



# Health Insurance Marketing Company Case Study

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## Summary

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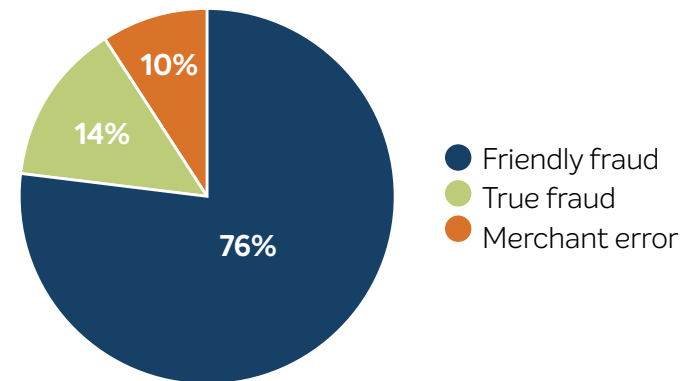
This case study outlines the work we did for a leading Health Insurance Marketing Company (HIMC) that sells health insurance plans for benefits major insurers don't typically cover. New customer orders are primarily taken by phone.

### Challenges Faced by the Health Insurance Marketing Company

1. High chargeback ratio (Exceeding 2%)
2. Low customer retention rate (Less than 50%)
3. High true fraud chargebacks (over 10%)
4. High friendly fraud chargebacks (over 40%)
5. High merchant error chargebacks (over 20%)

The graph clearly shows a spike in chargebacks during certain months. In this particular client's case, that can be explained by the open enrollment period for health insurance. Sign-ups increase dramatically during this time, with a commensurate increase in chargeback activity.

### Initial Chargebacks by Type



### Monthly Chargebacks



## Identifying True Fraud

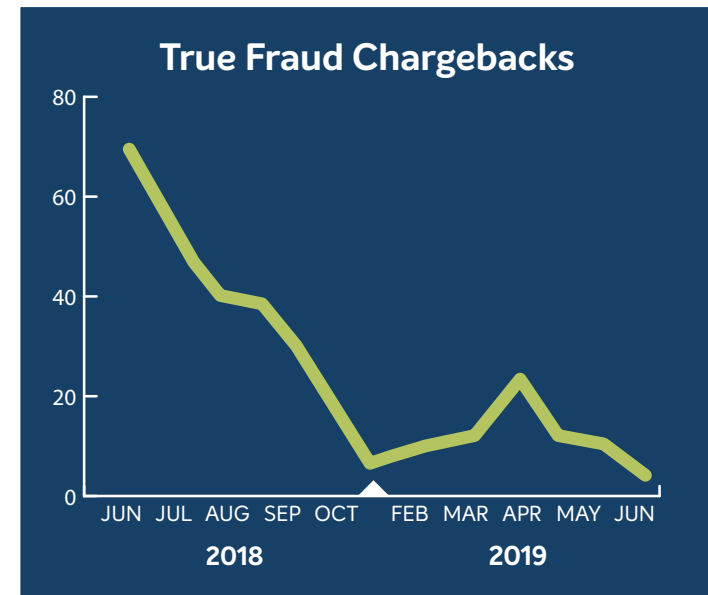
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Most true fraud is perpetrated with stolen credit cards.

We look at billing addresses, AVS matching, and the dispute reason code provided by the issuing bank to pinpoint signs of fraud. We also use a private investigator's database to see if disputing cardholders own or reside at shipping addresses that they claim aren't theirs.

We also look at the sources driving web traffic to our clients. Many call centers, affiliates, and other referrers operate under a business model that incentivizes them to send a high volume of traffic to their customers, even if much of that traffic is of low quality and full of opportunistic fraudsters.

We made sure that HIMC turned AVS matching on in their payment processing system and encouraged them to use fraud prevention tools like 3-D Secure, which can now be used for phone orders.



