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Machine Learning–Augmented ETL Pipelines for Fraud–Resistant Insurance Claims Processing

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ABSTRACT

The insurance industry is also affected by insurance fraud, which incurs massive financial losses and operational inefficiencies. Current fraud detection methods tend to be based on rule-based systems and static Extract, Transform, Load (ETL) pipelines, which are unable to keep up with the pace of rapidly evolving fraud tactics. However, these conventional approaches exhibit high false-positive rates, limited flexibility, and cannot perform real-time analysis, causing delayed detection and increased operational costs. This article describes the integration of machine learning (ML) techniques into Extract, Transform, and Load (ETL) pipelines to facilitate real-time, data-driven fraud identification during insurance claims processing. This system features embedded supervised machine learning classifiers within the ETL workflow, enabling dynamic analysis of claims data during ingestion and transformation. Temporal behavior modelling, behavior modelling, and external data source enrichment, co-enabled with fraud auto-registry, will allow the system to improve the detection of complex behaviors over time. Scalability and near real-time processing are supported by the pipeline orchestration, resulting in timely fraud risk scoring. The results of experiments demonstrate that the proposed methods yield a significant improvement in detection accuracy and latency reduction compared to traditional methods. By incorporating dimensionality reduction techniques, further optimization of model performance can be achieved. With this approach, claims processing can effectively evolve in lockstep with dynamic and ever-changing scales, adapting without impacting efficiency and resiliency. Ultimately, an ML-augmented ETL pipeline is proposed, which provides insurers with a powerful tool for reducing fraud losses while maintaining agility and compliance.

Key words: *Insurance fraud detection, Machine learning, ETL pipeline, temporal behavior modeling, Real-time fraud scoring.*

1. INTRODUCTION

The global insurance industry continues to face a significant and persistent problem of insurance fraud, resulting in substantial financial losses of billions of dollars per year. Specifically, this type of fraudulent activity occurs during the claims processing stage when dishonest policyholders or organized groups file false, excessive, or otherwise fraudulent claims to obtain unearned monetary compensation. Fraud detection in insurance claims remains a challenge due to the complexity of these claims, which involve numerous data points with diverse data formats and a high volume of daily transactions.

Insurance companies, in the past, have relied on rule-based detection systems and static ETL pipelines to process claims and alert them to suspicious activities. For the rule-based system, predefined conditions and thresholds are applied to identify potential fraud. However, such systems tend to be inflexible and struggle to adjust to ever-changing patterns of fraudulent tactics and newly emerging patterns of deceit. As a result, these methods typically lead to a high rate of false positives, thereby straining claims adjusters with inappropriate investigations and low operational efficiency. At the same time, the core focus of traditional ETL pipelines, which extract, clean, and load data in preparation for downstream analytics, has remained outside of native support for predictive intelligence or real-time decision-making. So fraud detection often falls behind itself instead of being proactive, missing chances to intervene early.

In recent times, advances in machine learning (ML) have led to new possibilities for enhancing fraud detection within the insurance domain. ML models can learn from historical data, identify complex patterns, and evolve to keep pace with changing fraud behaviour over time. With ML algorithms embedded directly into the claims processing pipeline, the pipeline becomes intelligent and automated, featuring real-time risk scoring and more sophisticated fraud detection. This type of integration enables the system to consume not only structured data, such as claim amounts and policyholder information but also unstructured data, including descriptions or documents, allowing for the identification of anomalies that traditional rules would otherwise miss. Based on this, the goal of this approach is inspired by the successful applications of predictive analytics in life insurance underwriting, where supervised machine learning models (e.g., decision trees, regression techniques, and neural networks) have been applied to more precisely assess applicant risk. In such cases, Correlation-Based Feature Selection (CFS) and Principal Component Analysis (PCA) have been instrumental methods for input variable refinement, noise removal, and model robustness as well as interpretability.

This thesis fills the gap between static claims processing pipelines and dynamic, intelligent fraud detection by designing a machine learning-augmented Extract, Transform, Load (ETL) process for insurance claims. This thesis includes the objectives of creating an ETL pipeline that utilizes supervised ML models for real-time fraud risk scoring, intelligently features engineering strategies including temporal behaviour modelling and external data sources enrichment, evaluates the performance of different ML algorithms and dimensionality reduction techniques' effectiveness for identifying fraudulent claims and showing the operational viability and scalability of the solution using industry standard orchestration and visualization tools. This research aims to address these objectives by establishing a practical and scalable approach that provides fraud resistance to insurance claims processing systems without disrupting existing operational workflows. With this advancement, detection accuracy can be improved, financial losses can be reduced, and trust between the insurer and policyholder can be increased.

2. Related Work

2.1 Traditional ETL Pipelines in Insurance Operations

In insurance operations, claims data has been traditionally managed via traditional ETL pipelines. These pipelines focus on extracting data from diverse sources (claim forms, policy databases, and external records), transforming the data into a standard format, and loading it into a centralised data warehouse. These processes are usually rule-based, batch-oriented, and automate basic data cleaning, validation, and aggregation tasks. This approach guarantees data consistency and facilitates reporting but cannot identify fraudulently paid claims in a dynamic manner (in real-time). These pipelines tend to be static, which makes them less effective at adapting to emerging new fraud patterns (3).

As illustrated in the image below, the ETL process involves three key stages: extract, transform, and load. In the extraction phase, data is collected from various sources such as claim forms, policy databases, and external records.

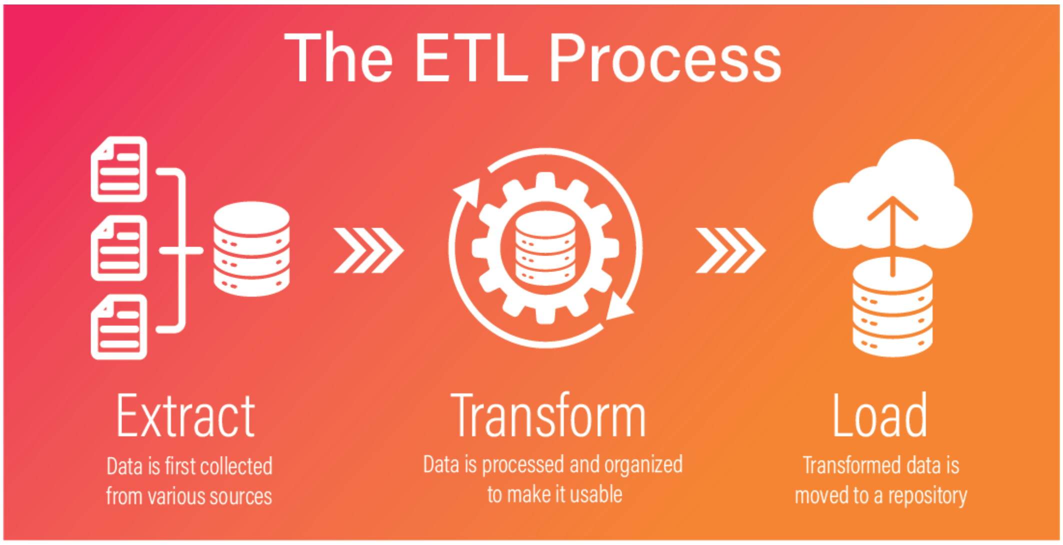
The ETL Process
Extract
Data is first collected from various sources
Transform
Data is processed and organized to make it usable
Load
Transformed data is moved to a repository

Figure 1: ETL: Extract, Transform, and Load.

2.2 Current Landscape of Machine Learning in Fraud Detection

Fraud detection has been transformed by machine learning, as these systems can now learn complex patterns based on historical data (26). To classify claims as legit or potentially fraudulent in the insurance domain, several supervised learning models (such as Random Forest, XGBoost and neural networks) are already used. Here, these models predict fraud likelihood by analysing attributes such as claimant behavior, claim amounts, and temporal trends. They can handle high-dimensional data and nonlinear relationships more effectively, making them superior to traditional rule-based systems. However, they are typically deployed separately from core ETL processes, which prevents them from being integrated into real-time workflows.

2.3 Previous Integration of ML within ETL Flows

Machine learning is being embedded within ETL pipelines, making fraud detection a natural part of the data processing lifecycle. These approaches typically involve adding feature engineering steps in the transformation phase to extract temporal and behavioral features that enhance the quality of model inputs. After feature extraction, ML inference can be performed before loading results into operational stores, allowing earlier fraud risk scoring. While promising results have been reached, these systems face several challenges, including scaling to larger models, managing model versions, and handling imbalanced data, an issue inherent in fraud datasets. Moreover, most existing efforts do not allow for easy integration of diverse insurance products or external data sources, limiting flexibility and adaptability (13).

