

## Case Study

# Erie Insurance Improves Its Detection Process and Stays True to Its Values with LexisNexis® FraudFocus Enhanced



FraudFocus Enhanced has had a significant impact on Erie Insurance operations, helping improve fraud awareness and ensuring that potentially fraudulent claims get the second look they deserve.

## Overview

LexisNexis® data-driven claims processing solutions have helped insurers nationwide identify high-risk claims earlier and move claims more effectively through the process, saving time and improving profitability. Erie Insurance, a long-time LexisNexis client, is one such insurer. Erie offers auto, home, business and life insurance through a network of 2100 agencies in 11 states and the District of Columbia. One of Erie's founding goals is to deliver the highest levels of protection and service at the lowest possible price. One strategy toward meeting that goal is use of superior fraud detection tools from LexisNexis®.

## The Challenge

Insurance industry studies indicate that 10 percent or more of property/casualty insurance claims are fraudulent, according to the National Insurance Crime Bureau (NICB), and fraud is the second most costly white-collar crime in America behind tax evasion. Added up, the NICB notes, insurance fraud costs Americans billions of dollars each year.

For nearly a decade, Erie has managed its share of fraudulent claims with the help of the automated LexisNexis® FraudFocus™ platform, which uses predictive modeling and other tools to analyze claims information for patterns of fraud probability.

In fact, Erie was a pioneer in implementing LexisNexis FraudFocus, being one of the first users of its unique predictive modeling technology in the insurance claims market.

The result was a long-standing relationship in which the two companies have worked closely together as the fraud detection platform has evolved – most recently to include public records.

## The Solution

The latest iteration of the platform, FraudFocus Enhanced, incorporates data, linking technology and analytics to provide intelligent information throughout the life of a claim, with the aim of delivering optimal fraud detection.

Significantly, it builds on the power of its predecessor with the integration of an unparalleled store of LexisNexis public records into the process, automatically incorporating data such as criminal and financial distress reports.

FraudFocus Enhanced intelligently interprets the information in LexisNexis® Accurint®, a direct connection to more than 34 billion current public records for use in detecting fraud, verifying identities and conducting investigations. This depth of information eliminates reliance on suppositions, replacing them with a flexible alert platform as determined by the user. Incorporating both external and internal data with close adherence to business rules, FraudFocus Enhanced delivers the right piece of information at the right point in the process for effective resolution.

The platform also provides a showcase for LexisNexis core competencies: its wealth of information, its understanding of the impact of that data on the claims process and its expertise in delivering it.

## Implementation

Working closely with Erie to integrate the system and meet the insurer's needs, LexisNexis developed a "blended solution," resulting in an efficient but flexible platform with room for ongoing modifications and upgrades.

The system provides an appropriate number of alerts, or notifying events, for Erie's purposes, making efficient use of both data and time. Non-notifying events (i.e. those that are flagged only in conjunction with another) also are maintained in the system, as they may include information needed at another time. Customer-specific customization also took into account factors such as Erie's underwriting portfolio and tolerance for risk.

Today, LexisNexis continues to provide Erie with opportunities to expand the types of public record events it wishes to receive, putting those events to the test and incorporating those with potential to improve detection.

## The Results

According to Erie executives, the benefits of the LexisNexis solution span the insurer's operations, with capabilities that provide:

### Enhanced review

The predictive analytics that drive FraudFocus Enhanced serve to "level the playing field for adjusters in the review of claims and pursuit of fraud," according to Erie. That is, the solution fills any gaps in experience and honed intuition between seasoned and less seasoned adjusters, with alerts that spur a closer look. The program also helps sharpen adjusters' skills over time, as they learn what to look for from the information FraudFocus Enhanced provides.

### Equal treatment

With FraudFocus Enhanced, claims of all sizes and types are subjected to the same treatment. This means improved efficiency through a tighter screen that keeps smaller, more routine cases from being overlooked or given less scrutiny than larger, more complex claims.

### Fairness through consistency

As Erie's corporate values revolve around "doing the right thing," benefits such as quality investigations and equal scrutiny of claims are important. So is the consistency FraudFocus Enhanced brings to the process.

## Example: How FraudFocus Enhanced Optimizes Fraud Detection

### Claim:

- Adjuster is assigned a collision claim in which a third party in the insured's car is injured. Insured was at fault.
- Claim appears benign from a fraud standpoint.

### With FraudFocus Enhanced:

- Patterns in the diary notes text, the time of accident, the place of accident and type of injury, trigger a highly probable fraud alert.
- All parties are automatically linked to LexisNexis public records so criminal and financial distress data can be checked.
- Flags for bankruptcy and felony records are found on the third party.
- Claim is referred to SIU for further investigation.

Its intelligent use of information and predictive analytics means “fairness across the board” at Erie. The automated program creates alerts based solely on facts in a claim, minimizing the possibility of overlooking relevant and important information, while providing a sound foundation for investigation and pursuit of fraud.

For Erie, it also means that claims that may be fraudulent get a second look. This increased diligence helps protect everyone from fraud.

### Constant awareness

FraudFocus Enhanced also ensures there is always a focus on fraud detection, Erie executives say, giving exposure to information that should be given attention and minimizing missed opportunities.

