

# Fraud in Homeowners Insurance case study

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## Problem Statement and Objective

Homeowners carry insurance on their property so they can submit a claim if damages result from a covered risk. It's reassuring to know that if your house burns down or suffers damage by an 'Act of God', you won't have to start over again. So this is important to know whether the damage is real or not and if it is real then what are the steps that we can follow?

## Challenges

Homeowner insurance fraud typically takes places in two forms as follows:

- 1) Someone submits an inflated claim surpassing the actual values of the damage or loss.
- 2) Someone submits for misleading claim to earn unwarranted compensations.

## Solution Offered

The typical process for acquiring this vital coverage involves comparing quotes online using our convenient online insurance calculator, which basically works with the geo location of the user and with the trained module of past history of that particular region. From that point forward, homeowners can pick up the phone or open a new email message to contact their agent. If a disaster that's covered by their policy does occur, they can file a claim with their provider. With the help of artificial intelligence, we can train our model with respect to weather conditions that is a prediction calculator.

## Business Benefits

With growing population and increasing demand for housing, and reduced premium due to less frauds, home insurance will be on huge demand and there will be increased sales

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## Brief Background

Some of the cases of fraud in homeowner insurance are

### 1) **Burning down the house — for profit:**

High living had left Chicago grain futures executive Marc Thompson deeply in debt. In desperation, he torched his home for the \$730,000 in insurance money. To make it appear a suicide, he led his 90-year-old mother Carmen downstairs, doused the basement with accelerant and tossed the match. Now Thompson's own future is secure — for 190 years in federal prison.

Who would burn down their own home, not to mention their own mother, for the money? People caught unprepared for the worst recession in 80 years.

### 2) **Fraud by Miami women:**

One Miami woman was just arrested for homeowner insurance fraud after allegedly filing another claim after receiving a \$60,000 pay-out. As Insurance Journal reports, the

homeowner made a claim in 2005 after her home suffered hurricane-inflicted water damages. However, she did not appear to make many repairs on her home, despite the approved pay-out. In 2015, the woman enrolled in a new policy with a different provider. She then filed a \$43,500 claim for wind and rain damage allegedly occurring in 2015. Her new provider denied the claim but offered to pay for the repairs directly. The homeowner did not accept this solution.

## Considering Key Challenges

- 1) Understanding the flow between user and agent journey.
- 2) Separating data for different region.

## Implementation Overview (with Artificial intelligence)