2.4 Gaps in the Research Identified

The current state of research reveals several gaps that must be addressed to achieve ETL pipelines that ML completely powers for fraud detection. Intelligent feature engineering, modelling of temporal behavioral aspects, and supervised learning are not coupled in a standard pipeline framework. Little is known about the operational performance of these systems in near-real-time settings either. Additionally, further exploration is needed to strike a balance between utilizing dimensionality reduction techniques and maintaining model interpretability while achieving high fraud detection accuracy. Closing these gaps would help make insurance claims fraud detection more effective and scalable, enabling the development of adaptive and fraud-resistant systems in turn.

3. Conceptual Framework

An intelligent ETL pipeline for fraud-resistant insurance claims processing requires a well-structured conceptual framework for development (35). As a foundation, this framework focuses on incorporating machine learning into traditional ETL stages by converting static data workflows into adaptive, real-time ones that can detect fraudulent activity while claims are being processed.

As illustrated in the image below, the framework integrates various influencing factors such as the economic environment, governance and control, individual traits, and contested practices that collectively shape the consequences of fraudulent behaviors.

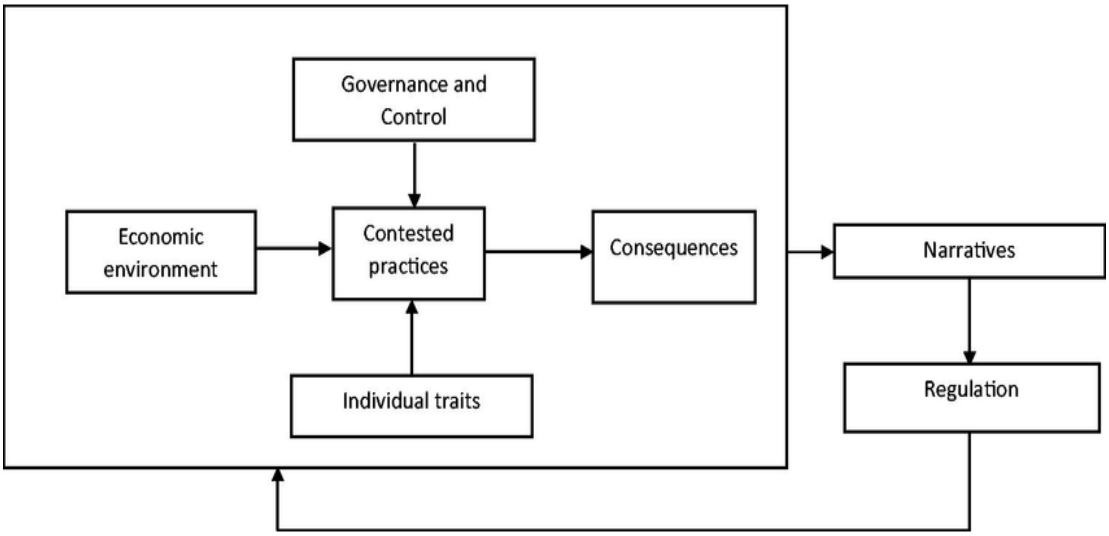

Figure 2: Conceptual framework for the study of fraud and scandals (Van Driel, 2019).

3.1 Intelligent ETL Systems' Overview

This goes beyond basic data extraction, transformation, and loading through an intelligent ETL system that includes advanced analytics, with machine learning built into the data flow. Instead of merely preparing data for offline analysis, such a system continuously analyses incoming claims data, dynamically tagging risk and alerts. This enables a move in fraud detection closer to the source of the data, eliminating virtually all the time between the submission of a claim and the identification of fraud. Embedded intelligence is a core component of this approach, augmenting the ETL stage with embedded intelligence (21). Risk-related metadata can be collected and associated with data elements as the data is extracted. Feature engineering techniques from transformation stages add behavioral, temporal, and contextual attributes to the dataset. Finally, loading processes embed real-time scoring from machine learning models to route suspicious claims to manual review or payment stages before they reach.

3.2. Embedded Intelligence: ML inference within pipeline stages

Embedding machine learning inference within ETL pipeline stages ensures that predictive insights are generated during data processing. Enabling this requires the integration of lightweight machine learning (ML) models that can run efficiently under pipeline constraints such as latency and resource usage. Temporal features can be engineered in the transformation phase by using sliding windows to capture changes in claimant behavior over time, for example. Supervised classifiers are trained to estimate fraud risk scores, which are fed by these features. The claims data is scored, and the results are attached to the data as new attributes before being loaded into operational systems. Achieving this level of real-time processing and data consistency often involves leveraging scalable database solutions like MongoDB, which bridges performance and reliability in big data environments (8). Furthermore, MongoDB's capabilities enable handling high data volumes and streaming workloads, making it suitable for embedding ML inference within ETL pipelines that require real-time scoring and dynamic data updates (9). Another essential element of this embedded intelligence is model versioning and management. This needs to happen in a pipeline that allows models to be updated or completely swapped out with no interruption in data flow, enabling continuous learning and adaptation to emerging fraud tactics. To maintain pipeline accuracy and relevance over time, dynamic model lifecycle management is critical.

As shown in the Table below, key components of embedded machine learning inference include lightweight models, temporal feature engineering, and fraud risk scoring, all designed to enable real-time, adaptive decision-making within ETL pipelines.

Table 1: Key Components of Embedded Machine Learning Inference

Component	Description	Purpose
Lightweight ML Models	Efficient supervised classifiers embedded within the ETL pipeline.	Enable real-time inference under latency/resource constraints.
Temporal Feature Engineering	Use of sliding windows and time-based aggregations during transformation stage.	Capture behavioral patterns and changes in claimant behavior over time.
Fraud Risk Scoring	Inference applied during transformation to generate a fraud probability or risk score.	Identify high-risk claims early in the data flow.
Attribute Augmentation	Fraud scores and derived features are appended to the original claim record.	Enhance downstream analysis and decision-making systems.
Model Versioning	Management of multiple versions of ML models used for scoring.	Ensure smooth deployment and rollback with minimal disruption to the pipeline.
Model Swapping and Updating	Hot-swapping capability for deploying new or retrained models into the pipeline.	Support continuous learning and adaptability to new fraud patterns.
Dynamic Lifecycle Management	Monitoring model performance and retraining based on concept drift and fraud pattern evolution.	Maintain relevance, accuracy, and effectiveness of embedded models over time.

3.3 Principles for the creation of the ML-ETL pipeline.

The design of machine learning-augmented ETL pipelines for insurance fraud detection is informed by several guiding principles to guarantee that these systems are not only effective but also practical for deployment in the real world. Modularity is paramount: each part of the pipeline (extraction, transformation or modelling) should be made of loosely related components. With this modular structure, the individual parts of the pipeline can be updated or replaced without requiring the replacement of the entire pipeline, making the system more flexible and easier to maintain over time. Scalability is also important, as the pipeline must be able to scale up to the vast volumes of claims data that modern insurance operations utilize. This can be achieved by running horizontally on a distributed infrastructure, leveraging parallel processing and a distributed computing framework to ensure performance in heavy data loads. Given the time-sensitivity of fraud detection, real-time processing capabilities are crucial.

The pipeline should be tailored to minimize latency, enabling near real-time scoring and decision-making to detect fraud before it occurs and prevent financial losses (28). What also makes the pipeline super effective is that it is extensible and allows integration with many other external data sources (s., fraud registries, watch lists, third-party APIs). It adds this external intelligence to enrich the feature set used by machine learning models and, in doing so, improves detection accuracy. Finally, a key principle is interpretability, as results produced by fraud detection models need to be explainable to aid downstream investigation processes and regulatory compliance. As a consequence of this requirement, careful feature selection is necessary to satisfy it, along with transparent models or explainability techniques that enable human analysts to trust and understand automated decisions. These principles are combined to form the basis for constructing resilient, adaptable, and efficient ML-augmented ETL pipelines for insurance fraud detection.

3.4 Expected Performance Improvements, Adaptability

Embedding machine learning directly into ETL workflows enables insurance firms to achieve significant performance gains in both accuracy and efficiency within their fraud detection processes. Faster intervention through early risk scoring reduces the window during which fraudulent claims can be paid out. Additionally, the continuous learning feature enables adaptation to new fraud schemes over time, addressing one of the fundamental deficiencies of static rule-based systems (18). The pipeline is also modular and extensible, allowing insurers to customize fraud detection models and features for different types of insurance product lines, such as auto, health, or property insurance. Adding a layer of sophistication that allows patterns to be observed across multiple claims or over particular temporal periods enables the detection of staged or orchestrated fraud attempts. In addition, the larger the scope of external data sources that are incorporated, the more comprehensive set of information is available for risk assessment, thus enhancing the ability to uncover anomalies that internal data, standing alone, might not reveal. In general, this framework is a practical recipe for building ETL pipelines that allow turning insurance claims processing from a reactive, batch-oriented process into a proactive, intelligent process.