### Time management

FraudFocus Enhanced not only provides alerts to possible fraud, it also helps adjusters “understand what the depth of investigation should be,” according to Erie. It also facilitates efficient workflow and optimizes resources by allowing sound prioritization to be made so adjusters can know they are “looking at the right claims.” In addition, the improved quality of referrals Erie has achieved with the FraudFocus Enhanced platform helps ensure that the adjusters make the most effective use of their time.

### Early identification of fraud

With FraudFocus Enhanced, questionable claims are identified earlier. This is a critical factor in combating fraud, Erie executives explained, as “the earlier a Special Investigation Unit is involved, the more likely the investigation can determine what really happened.” Early identification also reduces the instances of paid claims that are later found to be fraudulent, a situation in which the money is recovered only 3 percent of the time, according to Erie.

### Proven capability

Through testing, Erie has determined that cases flagged by FraudFocus Enhanced have had the most return on its fraud investigation rate. “It really does work,” Erie executives emphasize.

### Conclusion

LexisNexis FraudFocus Enhanced has had a significant impact on Erie Insurance operations, helping improve fraud awareness and ensuring that potentially fraudulent claims get the second look they deserve. Just as important for Erie, it has helped the insurer build on its core values of honesty, fairness and good stewardship of customers’ and investors’ funds.

### Next steps

From FNOL and throughout the entire claim lifecycle, advanced, innovative LexisNexis system solutions automate data retrieval, “push” relevant data, identify fraud, target subrogation opportunities, optimize workflow and more. Erie’s experience is just one example of the power of LexisNexis claims solutions in action.

## The Cost of Insurance Fraud:

**Fraud is a costly problem. But how does the cost compare to other expenses?**

### Consider:

Hurricane Andrew ravaged the East Coast in 1992, causing an estimated \$16 billion in damages.

Hurricane Katrina, which struck the Gulf Coast in 2005, caused approximately \$41 billion in losses. These storms are considered America’s worst national disasters, but their financial repercussions pale when compared to the cost of insurance fraud:

- In total, insurance fraud costs more than \$96.8 billion a year.
- Conservative estimates place the cost of property/casualty insurance fraud at \$20 billion a year.
- Health insurance fraud estimates top \$61 billion a year.
- Life insurance fraud exceeds \$11.8 billion a year.
- Auto physical damage fraud reaches about \$3 billion a year.
- Disability insurance fraud is estimated to account for \$1 billion each year.

## For more information:

Call 877.719.8805 or email  
insurance.sales@lexisnexis.com

### About Erie Insurance

According to A.M. Best Company, Erie Insurance Group, based in Erie, Pennsylvania, is the 12th largest automobile and 14th largest homeowners insurer in the United States based on direct premiums written and the 20th largest property/casualty insurer in the United States based on total lines net premium written. The Group, rated A+ (Superior) by A.M. Best Company, has over 4.3 million policies in force and operates in 11 states and the District of Columbia. Erie Insurance Group is a FORTUNE 500 company. Erie Insurance is proud to be named a J.D. Power and Associates' 2012 Customer Service Champion and is one of only 50 U.S. companies so named. Erie Insurance has also been recognized on the list of Ward's 50 Group of top performing insurance companies. The Ward's 50 award analyzes the financial performance of 3,000 property and casualty companies and nearly 800 life and health insurance companies and recognizes the top performers for achieving outstanding financial results in safety and consistency over a five-year period (2006-2010).

### About LexisNexis Risk Solutions

LexisNexis Risk Solutions ([www.lexisnexis.com/risk](http://www.lexisnexis.com/risk) <<http://www.lexisnexis.com/risk>> ) is a leader in providing essential information that helps customers across all industries and government predict, assess and manage risk. Combining cutting-edge technology, unique data and advanced scoring analytics, we provide products and services that address evolving client needs in the risk sector while upholding the highest standards of security and privacy. LexisNexis Risk Solutions is part of Reed Elsevier, a leading publisher and information provider that serves customers in more than 100 countries with more than 30,000 employees worldwide.

Our insurance solutions assist insurers with automating and improving the performance of critical workflow processes to reduce expenses, improve service and position customers for growth.



The FraudFocus services are not provided by "consumer reporting agencies," as that term is defined in the Fair Credit Reporting Act (15 U.S.C. § 1681, et seq.) ("FCRA") and do not constitute "consumer reports," as that term is defined in the FCRA. Accordingly, the FraudFocus service may not be used in whole or in part as a factor in determining eligibility for credit, insurance, employment or another purpose in connection with which a consumer report may be used under the FCRA. Due to the nature of the origin of public record information, the public records and commercially available data sources used in reports may contain errors. Source data is sometimes reported or entered inaccurately, processed poorly or incorrectly, and is generally not free from defect. This product or service aggregates and reports data, as provided by the public records and commercially available data sources, and is not the source of the data, nor is it a comprehensive compilation of the data. Before relying on any data, it should be independently verified. LexisNexis and the Knowledge Burst logo are registered trademarks of Reed Elsevier Properties Inc., used under license. FraudFocus is a registered trademark of LexisNexis Risk Solutions Inc. Other products and services may be trademarks or registered trademarks of their respective companies. Copyright © 2012 LexisNexis. All rights reserved. NXR01826-0 0512