While the technology supporting the solution is complex, the experience for the user is a straightforward, three-step process fully integrated within your existing systems. Customers do not have to download or install additional apps on their phone or computer, and your business can have the solution up and running right out of the box:

STEP 1: **Identity verification and facial matching**

ABBYY Proof of Identity guides a user, through smart auto capture technology, to take a great picture via their mobile device, anywhere, anytime. The image capture technology quickly flags issues like glare or unfocused photos, notifying users to quickly fix such problems. Then the software automatically detects the type of identification provided, such as a state driver's license or passport. It verifies the authenticity of the ID and extracts both the relevant data (such as the owner's name and address) and their photo. ABBYY Proof of Identity then uses facial matching and liveness detection using the photo on the ID and a selfie of the user to ensure the person is alive and is who they say they are.

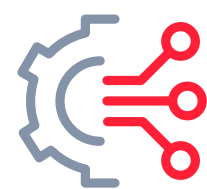
How ABBYY's solution works



STEP 2:

Trailing document data extraction

Once ABBYY Proof of Identity has completed step 1, users can upload additional documentation such as utility bills to confirm they live where they say they live, income statements to confirm stated income data, or other documents specific to the onboarding use case, to further affirm their identity and additional data points. Customers who start this process on a computer can switch to a mobile device to capture trailing documentation, making the process simple, easy, and quick. The technology processes the image, extracts the relevant data and compares it to identity proofing data to further confirm that the user is the person that they claim to be.



STEP 3:

Determination

After the user completes the above steps, ABBYY Proof of Identity leverages advanced artificial intelligence (AI) and machine learning (ML)

to complete the identity proofing and affirmation process. No humans are necessary, and the software can even see details in the images that the human eye can't. Then the identity proofing and affirmation data are compared and optionally verified against external sources, to confirm the user is the person they claim.

“They can marry the data and see that the person has the same face as on their ID, and the same address as on the utility bill, and they can do that in 15 seconds,” Smart says.

Your organization may decide, especially at first, to leverage human-in-the-loop capabilities and have a human audit or review some of the transactions. This is critical to handle not just the happy path, but also any exception processing effectively and efficiently. Unfortunately, most organizations don't even know all the bottlenecks and areas that are causing issues in their processes. To truly know the entire situation and be able to see where real improvements can be made, **ABBYY Proof of Identity** can connect to **ABBYY Timeline**. This process-mining tool provides real actionable insights that allow you to streamline and find efficiencies in the larger overall process.

The applicability of identity proofing and affirmation will likely expand quickly across industries, as more consumers and businesses embrace the ease and utility of the technology. ABBYY's solution integrates identity proofing, identity affirmation and sophisticated intelligent document processing, mobile auto capture, a drop in portal/website solution, and more to meet the need of each individual vertical.

“Since Covid, there has been a lot more acceptance of biometrics in general,” Smart says. “People are used to having their face scanned to open their phone or to pay for something.”

Insurance

Insurance fraud costs the United States more than \$308 billion per year, making it a prime use case for identity proofing and affirmation solutions that can improve security and reduce incidence of scams. Like financial services firms, insurers are subject to high regulatory burdens (which change frequently), making such solutions even more important, but they're moving quickly toward automated solutions. More than eight in 10 IT decision makers in insurance implemented three to four automation projects last year.⁵

In addition to fraud mitigation, insurers would benefit from a smoother, mobile-first onboarding process for new customers. The claims process is often the most challenging and frustrating part of transacting with an insurer for customers. More than three-quarters of insurers cite improving the customer experience as a high-level business priority,⁶ so any solution must focus on making the transaction as quick and easy as possible.

Of those who have implemented AI-powered augmentation initiatives, 55% have reported benefits in customer experience and 50% have seen revenue growth.

Digital identity proofing and affirmation, along with the ability to virtually upload claims documentation or photos, could ease this process and create a far better user experience for customers.

The following are some ways that the insurance industry might use identity proofing and affirmation:

- Online applications (verify and validate new policyholders)
- Onboarding
- Account management
- Claims First Notification of Loss (FNOL)
- Claims settlement o Policy servicing
- Underwriting

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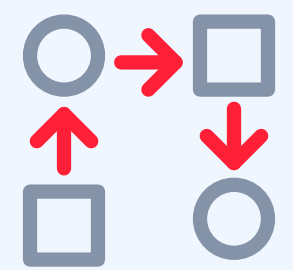
Human resources

The shift to remote work and the embrace of gig workers has made virtual onboarding more common for many industries,

but companies must still verify the identity of workers and their eligibility to hold a job in the United States. Companies with digital identity-proofing and affirmation can offer their employees a smoother first-day experience, lighten the workload for HR departments that are often stretched thin, and ensure the accuracy of employee documents and records.

Use cases for human resources might include:

- Onboarding new remote workers/gig employees
- Benefits enrollment/management
- Tax document access



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Looking ahead

Digital identity proofing and affirmation is explosive technology that will expand quickly, because it is a key element that solves the overall challenge of improving efficiency and customer experiences while reducing complexity and costs associated with critical onboarding processes. Just as remote check deposits became commonplace along with the widespread availability of smartphone cameras and the adoption of digital banking, digital identity proofing will become an expected feature as more consumers get used to using face scans and uploading sensitive documents as part of important transactions.

Ultimately, organizations that have a reliable identity proofing and affirmation system will have a competitive advantage

over peers who rely on antiquated, inefficient, and error-prone processes. Gartner research shows that by 2024, organizations that provide a better user experience online will outperform their competitors by 25 percent on satisfaction metrics for both customer and employee experience.⁷

Interested in learning more about how automated identity proofing and affirmation can help your organization progress toward its digital transformation goals? Get in touch with ABBYY today at abbyy.com.



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