4. Intelligent Feature Pipeline Design

Many of the machine learning models that achieved success in this task, specifically in detecting fraud in insurance, were based on high-quality and relevant features extracted from raw claims data (12). To design an intelligent feature pipeline is to undergo a set of systematic processes for enriching, transforming, and organizing data attributes to help machine learning algorithms distinguish between legitimate and fraudulent claims. This section outlines key strategies for feature engineering in ETL workflows that enable better fraud detection.

As illustrated in the image below, the healthcare sector already leverages machine learning across various pillars—such as medical imaging diagnosis, smart health records, and crowdsourced data collection—to improve decision-making and predictive capabilities.

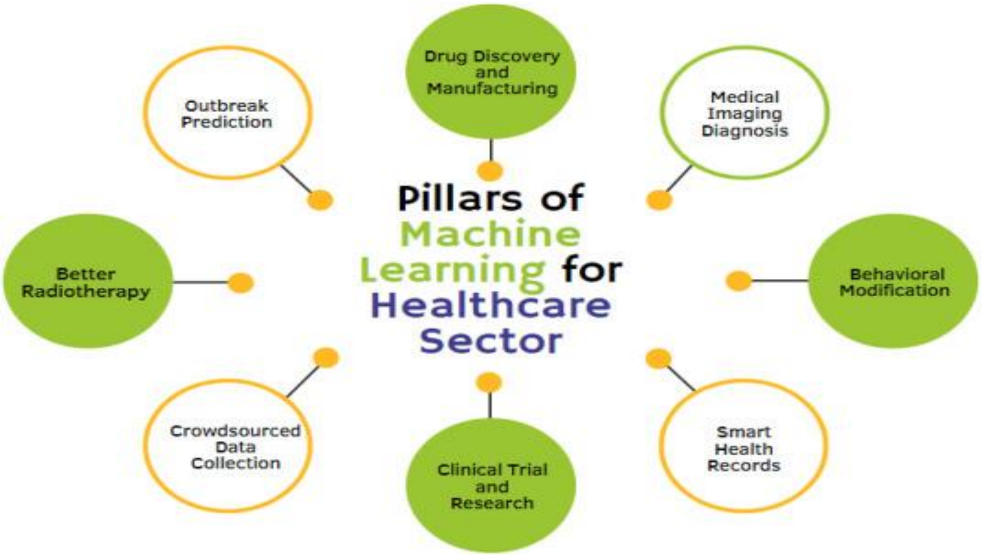
Pillars of Machine Learning for Healthcare Sector
Drug Discovery and Manufacturing
Medical Imaging Diagnosis
Behavioral Modification
Smart Health Records
Clinical Trial and Research
Crowdsourced Data Collection
Better Radiotherapy
Outbreak Prediction

Figure 3: Pillars of machine learning for healthcare services.

4.1 Dynamic Attributes and Ingestion Level Risk Tagging

During the data ingestion stage, incoming claims are assigned preliminary risk indicators based on available metadata and initial validations (14). This could be as simple as risk tags generated from frequently occurring unusual claims, frequent claims billing within an anomaly timeframe, or unusual policyholder details. This also creates a dynamic list of attributes that change with additional data, the first layer of which is established during early tagging, allowing prioritization of claims for more intensive analysis later. Attributes such as claim frequency within a specific period or the behaviour of a claimant in terms of past behaviour are dynamic in the sense that they are constantly updated when new claims enter the system. This provides the pipeline with a running context of risk, which it can use for downstream feature generation and model scoring (33).

4.2 Feature enrichment with external data sources.

The integration of external data sources into the feature engineering pipeline is crucial in enhancing the accuracy and robustness of fraud detection systems. Additionally, I utilize external data when available (public fraud registries, industry watch lists, third-party and third-party databases) to supplement the information often missing or incomplete in internal claim records. The system can uncover hidden patterns of suspicious activity, as the claimant's details are cross-referenced with these external sources to match prior fraud allegations or known associations with fraudulent entities. Fraud watchlists maintained by regulatory bodies or industry coalitions, for example, enable us to flag potential exposure early in the claim processing process when an offender previously engaged in fraudulent activity is identified. In addition, the geo-location data is used to detect claims coming from a high-risk area where the fraud incidence rate is high. The geographic insight adds a spatial dimension to risk assessment that data internal to the Firm cannot alone provide.

Government agencies and regulatory authorities provide Application Programming Interfaces (APIs) for real-time data access. With these APIs, the ETL pipeline can automatically update when new flags, fraud schemes, or policy changes are detected, dynamically adjusting the latest intelligence. The continual influx of external data allows machine learning models to detect more sophisticated fraud tactics, such as those involving identity manipulation, collusion, or coordinated fraud rings, resulting in an overall better performance of the fraud detection system.

As illustrated in Table 2, engineered features used in fraud detection span various types, such as temporal, external, behavioral, and contextual attributes, each contributing to a more robust and insightful model.

Table 2: Sources and Examples of Engineered Features

Feature Type	**Source Example**	**Description**
Temporal Features	Claim timestamp history	Days between claims, frequency in a 6-month window
External Data	Fraud watch lists, geo-location APIs	Region risk levels, entity flag status
Behavioral Patterns	Claimant's claim submission behavior	Claim amount trends, policy changes over time
Contextual Features	Third-party databases, public records	Employment verification, identity consistency checks

4.3 Generating Time-Based and Behavioral Features

Identifying staged or recurring fraud attempts requires temporal behaviour analysis. The behaviour dynamics in terms of features such as the time elapsed since the last claim, frequency of claims over sliding windows, and changes in claim patterns over time are critical for effective detection (4, 5). Unsupervised features could encompass the claimant's average claim value, types of claims or correlations between claim times and external events (e.g. policy renewals). During transformation, techniques such as sliding windows or lag features can be applied to capture these temporal patterns and make models capable of detecting anomalies that are missed by static snapshots.

4.4 Modular feature templates for different insurance products.

The risk profile and claim characteristics of insurance products vary significantly. The ETL pipeline can customize feature engineering processes for specific product types (e.g., auto, health, or property insurance) by designing modular feature templates. These sets of features and methods define which features are considered relevant and which method to use for extracting them from a specific domain. For example, auto insurance might highlight vehicle history, repair costs, and accident reports as key features. In contrast, health insurance might focus on treatment patterns and provider networks—simplified pipeline maintenance with ease of pace, allowing for adjustments when new products or emerging fraud patterns require changes (29).

5. Temporal Behavior Modeling in Claims

To distinguish genuine from fraudulent claims, it is essential to understand how claims evolve. Fraudulent activities often follow patterns that can only be illustrated by analyzing successive years of claims data. By integrating temporal behavior modelling into the feature engineering process, fraud detection systems can better understand these evolving dynamics, which in turn improves the accuracy of their predictions (30).

5.1 Time Dimension of Claims Analysis

Examining claims in isolation may not yield much; many fraudulent schemes involve a series of small steps over time. Staged fraud, for example, may include filing numerous smaller claims spread out over weeks to evade detection or repeatedly filing claims with very slight variations that appear valid as a single claim. This allows frauds to be identified by looking for unusual frequencies, sequences, or timing, which may only be detectable when claims are viewed within a temporal context. It also provides temporal analysis, which helps it detect new and evolving fraud tactics with agility, moving beyond static rules. It also facilitates a better understanding of claimant behaviour, enabling the differentiation between occasional anomalies and systematic fraudulent activities.

5.2. Temporal Feature Engineering Techniques

Techniques such as sliding windows, lag features, pattern mining, and frequency analysis are key methods used to extract temporal features from claims data. Claim activities are aggregated using sliding windows over fixed periods (such as the past month) to indicate recent trends, spikes, or clusters of activity. Past claim values or time since the last claim are featured in lag features, which pick outbursts of rapid, successive claims or unusual changes (19). Frequency analysis is how often a specific type of claim or behavior occurs over certain timeframes of the day or week. Finally, pattern mining is used to discover sequences or combinations of claim attributes that are prevalent in fraudulent cases (e.g., multiple claims associated with the same repair shop or geographic region). These techniques collectively provide a comprehensive set of temporal features to augment the input for a machine-learning model.

