FLORIDA DEPARTMENT OF FINANCIAL SERVICES
DIVISION OF INVESTIGATIVE AND FORENSIC SERVICES

ANTI-FRAUD DATABASE SERVICES

GAA 2023 – 2582A Anti-Fraud Database Services
Funds in Specific Appropriation 2582A are provided to the Department of Financial Services to obtain access to an anti-fraud database. The department shall create metrics that demonstrate efficiencies and/or the increase of fraud detection based on access to the anti-fraud database and provide a report to the President of the Senate, the Speaker of the House of Representatives, and the Governor's Office of Policy and Budget by November 15, 2023.

ABSTRACT

As the law enforcement branch of Florida's Department of Financial Services, the Division of Investigative and Forensic Services (DIFS) is tasked with serving Florida's citizens by investigating and preventing financial crimes across the state of Florida, including, but not limited to, insurance fraud, workers' compensation fraud, and misuse of state funds, as well as arson.

DIFS has a responsibility to protect Florida's citizens and be a national leader in detecting, preventing, and investigating insurance fraud. In 2022, there were over 100 million insurance policies in effect across Florida (22.24 million residents), leading to over $142 billion collected in premiums and over 674 million claims. For the state to monitor and review this level of activity, in 2021 the Division initiated a pilot program and partnered with Verisk to deploy the most expansive anti-fraud databases available.

Verisk is an anti-fraud database with over 1.6 billion aggregate industry-wide claim files collected during the past 50 years, representing 97% of all Property & Casualty (P & C) carriers and all 27 workers' compensation insurance companies nationwide.

Access to the records kept by Verisk, along with their data mining and predictive modeling software, provides DIFS with real time information showing possible criminal activity occurring in, or connected to, the State of Florida. Currently, there is no other database available with a similar repository of information related to claims filed that impact Florida. Any attempt by the state to create such a data source would take years and require a significant investment up front, along with recurring maintenance costs. In addition, such a system would be limited to information filed in Florida and would not include external data associated with, or having an impact on the state, especially during natural disasters.

INTRODUCTION

The complex nature of financial crimes under the Division's jurisdiction, which include premium fraud, misappropriation of state funds, money laundering, and racketeering, require the use of sophisticated resources capable of conducting data analytics, predictive modeling and establishing connections between organized groups operating in multiple jurisdictions.

Nationally, Florida has a history of being a leader in fighting fraud. Florida was the first state to create an electronic gateway for the submission of suspected fraud referrals, a method which has now been adopted by many states around the country. Maintaining usage of Verisk's databases (claims, compliance and reporting, data and statistical services, property estimating solutions, underwriting and predictive modeling) would continue that trend.

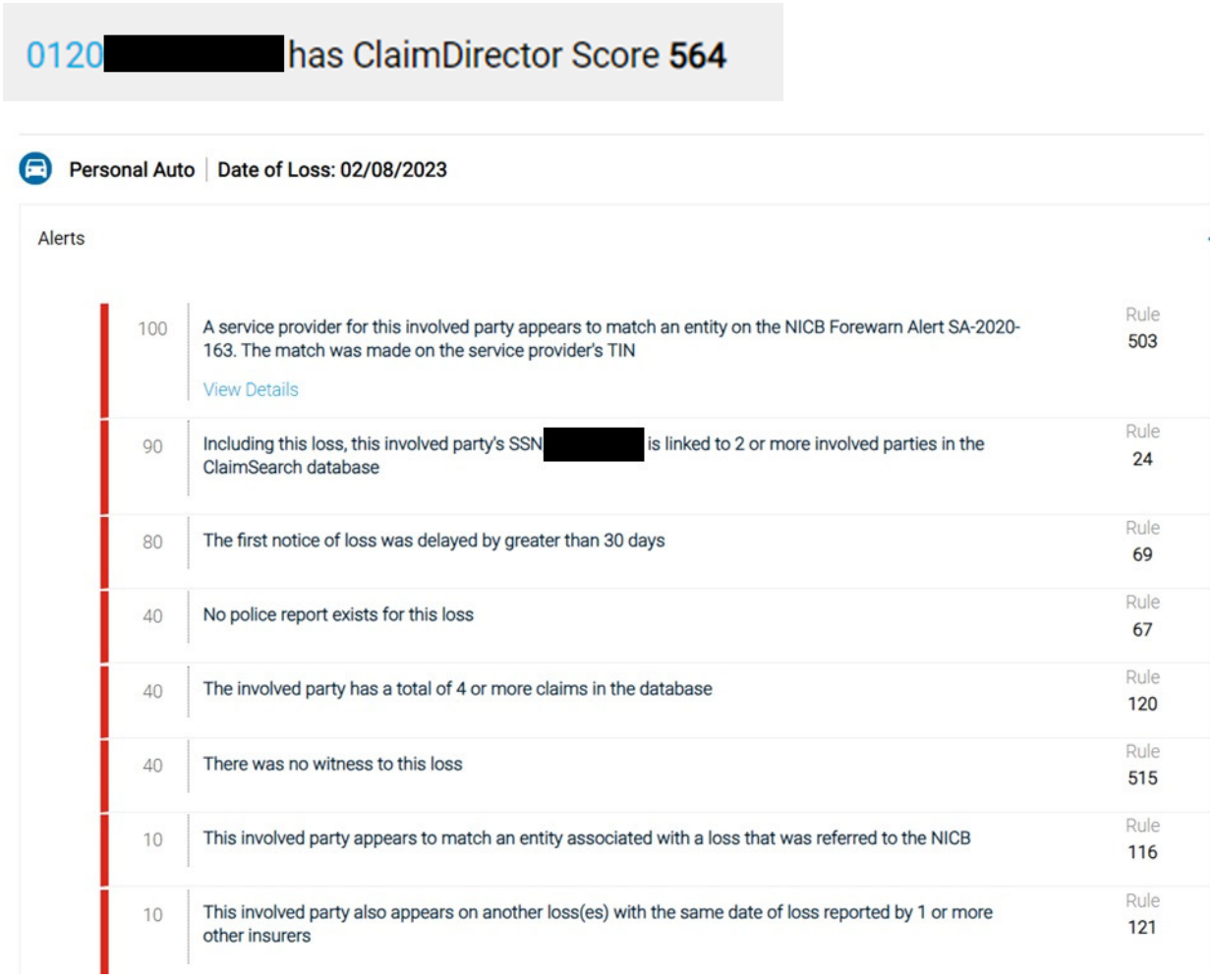
Through the use of Verisk's third-party data, DIFS is now capable of leveraging the intelligence gathered from the over 1.6 billion existing claims, in addition to an estimated 80 million new claims expected to be added on a yearly basis, to help conduct criminal investigations.

