

Giant ISO database scores against fake comp claimants

Copyright. InsuranceTimes™ © 2003 by M&S Communications, Inc. All rights reserved. September 30, 2003

by Pat Healy
Insurance Times

JERSEY CITY — There's a lot one can do with the world's largest database of claims information. Insurance Services Office, with a database that its president and CEO, Frank J. Coyne, says is five times as big as the one run by the Library of Congress, is using its information to fight fraud in workers compensation claims.

By enhancing its ClaimDirector claims-scoring service, which already scores personal auto liability claims, ISO's new product analyzes claim attributes and industry-wide claims histories, including workers comp claims, to produce a claims-handling score for insurers.

ClaimDirector comes up with a numerical score ranging from 0 to 999 (a higher score indicates characteristics commonly linked with fraud) by searching the ClaimSearch database for matches in information fields such as name, address or tax ID number.

"Every line of business has its own fraud indicators," says Susan Black, director of marketing for AISG, a unit of ISO.

Black says a common fraud flag to look for in the workers compensation field includes the amount of time between when the employee filing the claim was hired and when he or she filed. Based on history, ISO's database indicates that if the employee has only been with the company a short time before filing the claim, there is a better chance that claim is a fraud. With all the records in ISO's database, ClaimDirector analyzes the attributes of the claim and information from any matching claims in the database, and compares those attributes against proven fraud indicators appropriate to the claim.

Although ClaimDirector cannot follow workers comp claimants around to make sure they are not faking any injuries, Black says the product can determine aspects of cases where other fraudulent workers comp factors are present, such as if family members occupying the same household as the claimant have also filed workers comp claims, if the first notice of loss was not reported promptly to the supervisor, or if the claimant has a history of claims.

After matching claims the ClaimDirector product returns a result report with the score, information on the basis of the score, information on claim characteristics used for loss assignment, and a full match report. As updates to a claim are submitted to the ISO ClaimSearch database, insurers receive the most current score. The product scores claims at first notice of loss throughout the life of a claim.

In the coming months ClaimDirector will add scoring of

other types of personal and commercial claims, including homeowners, general liability, commercial auto liability and personal auto physical damage. ISO representatives said it was a priority that workers comp be addressed as soon as possible.

"Fraud is a problem across the board, but in workers comp about 20 percent of all reported claims are frauds," says Black.

According to ISO Spokesperson Dave Dasgupta, the existing ClaimSearch product already serves thousands of insurers, and he expects similar interest in the workers comp ClaimDirector product.

Rebecca Guest, product development analyst for AISG, helped create much of the documentation for ClaimDirector and will ultimately train customers how to use the product.

"There will be a lot of room for customization and tweaking," she says. "The scoring methodology can be customized to suit companies' organizational needs."

Guest says ClaimDirector is delivered with sets of default values for many elements, including weights applied to fraud indicators and loss assignment, and claims-handling characteristics.

ClaimDirector can also flag claims according to a variety of data sources and advisory lists, including a list of case principles from investigations by the National Insurance Crime Bureau.

Claim departments can establish an e-mail system to notify the special investigations units or other designated claim professionals of claims that require immediate attention.

ClaimDirector does more than just weed out possible frauds, it also enables adjusters to expedite payment of legitimate claims.

"The goal of this is really to streamline the claims handling process, which also includes the process of referring suspicious claims to the special investigations unit," says Black. "The reason for scoring in any type of business is really to help whoever is looking at a given set of information for the first time recognize immediately what the characteristics of the claim are." □