5.3 Integrating Supervised Classifiers

Static claim attributes and these temporal features are then fed into supervised machine learning classifiers such as Random Forest or XGBoost. By including temporal data, models can identify patterns of how events unfold over time and weigh more recent suspicious activity. This multi-dimensional input enhances the prediction of false positives and false negatives.

As illustrated in the image below, these models fall within the broader context of Artificial Intelligence (AI), specifically under machine learning approaches that leverage decision trees and ensemble techniques

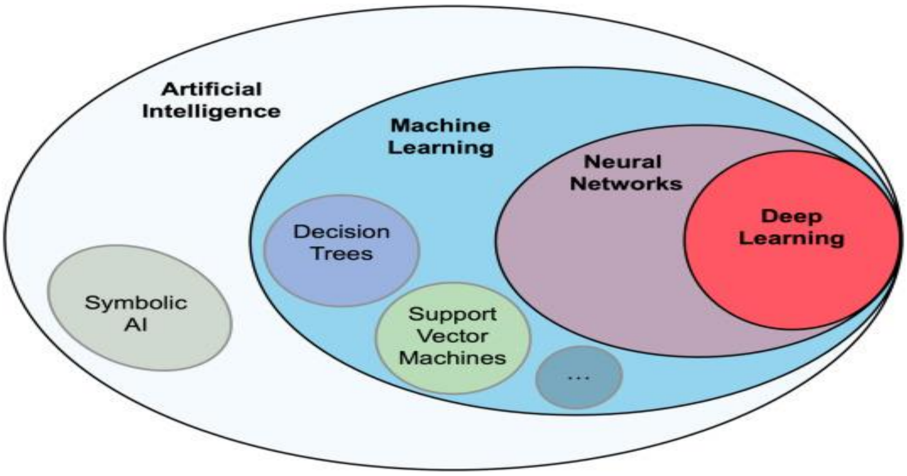

Figure 4: Supervised Machine Learning

5.4 Benefits: Staged Fraud and Behavioral Anomalies Detection

The advantage of temporal behaviour modelling lies in its ability to detect complex fraud patterns and time spread (staged fraud), where fraudsters go to great lengths to ensure that the fraudulent activity is spread out over time, thereby evading traditional detection methods. The system analyses the sequence and frequency of claims, identifying suspicious patterns that, when viewed individually, may appear benign but together reveal fraudulent intent. This approach sheds light on more coordinated efforts at utilizing static claims rules that only concern individual claim characteristics (27).

Temporal modelling has also been successful in detecting behavioral anomalies, such as the number of claims submitted by a claimant, short intervals between consecutive claims, and hikes in the amount claimed. Often, these changes indicate a deviation from normal behaviour and are essential early signs of potential fraud. This captures the temporal dynamics of the data, enabling the system to perform proactive risk management, where airlines can examine flagged claims immediately and take preventive actions to avoid incurring substantial financial damage (22). On the whole, incorporating technological modelling into fraud detection pipelines enables a greater ability to recognize subtle and evolving fraud schemes, thereby decreasing false negatives and improving the overall accuracy of detection. The approach taken is dynamic, such that emerging fraud patterns are detected early, and insurance claims processing systems are made resilient.

As shown in Table 3, temporal modeling enables the detection of various behavioral anomalies, such as staged fraud, rapid claim frequency, and identity reuse patterns that might otherwise go unnoticed through static analysis.

Table 3: Behavioral Anomalies Detectable Through Temporal Modeling

Anomaly Type	**Description**
Staged Fraud	Spread-out fraudulent events designed to appear independent
Rapid Claim Frequency	Multiple claims within a short, unusual time frame

Anomaly Type	Description
Amount Escalation Pattern	Gradual increase in claim amounts leading up to a large claim
Identity Reuse Patterns	Recurring use of same address/contact info across different identities

6. Machine Learning Models and Training

Fraud detection systems within ETL pipelines require appropriate machine-learning models and effective training techniques. In this section, the model choices, data preparation strategies, and training processes implemented to optimize fraud identification performance are explained.

6.1 Selection and Justification of the Model

Several supervised machine learning algorithms have demonstrated exemplary performance in fraud detection problems (23). Random Forest, XGBoost and Multilayer Perceptron (MLP) are the models chosen for this study. Each of them brings in its strength to a successful classification of fraudulent claims. An ensemble learning method, such as Random Forest, builds multiple decision trees and aggregates their predictions. It is robust to noisy data, applicable to high-dimensional feature spaces, and provides interpretability through feature importance measures. It is well-suited for datasets typical of insurance claims, which can be complex (36, 37). The gradient boosting framework XGBoost is fast and accurate, as it builds the tree sequentially, correcting previous errors. Since fraudulent claims constitute a small percentage of total claims, working with imbalanced datasets becomes essential, posing a common and significant challenge in fraud detection. A Multilayer Perceptron (MLP) is a neural network that is that can capture the relationship and interaction between features, even if this relationship is not linear. MLPs require more computational resources and tuning and can model complex patterns by between-based methods. Hence, they may be able to detect more subtle signs of fraud.

6.2. Data Preprocessing and Partitioning

Several steps are involved in preparing the claims data for machine learning. Imputation techniques specific to feature types address missing values, ensuring that gaps in the data do not divert the model's training off track. This means that categorical variables are encoded using one-hot encoding or target encoding based on the feature distribution and model requirements. To perform an unbiased evaluation, the dataset is partitioned into training, validation, and testing subsets. This approach preserves the proportion of fraudulent to legitimate claims across data splits, thereby enhancing representativeness and ensuring better generalization.

6.3 Dealing with Imbalanced Data

Fraudulent claims are the minority in insurance fraud datasets, which are known for being severely imbalanced. This does not balance out, and the model may become biased in favour of the majority classes, resulting in poor fraud detection performance. To compensate for this, techniques such as the Synthetic Minority Over-sampling Technique (SMOTE) are used to over-sample the minority class with synthetic examples, thereby balancing the dataset. Otherwise, during model training, weighted loss functions are used so that fraud cases are penalised more heavily in the loss function to push the model to learn to detect fraud, even in the presence of class imbalance.

6.4 Cross-Validation and Hyperparameter Tuning

Hyperparameter choice is crucial to model performance (39). Methods of cross-validation (such as k-fold cross-validation) are used to assess the stability of a model and to avoid overfitting. It works by splitting the training data into several folds, iterating the training and validation of the model to find the correct parameters. Combinations of hyperparameters (such as tree depth, learning rate, and neuron counts) are explored using grid search or randomized search techniques to fine-tune model behavior. This rigorous tuning maximizes the model's detection accuracy and robustness.

As illustrated in the diagram below, training data and labels are combined with different sets of hyperparameter values and passed through a learning algorithm. Each configuration is then evaluated based on its resulting performance.

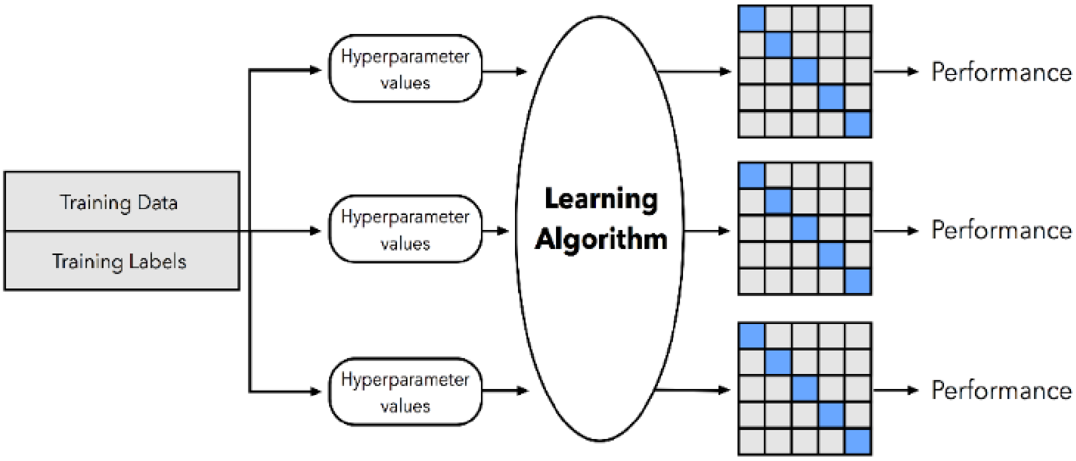

Figure 5: Model evaluation, model selection, and algorithm selection in machine learning

6.5 Interpretability Considerations

For regulatory compliance and operational trust, model interpretability is key to insurance applications. Tree-based models produce feature importance scores that are used to identify key factors driving fraud predictions, which investigators can use to understand and validate alerts. Techniques for explainability, such as SHAP (Shapley Additive explanations), offer both local and global insights into the decisions made by models, contributing to transparency. The interpretability of intrusion strategies supports human investigators in prioritizing investigations and refining detection strategies (38).