## Identifying Merchant Error

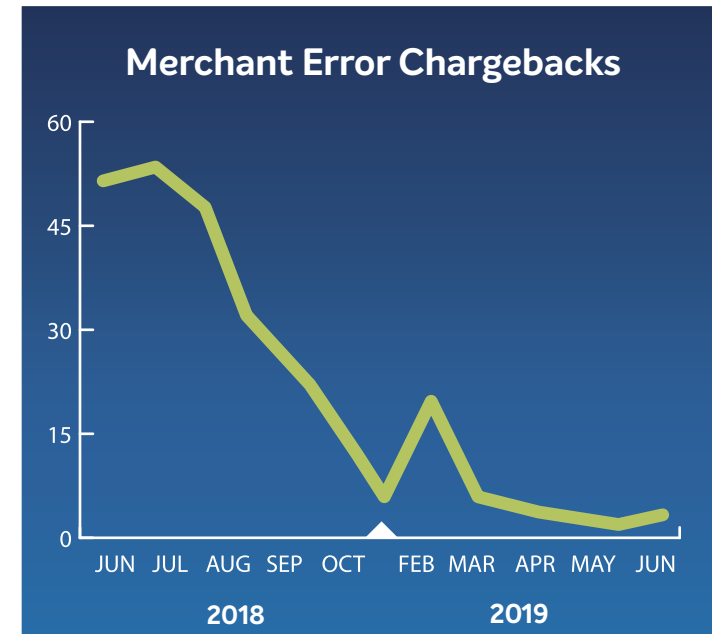
The customers themselves are the best authorities on what sorts of merchant errors are causing chargebacks. Issuing banks may pass along information about their dispute reasons, some customers may contact customer service, and many customers post comments about their frustrations on the Better Business Bureau website and other on line forums. We look at customer complaints, in their own words, wherever we can find them.

What were unhappy customers saying about HIMC? That the benefits of the plans they were buying weren't fully explained. That policies were not cancelled as requested. That promised refunds didn't arrive when they were supposed to.

One common problem unique to HIMC's industry was that customers would purchase a supplemental insurance plan, attempt to use it, and discover that plan did not cover what they hoped it would. Then they immediately go and dispute the charge with their bank.

The vast majority of merchant error chargebacks represent operational issues that businesses can address and fix, if they know about the issue in the first place. As soon as we identify these issues, we work with the merchant to devise action steps they can take to remedy them: eliminating double billing errors, fast-tracking promised refunds, making marketing copy more accurate and informative.

We encouraged merchant to do follow-up calls to find out if customers are happy with their purchase. We also advised merchants to always send an email whenever a refund is initiated, so that the customer knows that the merchant hasn't forgotten about it.



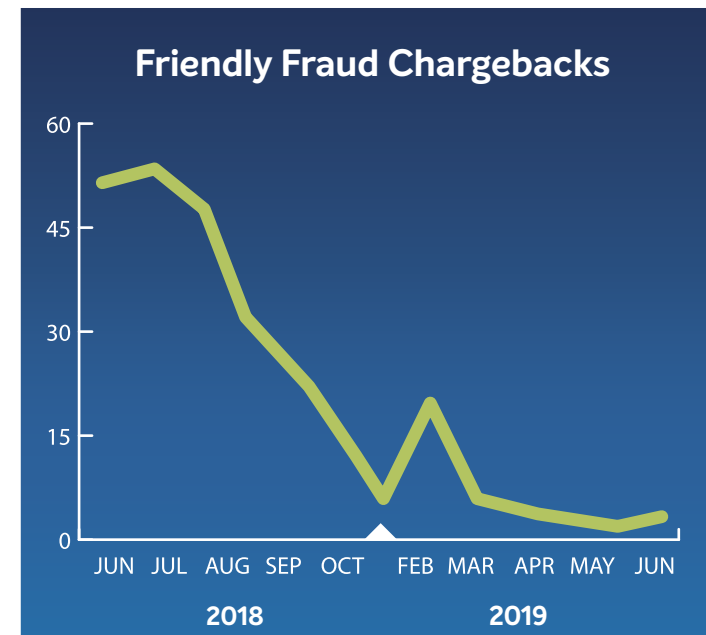
## Identifying Friendly Fraud

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As with friendly fraud, identifying bad traffic sources is crucial for preventing friendly fraud. Some customers perpetrate friendly fraud unknowingly, but many fraudsters intentionally game the system with these methods, looking for merchants who are low-hanging fruit due to lax security and store policies. We had to find out where the “friendly” fraudsters who were targeting HIMC were coming from.

When repeat friendly fraud offenders can be identified, we make sure our clients blacklist them so they can never file any chargebacks against them ever again. Too often, friends and families will share credit cards amongst each other and dispute all of the charges. We strongly urged our client to block transactions from customers like these—there’s virtually no chance they’ll turn into legitimate customers at some point in the future.

