

Fraud Detection in P & C (Focus on Workers' Comp)

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How Can I Cheat Thee? Let Me Count the Ways. (apologies to Will)

- ◆ Claimant Fraud
- ◆ Provider Fraud (+ Lawyers)
- ◆ Agent Fraud
- ◆ Policyholder Premium Fraud
- ◆ Employee Theft/Fraud
- ◆ Check Fraud
- ◆ Other "Leakage"

Baseball Injury – No Health Insurance?

Alert

*SIU ALERT: Accident reportedly occurred on a Monday at 7:00 AM. It was reported on a Monday.

Claim Information

Claim Number: **3051468**

Legal: **No**

Adjuster Number: **3026**

Accident Date: **02/26/2007**

Claimant: **Shawn [REDACTED]**

Date of Hire: **05/01/2006**

Age: **40**

Sex: **M**

Gross Reported: **\$13,000**

Paid to Date: **\$0**

Weekly Wage: **\$780**

Nature/Body Part: **49/55 sprain/ankle**

Cause: **strain or inj by - miscellaneous**

Accident Description: **getting off trailer, twisted ankle**

Occ. on NOI: **truck driver**

Class Code: **6319 water main const noc & drs ***

Bill Plan:

Policy: **57289 [REDACTED] CONSTRUCTORS
INC**

Paid Under Table Until Injured

Alert	Claim Information	
<p>*SIU ALERT: Claimant was reportedly hired 4 days before accident.</p>	<p>Claim Number: 3051483 Legal: No Adjuster Number: 2005 Accident Date: 02/24/2007 Claimant: Omar [REDACTED] Date of Hire: 02/20/2007 Age: 26 Sex: M Gross Reported: \$8,400 Paid to Date: \$0 Weekly Wage: \$267</p>	<p>Nature/Body Part: 10/36 contusion/finger(s) Cause: caught in machine or machinery Accident Description: finger got caught in machine Occ. on NOI: farm labor Class Code: 8 farm/gard & veg & drs Bill Plan: Policy: 51005 [REDACTED] HARVEST INC</p>

Another? Or just bad luck?

Alert	Claim Information	
<p>*SIU ALERT: Claimant was reportedly hired 0 days before accident.</p>	<p>Claim Number: 3051968 Legal: No Adjuster Number: 2009 Accident Date: 03/14/2007 Claimant: Julio [REDACTED] Date of Hire: 03/14/2007 Age: 37 Sex: M Gross Reported: \$12,450 Paid to Date: \$0 Weekly Wage: \$267</p>	<p>Nature/Body Part: 10/56 contusion/foot Cause: struck or injured, noc Accident Description: tomato trailer ran over left foot Occ. on NOI: picker Class Code: 16 fruit pick by contr & drs Bill Plan: Policy: 44575 [REDACTED] INC</p>

The Class Code Game

Class Code	Insured Payroll	Rate per \$C
8810 - CLERICAL OFFICE EMPLOYEES NOC	\$1,066,004,730	0.62
8742 - SALESPERSONS COLLECTORS OR MESSENGERS-OUTSIDE	\$346,186,597	1.21
8832 - PHYSICIAN & CLERICAL	\$311,529,755	0.95
5606 - CONTRACTOR-EXECUTIVE SUPERVISOR OR CONSTRUCTION SUPERINTENDEN	\$141,406,586	4.57
8868 - COLLEGE: PROFESSIONAL EMPLOYEES & CLERICAL	\$118,806,508	1.08
9082 - RESTAURANT NOC/CATERER	\$109,921,924	5.91
5190 - ELECTRICAL WIRING-WITHIN BUILDINGS & DRIVERS	\$93,019,697	10.73
9060 - CLUB-COUNTRY GOLF FISHING OR YACHT-& CLERICAL	\$86,730,935	4.27
0008 - FARM: GARDENING-MARKET OR TRUCK-& DRIVERS	\$84,548,381	7.16
0016 - FARM: ORCHARD & DRIVERS	\$76,341,372	16.44
8017 - STORE: RETAIL NOC	\$71,351,415	3.32
5221 - CONCRETE OR CEMENT WORK- FLOORS DRIVEWAYS YARDS OR SIDEWALK	\$66,630,115	15.04
8380 - AUTOMOBILE SERVICE OR REPAIR CENTER & DRIVERS	\$63,360,059	7.17
5183 - PLUMBING NOC & DRIVERS	\$55,244,661	10.71
9012 - BUILDING OPS BY OWNER LESSEE OR REAL	\$50,602,527	1.56
9015 - BUILDINGS-OPERATION BY OWNER OR LESSEE	\$49,455,136	10.07
8601 - ARCHITECT OR ENGINEER- CONSULTING	\$48,693,936	1.99
6217 - EXCAVATION & DRIVERS	\$43,030,128	13.79
3724 - MACHINERY OR EQUIPMENT ERECTION OR REPAIR NOC & DRIVERS	\$41,778,591	12.99
5022 - MASONRY NOC	\$36,368,904	23.19
8861 - CHARITABLE OR WELFARE - PROFESSIONAL EMPLOYEES AND CLERICAL	\$34,968,982	1.52
8748 - AUTOMOBILE SALESPERSONS	\$32,970,790	1.79
8820 - ATTORNEY-ALL EMPLOYEES & CLERICAL MESSENGERS DRIVERS	\$30,096,658	0.53
5213 - CONCRETE CONSTRUCTION NOC	\$29,972,787	30.26

Whoops – an honest mistake?