7. Methodology

The dataset, preprocessing steps, ETL workflow implementation, machine learning pipeline integration, and evaluation strategy described in this section enable us to develop and assess the fraud detection system within an ETL context.

As shown in Table below, various tools such as Apache Airflow, n8n, and MLflow play critical roles in orchestrating machine learning-enabled ETL pipelines by supporting tasks like workflow scheduling, low-code integration, and model version tracking.

Table 4: Key Tools for Pipeline Orchestration

Tool/Platform	Role in Pipeline	Example Usage
Apache Airflow	Workflow orchestration	Scheduling data extraction and ML scoring
n8n	Visual low-code ETL orchestration	Connecting APIs and triggering model runs
MLflow	Model tracking and versioning	Logging accuracy of each deployed model
PostgreSQL	Centralized data warehouse	Storing and joining processed claim datasets

7.1 Dataset Overview and Data Preprocessing

It contains historic insurance claims from multiple lines of business (auto, health, property insurance). Claim attributes included in each record are claimant demographics, claim amounts, dates, claim types and status labels to indicate fraud or legitimacy. Methods for targeted imputation are employed to address missing data. To reduce distortion from outliers, median imputation is used for filling numerical features with missing values; categorical variables are imputed with the most frequent category. Domain knowledge is used to guide the selective exclusion or further investigation in cases of systematically missing data. Model efficiency is improved, and the curse of dimensionality is relieved by using dimensionality reduction (31). The first approach is Correlation-based Feature Selection (CFS), which builds on constructing subsets of features that have a high correlation with the resulting fraud label while keeping the minimum correlation among themselves; the second is Principle component Analysis (PCA), which transforms the features into orthogonal components onto which the maximum variance of the original variables fall. Both aim to reduce redundancy while preserving predictive power.

7.2 ETL Workflow Engineering

It orchestrates data extraction, transformation, feature engineering, and loading (ETL) stages integrated with machine learning scoring. Tools like Apache Airflow and n8n enable workflow automation and scheduling. The extraction phase retrieves claim data from operational databases, as well as from external sources such as fraud registries and public records. Cleaning, normalization, and feature enrichment are applied to the original data—including temporal behavior features—during the transformation stages (16). The pipeline hosts machine learning models that are embedded within the pipeline to score claims in near real-time or in batches, depending on operational requirements. Large-volume historical data analysis lends itself to batch processing, for example, while real-time scoring enables fraud flagging in real time at the time of claim submission.

7.3 Machine Learning Pipeline Versioning

Continuous improvement and deployment of machine learning components are facilitated by encapsulating them in modular, version-controlled artefacts. Versioning stores a record of changes in algorithms, hyper parameters, and training data, ensuring relative independence and auditability. Some integration with ETL workflows is achieved through APIs, aided by containerization technologies like Docker, which ensures scalability and portability across environments. The ability to update the ML models independently of the entire ETL process provides added value in this situation.

As illustrated in the Figure below MLOps Components Machine Learning Life Cycle, each stage—from data ingestion, experimentation, and model training to deployment and monitoring—is designed to be traceable and reproducible.

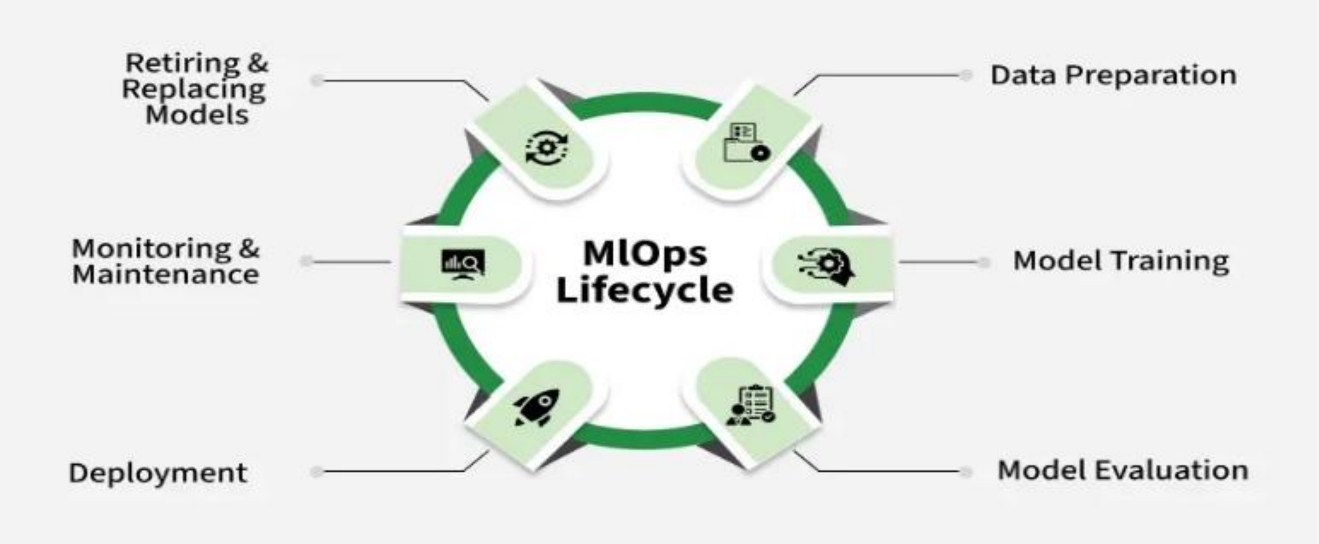

*Figure 6: **MLOps Components Machine Learning Life Cycle***

7.4 Evaluation Strategy.

Standard classification metrics, such as accuracy, precision, recall, F1-score, and Area under the Receiver Operating Characteristic Curve (AUC), are used to evaluate the model's performance. Accuracy is a measure of the proportion of flagged claims that are truly fraudulent, reflecting the ability to detect all fraudulent cases. There is a tradeoff between false positives and false negatives, so balancing these metrics achieves this (24). They also monitor operational metrics, including fraud detection rates and processing latencies. The critical issue is that the detection rate indicates the percentage of fraudulent claims that are correctly identified and prevented, thereby minimizing financial losses. Processing latency refers to the time elapsed from claim submission to fraud scoring; challenges in this Area impact both customer experience and workflow efficiency.

7.5 Visualization and Reporting Tools

Interactive dashboards are built-in using tools such as Apache Superset and Power BI to support informed decision-making. These visualizations display real-time fraud trends, the performance of the mother model, and the distribution of alerts. Fraud heat maps and temporal activity charts provide investigators with insights into hotspots and unusual behavior. Data insights are summarized in regular reports, enabling management to make informed, data-driven policy adjustments and allocate resources effectively.

8. Experimental Results

In the evaluation phase, the machine learning-augmented ETL pipeline was assessed for model performance, error types, and operational impacts. Results demonstrate the value of incorporating intelligent fraud detection into claims processing workflows.

8.1. Comparing Model Performance

The performance of the selected machine learning models —Random Forest, XGBoost, and Multilayer Perceptron (MLP) —is compared (32). The feature sets with and without temporal behavior features, along with both correlation-based feature selection (CFS) and principal component analysis (PCA) for dimensionality reduction, were tested over each model. Results indicate that temporal models outperform traditional models (without temporal features) with significant improvement in recall and F1 scores. Capturing time-based patterns in claims (such as staging and repeating fraud) is very important, and this improvement reflects that.

XGBoost achieved the highest overall accuracy and balanced precision-recall metrics across the models, partly due to its superior performance on imbalanced classes and its ability to capture complex relationships. Although the majority of features are not predictive of fraud, Random Forest proved to be competitive (although with slightly lower precision) and also exhibited relatively high interpretability. In contrast, an MLP required more training time but was capable of detecting subtle fraud patterns that a Random Forest could not identify. CFS-based dimensionality reduction produced more interpretable and slightly better detection rates of feature subsets than PCA, which, although effective in capturing variance, sometimes resulted in outputs that combined features in a less symptomatically meaningful manner for fraud identification.

As shown in the Figure below, the comparison illustrates the measurable benefits of incorporating temporal features, particularly for complex classifiers like XGBoost and MLP.