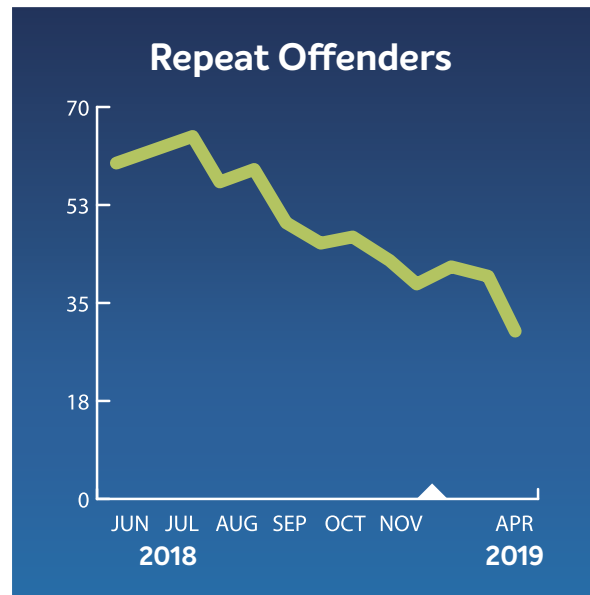
We also advised stringent quality assurance measures, such as sampling a higher number of calls to make sure that sales representatives are providing good information and obtaining the information they need to weed out fraudulent orders. Fixing other operational issues can help, too—there is often some overlap between the root causes of merchant error chargebacks and unintentional friendly fraud chargebacks.



## Repeat Offenders

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The way to deal with repeat offenders is to blacklist their card numbers, names, email, and IP addresses. We made sure HIMC did this, but as the graph shows, the number of repeat offenders was reduced but not eliminated. The reason for that is that new repeat offenders are revealing themselves to your analytics all the time—they can't be flagged as “repeat” offenders the first time you cross paths with them, after all.



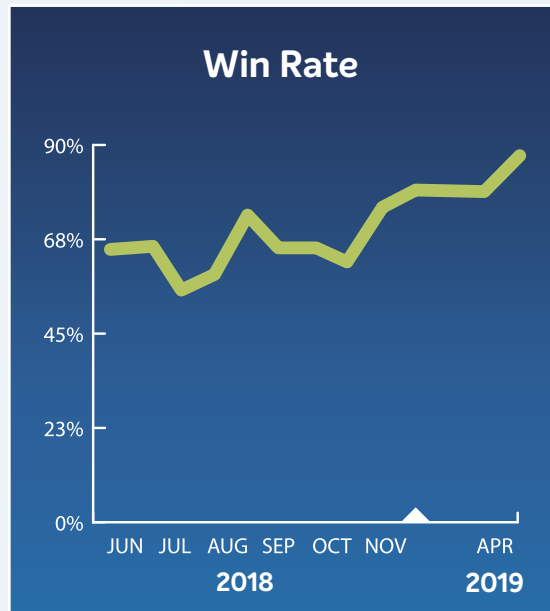


## Increasing Win Rate

When we fight chargebacks for our clients, we customize our approach based on the issuing bank and payment processor we're dealing with, as well as the reason code for the chargeback and the evidence we have available to fight it with.

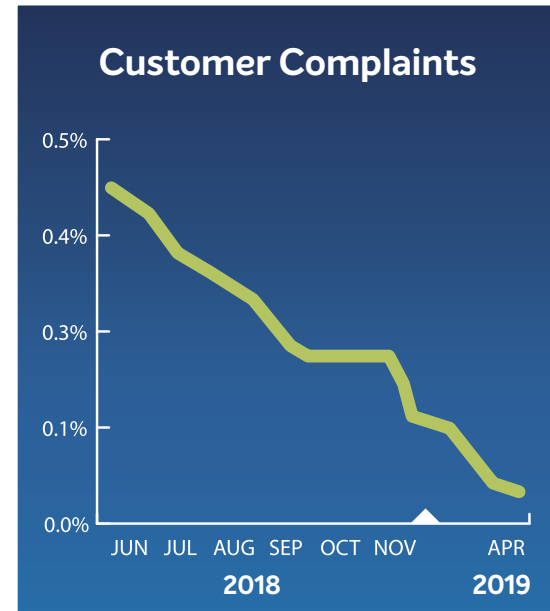
Based on this data, we formulate a response to the chargeback. We also varied our tactics and engage in frequent A/B testing. This allows us to refine our methods so that we can fight chargebacks in the most effective way possible. You can see in the graph how our win rate with

HIMC increased over time. The better we get to know our client and the specific issues they face, the better we are at fighting their chargebacks.