Alert	Claim Information	
<p>*SIU ALERT: Claimant's wage is at least 33% below average for class code (by gender).</p> <p>*LC ALERT: Policy holder has 2 LT claims with DOA > Apr 1, 1999 totalling \$57,583. Prem: \$0</p>	<p>Claim Number: 3052663</p> <p>Legal: No</p> <p>Adjuster Number: 452</p> <p>Accident Date: 04/03/2007</p> <p>Claimant: Antonio [REDACTED]</p> <p>Date of Hire: 04/11/2006</p> <p>Age: 48</p> <p>Sex: M</p> <p>Gross Reported: \$57,350</p> <p>Paid to Date: \$0</p> <p>Weekly Wage: \$180</p>	<p>Nature/Body Part: 10/50 contusion/multiple lower extremities</p> <p>Cause: fall/slip same level</p> <p>Accident Description: picking up trash/slipped/fell</p> <p>Occ. on NOI: porter/janitor</p> <p>Class Code: 9403 garbage collection & drivers</p> <p>Bill Plan:</p> <p>Policy: 55687 [REDACTED] SWEEPING SERVICES INC</p>

Hmmmmmm.....

Alert	Claim Information	
<p>*SIU ALERT: Claimant's wage is at least 33% below average for class code (by gender).</p> <p>*SIU ALERT: Accident reportedly occurred on a Monday at 9:00 AM. It was reported on a Monday.</p>	<p>Claim Number: 3052950</p> <p>Legal: No</p> <p>Adjuster Number: 2009</p> <p>Accident Date: 04/16/2007</p> <p>Claimant: Juan [REDACTED]</p> <p>Date of Hire: 01/22/2007</p> <p>Age: 20</p> <p>Sex: M</p> <p>Gross Reported: \$56,750</p> <p>Paid to Date: \$0</p> <p>Weekly Wage: \$400</p>	<p>Nature/Body Part: 1090 contusion/multiple body parts</p> <p>Cause: struck by moving parts of machine</p> <p>Accident Description: walking by backhoe/struck by bucket</p> <p>Occ. on NOI: laborer</p> <p>Class Code: 5606 exec supervision/indirect *</p> <p>Bill Plan:</p> <p>Policy: 47637 [REDACTED] CONSTRUCTION INC</p>

Treasure in the Text

- ◆ Text-mine accident descriptions
- ◆ For selected class codes, look for key words and phrases
- ◆ Some things shouldn't happen to secretaries and managers

Text Gems

- ◆ Class Code 8810 (clerical)
- ◆ Business Type: Agricultural
- ◆ Job Description: Secretary
- ◆ Weekly Wage: \$2,600 (\$135K/yr)
- ◆ Accident: "Fell from horse..."

Examples

- ◆ For managers/supervisors in roofing business, look for: “fall” “fell” “ladder” “scaffold” “climb”
- ◆ For all clerical classes (no driving permitted), look for auto accidents, “car” “truck” “rear-ended” “driver”

More Mathematical Tools

- ◆ Use inferential statistical models to detect frequency and severity that are not consistent with earned premium
- ◆ Suggests: really bad luck OR bad loss control practices OR paying workers under table to avoid premium and taxes OR class code manipulation OR culture of claim fraud, etc.

The Technology

- ◆ SAS-based data warehouse
- ◆ SAS script – runs every night and sends email alerts to appropriate departments
- ◆ SAS text mining for selected patterns (periodic)
- ◆ SAS + MS Access for frequency/severity analysis (monthly)

Other Sources of Leakage



Provider Fraud

- ◆ Excessive (out of pattern) use of expensive treatments, tests, and medications, services (non-WC)
- ◆ Constellations of providers and attorneys
- ◆ Excessive cross referrals

Keep an Eye on the Adjusters

- ◆ Payments to a provider not used by any other adjuster
- ◆ Payments just below authorization limit
- ◆ Payment amounts “out of pattern” (Benfield’s Law)

Watch for Subrogation

- ◆ We alert the Subrogation Unit of Workers' Compensation claims arising from auto accidents or injuries caused by conditions at locations controlled and insured by others (same system)

Use External Data

- ◆ D&B reports employee count – compare it to applications and audits of policyholders
- ◆ ISO has a central database of claims from all participating carriers – check your claimants
- ◆ Check MVRs and other data sources for prior accidents and injuries

Bottom Line: Use Your Technology

- ◆ Watch for special conditions
- ◆ Watch for patterns
- ◆ Watch for signs of employee fraud
- ◆ Mine the text
- ◆ Assemble data from multiple sources
- ◆ Send the right info to the right people – but not too often or too much!

Questions?



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