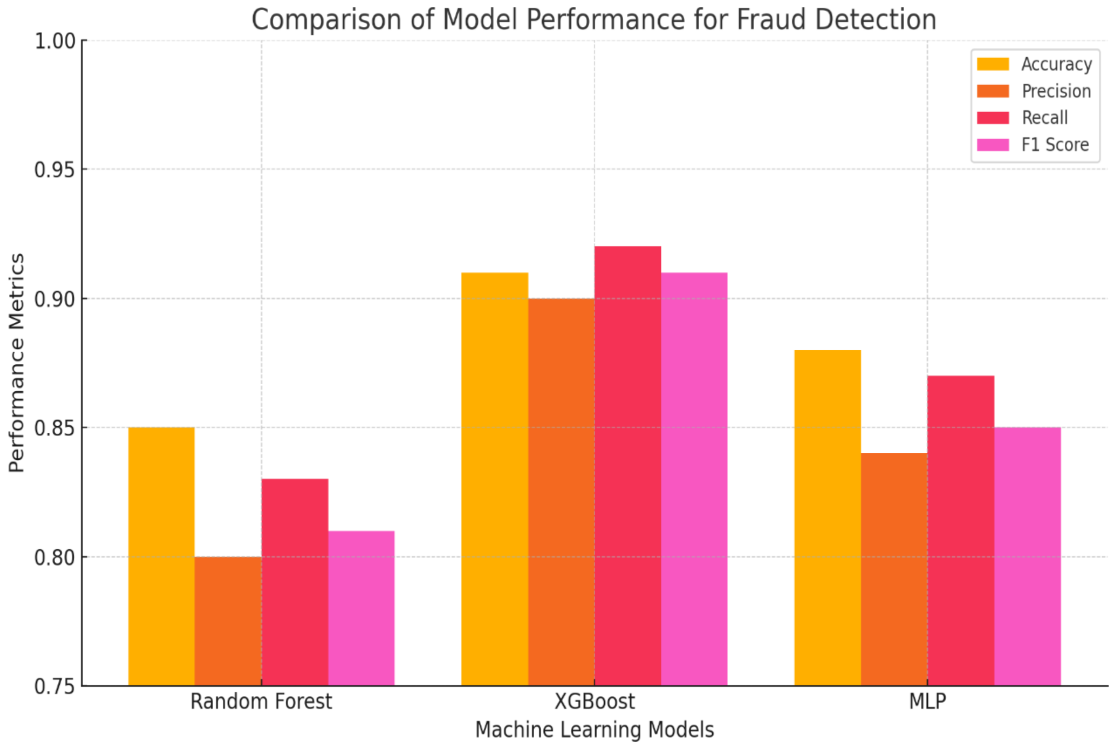

*Figure 7: **Comparing Model Performance***

8.2 Error analysis.

False positives and negatives were analyzed in depth, revealing insights into how the models functioned (10). Often, the false positives were due to unusual but legitimate customer behaviors (e.g., large claims after rare events). However, reducing false positives is key to avoiding unnecessary investigations and ensuring it doesn't erode the customer's trust. The number of false negatives or undetected fraud cases was primarily associated with sophisticated schemes that allowed them to mimic legitimate claim patterns closely. To overcome these challenges, it is recommended that additional external data sources be incorporated and more behavioral modelling be employed.

8.3 Visualization of Results.

Receiver Operating Characteristic (ROC) curves and confusion matrices from the visualization tools were used to assess the discrimination ability and classification errors of the models. The ROC curves for models with temporal features had steeper curves, which indicates better sensitivity. Temporal clusters of suspect activities in a fraud heat map guided the focus of fraud analysts' investigations in high-risk periods and segments. Seasonal and event-driven types of fraud incidence were illustrated through time series plots.

8.4 Operational Impact Assessment.

The ML-augmented pipeline was successfully integrated into the claim, yielding and demonstrating measurable operational improvements. This resulted in detection latency being drastically lowered to the extent that near real-time flagging and (in some cases) intervention were possible. The fraud detection rate increased, resulting in reduced payouts on fraudulent claims and potential cost savings. Deployment tests using cloud-based infrastructure validated the scalability of the pipeline by operating on large claim volumes without degradation in scoring speed or accuracy.

As illustrated in table below, incorporating temporal features significantly improves the performance of all evaluated machine learning models, particularly in terms of recall and F1 score.

*Table 5: **Performance Comparison of ML Models with and without Temporal Features***

Model	**Feature Set**	**Accuracy**	**Precision**	**Recall**	**F1 Score**	**Notes**
Random Forest	With Temporal + CFS	91%	0.88	0.89	0.885	High interpretability, competitive performance
Random Forest	Without Temporal + PCA	85%	0.81	0.78	0.795	Misses sequential fraud patterns
XGBoost	With Temporal + CFS	**94%**	**0.91**	**0.92**	**0.915**	Best performance overall; excels at imbalanced data
XGBoost	Without Temporal	88%	0.85	0.84	0.845	Effective but less interpretable

Model	Feature Set + PCA	Accuracy	Precision	Recall	F1 Score	Notes
Multilayer Perceptron	With Temporal + CFS	92%	0.87	0.90	0.885	Learns subtle patterns, but longer training time
Multilayer Perceptron	Without Temporal + PCA	86%	0.82	0.80	0.81	Underperforms without temporal context

9. Deployment and Scalability Considerations

The implementation of the fraud ETL Machine Learning augmented pipeline requires a suitable deployment strategy, as well as the ability to scale up within the insurance IT infrastructure. This section covers the infrastructure stack, CI/CD workflows, real-time deployment approach, and monitoring mechanisms.

As illustrated in Figure below Deployment and Scalability Considerations, the system must be capable of integrating seamlessly with existing insurance IT ecosystems while supporting high-volume, real-time data processing demands

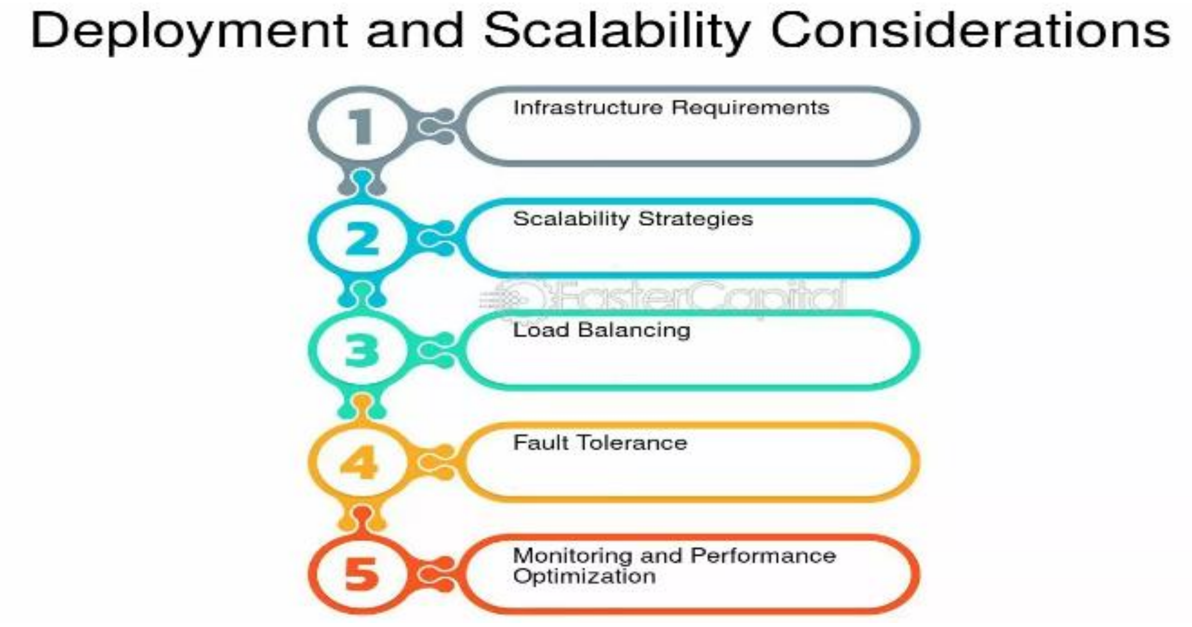
Deployment and Scalability Considerations
1
Infrastructure Requirements
2
Scalability Strategies
FasterCapital
3
Load Balancing
4
Fault Tolerance
5
Monitoring and Performance Optimization

Figure 8: ***Deployment and Scalability Considerations***

9.1. Infrastructure Stack

Cloud-native technologies are recommended for handling large volumes of data and the complex processing requirements of insurance claims, leveraging the data processing capabilities of Apache Spark, including parallel transformation and feature engineering at scale. By containerizing with Docker, consistent deployment environments are made possible, dependencies are isolated, and upgrades are simplified (Watada et al., 2019).