Chargebacks can never be completely eliminated. Some of them are legitimate, and we don't fight those. However, as we work with our client over time to fix the operational issues that lead to merchant error and friendly fraud chargebacks, true fraud and other legitimate chargebacks are the only ones that are left standing.

Paradoxical relation between Dispute Win Rate and Customer complaints – Even as you win chargeback cases the number of customer complaints decrease because you are responding to customer stories.



As their win rate increased, customer complaints decreased because HIMC began addressing operational problems based on customer feedback.



## Conclusion

Accepting chargebacks is no longer a viable option for businesses. Analyzing and fighting chargebacks is not only crucial for customer retention, but also to identify vulnerabilities in the business, recover revenue, and increase profitability.

HIMC succeeded in reducing their chargebacks because we were able to identify 40 distinct operational procedures where improvements could be made. We worked with them to ensure they were only accepting traffic from reputable referrers, helped them implement 3-D Secure for their phone order system, and blacklisted their repeat offenders.

Through our efforts to optimize their process for preventing and fighting chargebacks, HIMC was able to prevent fraud and recover lost revenue. Also they were able to understand their customers, increase customer retention rate, reduce operational errors and increase their bottom line.

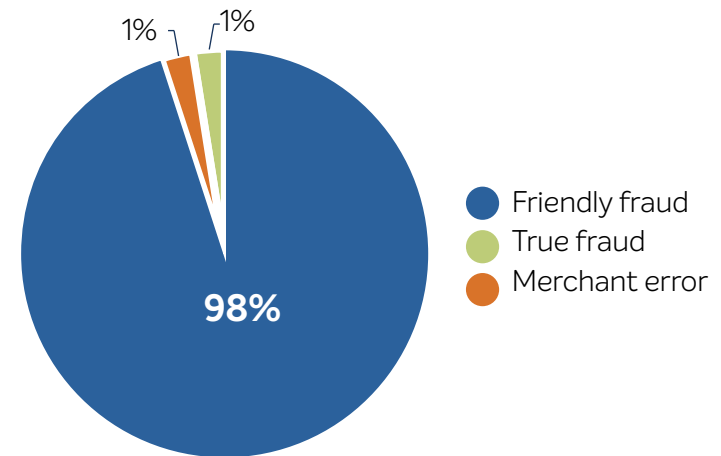


# Highlights

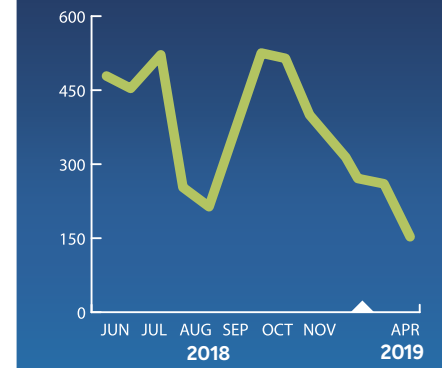
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- Chargeback Threshold reduced from >2% to 0.57%
- Chargebacks fell every month after December of 2018  
December with only 170 chargebacks in June 2019. Of those 170 chargebacks, 133 were fought with a Win Rate of 86%
- Reduced avg. monthly Revenue lost to chargeback disputes by ~\$53,020.00
- Recovered ~\$420,000 over the course of the study.

### End Chargebacks by Type



### Monthly Chargebacks



## About Chargeback Gurus

Chargeback Gurus is a global company offering businesses chargeback management and analytics solutions to increase customer satisfaction and drive repeat purchases. Our deep data analytics and expert assessments help businesses identify risks and vulnerabilities in business processes while improving customer experiences. As industry-leading pioneers, we empower businesses to combat constantly evolving fraud tactics and customer disputes that directly threaten profitability. We are trusted advisors to card networks, financial institutions and Fortune 500 companies. Businesses find our white glove services most attractive and beneficial since it takes little to no effort from the businesses' end to combat their chargeback and fraud challenges.

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