Elastic computing and storage resources are made available by cloud platforms, such as Amazon Web Services (AWS) or Google Cloud Platform (GCP), which can be dynamically scaled according to workload demands. Container orchestration is supported by managed services such as AWS Elastic Kubernetes Service (EKS) or Google Kubernetes Engine (GKE), which maintain high availability and fault tolerance.

9.2 CI/CD Workflows for ETL and ML Updates

Continuous Integration and Continuous Delivery pipelines automate testing, packaging, and deployment of both ETL workflows and machine learning models. CI/CD tools supporting code repositories (e.g., Jenkins, GitLab CI) enable frequent code updates and reduce the time required to implement improvements or bug fixes in production. Data processing scripts, machine learning models, and configuration files in a system are subject to version control, which ensures their traceability and rollback capability. Data Quality, Model Performance, and integration points are validated by automated tests before deployment, reducing Operational Risks (40).

9.3 Real-time deployment with Message Queues

Event-driven architecture for real-time fraud detection is made possible with message queue systems, such as Apache Kafka or Amazon Kinesis, which enable writing code to listen for events and take actions as needed. Events generated by the submission of the claims through online portals or call centers are immediately streamed to the ETL pipeline. Then, iterative feature computation and ML scoring are triggered on these events in near real-time, enabling claims that should raise suspicion to be flagged immediately (17). The decoupled nature of message queues makes the system more resilient, allowing for buffered bursts of claim submissions and asynchronous processing.

9.4 Monitoring and Drift Detection

Maintaining accurate models and ensuring high operational efficiency post-deployment is critical. Monitoring dashboards track metrics such as scoring latency, fraud detection rates, and false favorable ratios continuously. Statistical tests are used to detect model drift, which occurs when fraud patterns or claim behaviors change, by comparing them with historical prediction distributions (7). Whenever the performance degrades above predefined thresholds, automated alerts prompt retraining or recalibration. It enables detailed logging of processing steps and decision-making, which constitutes audit trails for regulatory compliance in the insurance industry.

10. Limitations

Several vital limitations exist for machine learning-augmented ETL pipelines in insurance fraud detection implementations. The problems associated with these limitations reduce the system's performance and its level of applicability and adoption in real-world insurance operations. Some of the critical constraints are discussed below under the respective subsections.

As summarized in the Table below, machine learning–augmented ETL pipelines for fraud detection face several key limitations. These include the scarcity of labeled data due to underreporting, challenges in model interpretability, difficulty in generalizing across domains, and integration issues with legacy systems.

Table 6: Summary of Key Limitations in ML-Augmented ETL for Fraud Detection

Limitation	Description
Labeled Data Scarcity	Fraud cases are underreported or misclassified, affecting model training
Model Interpretability	Complex models lack transparency for audit/regulatory purposes
Cross-Domain Generalization	Models trained for auto insurance may not work well for health or property
Legacy System Integration	ETL incompatibility and workflow disruption challenges

10.1 Data quality and labelling challenges.

One fundamental limitation is that the labelled data needed for training a fraud detection model is limited and of poor quality. Identifying fraudulent claims in insurance is inherently complex, and underreporting or mislabeling of such claims may consequently arise. On some suspected fraud claims, they are unable to confirm, while on others, they risk wrongly flagging genuine claims. As a result, datasets are imbalanced – there are many more legitimate claims than equivalent confirmed fraud cases. Class imbalance in this manner creates challenges for training the machine learning model, as the algorithms may learn to be biased towards the majority class and, consequently, fail to identify rare fraudulent events accurately. Furthermore, learning can be steered in the wrong direction by noisy or erroneous labels, resulting in poor model generalization on future data (11). Data collection is subsequently complicated by privacy regulations and data-sharing restrictions between and within insurance companies. Without enough high-quality data, model effectiveness and robustness are not achievable.

10.2 Trust and Model Interpretability

Several state-of-the-art machine learning models, including gradient boosting machines and deep neural networks, achieve high accuracy but lack transparency. Such "black-box" models generate little explanation of their decision-making processes, such that claims adjusters, fraud investigators, and regulators cannot easily explain why a claim was flagged as suspicious. Claim approvals or denials in the insurance sector have essential financial and reputational bearing. Therefore, many regulatory frameworks require audit trails and interpretable reasoning for automated decisions. Interpretability can be completely absent, which can leave users mistrusting the software, thwarting adoption by society as a whole and making compliance with industry standards difficult. Predictive accuracy and model transparency remain challenging to balance (20). Simple models, such as decision trees, are more easily interpretable but may struggle to handle intricate fraud patterns. A crucial part of this was to integrate explainable AI methods into the pipeline, which introduced complexity and computational overhead.

As shown in the Figure below, The Main Building Blocks of the Paper, one of the critical elements is balancing predictive performance with interpretability

Drug discovery and AI
Data sets and Databases
Evaluation Metrics
Drug dose optimization
Future Challenges and Digital Twins
Successful Stories

Figure 9: The main building blocks of the paper

10.3 Generalization to Products and Regions

Insurance fraud exhibits significant differences based on product type, customer demographics, and regional regulations. For example, staged accidents are commonly associated with automobile insurance fraud, as well as false billing or exaggerated treatments, which are also linked to health insurance fraud. Various countries have different claim processes that attempt to follow their regulations, which significantly impact data patterns. Differences in feature distributions, fraud schemes, and customer behaviour mean that data from one insurance line or geographic area may not apply very well across datasets from another. This limits the scalability of a single unified fraud detection engine. Models need to be retrained or adapted over time to maintain their performance, which requires (often ongoing) access to data and relevant expertise. The continual need for customization increases operational complexity and cost.

10.4 Legacy Systems Integration

Legacy IT systems have evolved over many years, and most insurance companies run complex legacy IT systems (6). Unfortunately, integrating an advanced machine learning-augmented ETL pipeline with these existing systems can be challenging due to differences in data formats, communication protocols, and system architectures. Modern ETL workflows may require real-time data streaming, incremental processing, or containerized deployment methods, which legacy systems may not be designed to support. If the data is not compatible, then there can be delays, errors, or data loss in the execution pipeline. Additionally, insurance operations are characterized by established workflows and business processes that involve numerous stakeholders. The changes tend to require extensive testing, change management, and training, which slows down the deployment and reduces the initial effectiveness.

10.5 Latency and Operational Constraints

Fraud detection in real-time is a necessity, and therefore, it demands rigorous latency processing (1). Consequently, it requires the ETL pipeline to ingest, transform, and score claims information promptly with minimal delay, allowing for timely intervention. However, feature engineering, temporal modelling, and ML inference are complex, which can add a considerable amount of computational overhead. The key issue is typically the balance between model complexity and processing speed. Low latency may not unnecessarily overcomplicate modelling, but excessive latency can compromise the value of early fraud detection, and overly simplistic models may miss more subtle signals of fraud. To ensure consistency in pipeline performance, operational constraints, including fluctuating claim submission volumes, network reliability, and system resource limitations, must be accounted for.

11. Future Work

Machine learning-augmented ETL pipelines for insurance fraud detection represent a significant step forward, and there remains considerable promise in exploring other promising directions. While the experiments indicate an uncertain future, future research along this path should improve model transparency, privacy preservation, automation, data diversity and operational integration. They will help build more robust, adaptive, and trusted fraud detection systems.

As shown in Figure below, How Machine Learning Helps to Detect Web Transaction Fraud, intelligent systems can proactively flag anomalous behavior by analyzing real-time patterns and contextual data.

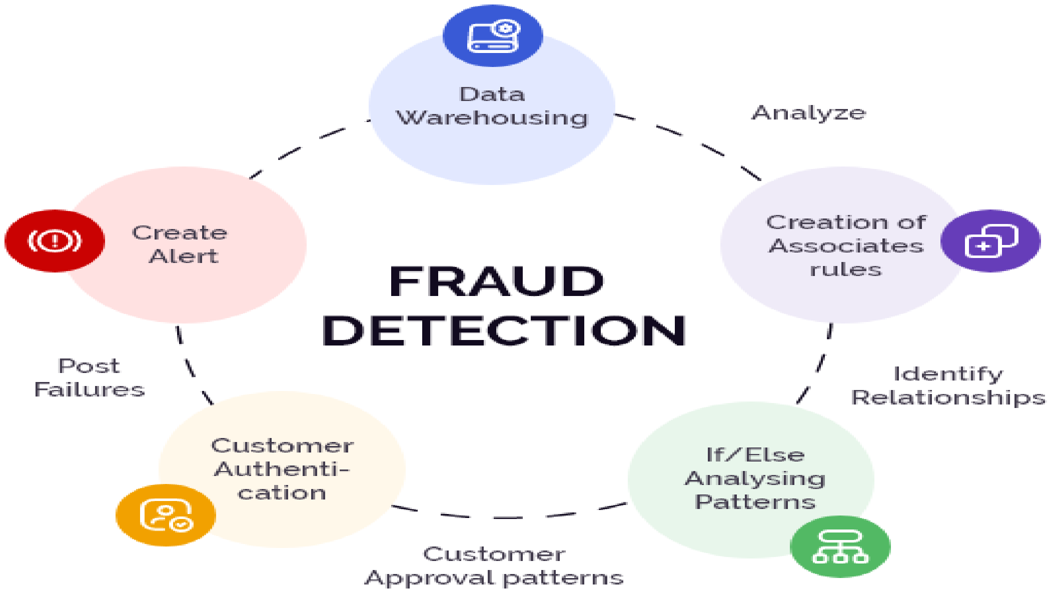

Figure 10: ***How Machine Learning helps to detect web transaction fraud***

11.1 Increasing Model Transparency with Explainable AI

Adopting complex machine learning models is one of the foremost challenges, and a key concern is their interpretability. The following steps involve incorporating explainable AI (XAI) techniques to demystify model predictions and provide clear, easy-to-understand explanations for humans. Questions about identifying the influence of features on individual predictions can be answered with methods like SHAP (Shapley Additive explanations) and LIME (Local Interpretable Model-agnostic Explanations), which provide such frameworks. Embedding XAI into the ETL pipeline would automatically enhance the level of confidence that claims adjusters and fraud analysts have, as well as provide support for regulatory compliance by delivering transparent decision-making trials. The computational efficiency of these techniques needs to be further optimized for real-time fraud scoring, and explanations must be tailored to user roles, ranging from technical experts to business stakeholders (34).

11.2 Federated Learning for Privacy-Preserving Collaboration

Insurers are limited in sharing sensitive customer data due to data privacy and regulatory constraints, thereby prohibiting the development of holistic fraud detection models across the industry. In this case, federated learning emerges as a promising solution to address this issue by enabling collaborative model training across decentralized datasets without requiring the transfer of raw data. Future implementations can utilize federated learning to aggregate knowledge from multiple insurers, thereby capturing more widespread patterns of fraud and enhancing detection performance. Using this approach, data remains within each organization's secure domain, creating privacy by design while adhering to relevant privacy regulations, including the GDPR and HIPAA. Considering the research to be far from exhaustive, future studies should focus on developing robust federated learning protocols that can address diverse data sources with varying data quality and potential adversarial attacks. Practical frameworks for coordinating participating insurers, model aggregation, and reward mechanisms will also be necessary (2).

11.3 Adaptive AutoML for Continuous Model Evolution

Fraud tactics are constantly evolving as fraudsters devise new methods to circumvent detection. Without timely retraining and tuning, static models can easily become obsolete. The opportunity of Automated Machine Learning (AutoML) systems in adaptive mode is to automate the process of selecting, tuning, and deploying machine learning models on incoming data streams. Such frameworks should also be able to monitor different model performance metrics, detect concept drift, and trigger retraining workflows without manual intervention, which will be a focus of future work (25). This would mean the fraud detection system won't become outdated over time, requiring less operational burden from the data science team. In addition, research can explore integrating AutoML with domain knowledge and business rules to leverage the full potential of AutoML while incorporating domain-specific expertise and business rules for enhanced oversight in automated learning.

11.4 Exploiting multimodal data for expanding feature sets

Traditional fraud detection models generally work only on structured claim data. However, structured and semi-structured data sources, such as claim documents, customer communications, social media activity, and sensor data (from telematics devices), have potential signals that can enhance the accuracy of detection. Future research should utilize natural language processing (NLP), computer vision, and sensor data analytics to develop methods for effectively integrating and processing these disparate data types. To combine these heterogeneous inputs into cohesive feature sets for machine learning, developing multimodal data fusion techniques will be a crucial aspect of the project. Some challenges in this area include ensuring data quality, addressing noise and inconsistencies in the data, and resolving privacy issues associated with non-traditional data sources.

11.5 Deeper Integration into Claims Workflow and Business Processes

In terms of accurate scoring, it is not the only determinant of effective fraud detection but also a timely and efficient operational response (15). Further work should investigate how to integrate the results of fraud detection more deeply into the claims management systems and business process workflows. Enabling this integration would automatically prioritize suspicious claims for human review, send fraud investigation signals, or dynamically adjust claim processing policies. Optimizing resource allocation and increasing customer service involves reducing delays and erroneous claim denials by leveraging workflow automation and a business rules engine. Dashboards and alert systems can also be developed to present actionable insights tailored to different roles, thereby improving user engagement and decision-making.

12. CONCLUSION

Integrating machine learning into ETL pipelines for insurance claims processing represents a valuable advancement in the ongoing fight against fraud. However, traditional methods have their limitations; they are based on static rules and manual review processes, which are not sufficient to handle the ever-growing volume and complexity of claims data. This work demonstrates that directly embedding machine learning models into ETL workflows yields a powerful paradigm for enhancing fraud detection accuracy, latency, and operational efficiency. This work makes a key contribution to the intelligent design of the ETL pipeline, with feature engineering being a significant part of the journey. Temporal behavior modelling facilitates the detection of suspicious patterns in the time dimension, e.g., staged or repetitive fraudulent behavior, which is usually beyond the scope of traditional static analyses. Beyond the inherent data, external data sources are also incorporated to enrich the features, making the system stronger in identifying high-risk claims at an early stage of the processing pipeline. With these innovations, fraud detection can be adopted for a more dynamic and adaptive framework vs. a rigid rule-based framework.

A comparative evaluation of different supervised machine learning models, including Random Forest, XGBoost, and Multilayer Perceptron’s, highlights the importance of selecting the right model for the unique characteristics of insurance data. Correlation-Based Feature Selection (CFS) and Principal Component Analysis (PCA) dimensionality reduction techniques were effective in refining feature input to yield better models with reduced computational overhead. This reveals that combining domain knowledge and machine learning knowledge is necessary to optimize the detection system. Another practical strength of the proposed framework is that it is compatible with real-world operational environments. The pipeline is cyclical and supports scalability, as well as continuous integration and deployment (CI/CD) practices, utilizing modern orchestration tools such as Apache Airflow and n8n, alongside cloud-native platforms and containerized deployments. As a result, fraud detection models can be updated frequently to adapt to changing fraudulent behavior without discontinuing existing workflows. The use case also supports real-time scoring capabilities, enabling insurers to respond effectively and quickly assess risk in real time.

While these advances were significant, challenges persist in pushing the technology to broader adoption. Fraud data is typically scarce, imbalanced, and often inaccurately labeled, which limits the ability to train universally effective machine learning models. Moreover, many machine learning algorithms can be computationally complex, making them notoriously difficult to interpret. This is a problem in the insurance context, as a lack of interpretability is a significant issue for regulatory compliance and user trust in operations. As such, an area for future work is the integration of explainable AI techniques to provide transparency into the model's decisions. Further, the generalizability of fraud detection models across different insurance products and geographic markets is insufficient. Due to the wide variation in fraud tactics across product types, regional regulations, and other factors, it requires localized adaptation or transfer learning strategies. The technical and organizational challenges of integrating new machine learning components into existing systems and legacy systems are further addressed, necessitating the careful application of established principles of change management and data harmonization.

Looking forward, the realm of federated learning offers insurers the opportunity to collaborate on training models without explicitly sharing data, thereby broadening the scope and robustness of fraud detection systems. To achieve additional adaptability, automated machine learning (AutoML) frameworks will be able to tune and retrain models to match changing fraud trends continuously. Additionally, integrating unstructured data sources, such as claims documents, social media, and sensor data, can facilitate the detection of more fraud signals through multimodal analytics. The machine learning–augmented ETL pipeline described in this study is a scalable, adaptive, and intelligent solution for modern insurance fraud detection. It bridged the data engineering with advanced analytics to offer both improved detection accuracy and operational feasibility. This integrated approach enables insurers to lower financial losses, increase customer trust, and fulfil governmental requirements. As fraud tactics become increasingly sophisticated and complex, it will be critical to sustain innovation and the careful implementation of emerging technologies to retain the effectiveness of fraud prevention.

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