With implementation of the software now nearing completion, DIFS has begun widespread usage in the field. Because Verisk's database and features apply to many different types of fraud, including but not limited to auto, fire, workers' compensation, and property & casualty, the software provides benefits across all bureaus and allows for greater collaboration Division-wide.

CLAIMSEARCH / CLAIMDIRECTOR SIU TRIAGE

While the Division has had basic access to Verisk's ClaimSearch database, the addition of the ClaimDirector SIU (Special Investigative Unit) Triage module provides greater access to data. DIFS supervisors can now enter a claim number and receive information not only on that claim, but also on links to other claims, persons, phone numbers, addresses, etc. This greatly reduces the amount of time conducting research and ensures accurate connection to the millions of available claims data points.

ClaimDirector allows for the implementation of a scoring ("rule tuning" or "data filtering") system to determine which referrals should receive top priority. This feature is designed to continually improve based on the outcome of cases worked by DIFS investigators. As new trends emerge, the Division has the ability to edit scores for individual rules so that priority is given to claims that have the highest probability of being investigated and prosecuted. To date, the Division has scored over twelve thousand claims. The chart below illustrates an example of how an individual claim is scored.



NETMAP

The NetMap feature combines geography, third party statistics, and an overview of prior claim history to find "areas of suspicion" between all parties in a claim. This feature is especially useful in identifying crime rings and organizations. It provides immediate identification between law firms, businesses, individuals, insurance companies, and more. This information is presented as a series of links for investigators to follow and look into further.

It utilizes information provided by Verisk's database and offers repository features that will give the Division the opportunity to utilize internal databases along with the ClaimSearch data.

NetMap can be used as both an organizational and visualization tool, drastically reducing the time investigators spend on a case by identifying links and putting them into easily understandable graphics that may not be immediately recognizable during baseline analyses.

MEDSENTRY

MedSentry is an Artificial Intelligence driven model that leverages analytics and expert analysis to provide actionable intelligence to identify provider fraud, waste, and abuse. The system analyzes data from over 500,000 providers and 6 million patients through more than 100 analytical models to find potential instances of criminal activity in a timely and correct manner.

PROCUREMENT AND IMPLEMENTATION

After legislative approval of this pilot in the 2022-23 budget cycle, a procurement instrument was developed and deployed, which resulted in the hiring of Verisk. This procurement document was complex because of the need to ensure appropriate use and protect the confidentiality of this massive claims database. Contract negotiations between DIFS and Verisk were started July 4th, 2022, and finalized October 28th, 2022.

DIFS and Verisk IT personnel have taken the necessary steps to finalize the required data sharing processes. One of which, enabled a more seamless transfer of information received by NICB. Past practices involved the need for personnel to manually enter claim and subject information received from each referral. Through ongoing collaboration with Verisk, this process has become automated and is expected to save hundreds of hours each year. The NICB portal now communicates directly with our internal database allowing for a more effective and efficient method for processing referrals.

Since implementation, the Division has identified specific performance metrics to further track and monitor the effectiveness of the database to enhance the following measures:

1. Percentage of fraud referrals that result in opened cases.

The Division received 19,853 insurance fraud referrals during fiscal year (FY) 2022/2023. This was an increase of 15% over the previous year. Of these, approximately 1,283, or 6%, were opened as cases for further investigation.

The anti-fraud database provides access to prior claim histories with supporting documents and/or submitted images. The database also allows the Division to create rules or selection processes based on prior case outcomes. These rules will quickly identify referrals containing elements associated with successful prosecutions.

The use of screening rules has been activated and is currently being adjusted to capture their proper value. Once finalized, these screening rules will lead to more actionable referrals being identified and opened into active cases.

2. Percentage of fraud referrals that result in opened major cases.

Investigations involving multiple jurisdictions, multiple subjects, organized schemes to defraud or aggravated white-collar crime are considered major cases given their greater complexity.

The Division opened 285 major cases during FY 2022/2023 as compared to the 292 the previous fiscal year.

The anti-fraud database has claim scoring features designed to identify links between different individuals, businesses, properties, parties, and locations along with prior claims, referrals, and investigations. This process has been initially activated but continues to be adjusted for proper use. Once finalized, the Division will be able to easily identify organized groups or schemes to defraud leading to an increase in the opening of major cases.

3. Percentage of opened cases that result in presentations.

The Division submitted 828 presentations for criminal prosecution during FY 2022/2023 compared to 771 in FY 2021/2022. This represents an increase of 14%.

4. Percentage of successful prosecutions.

The Division obtained 784 successful prosecutions during FY 2022/2023 compared to 657 in FY 2021/2022. This represents an increase of 19%.

5. Number of subjects and business records entered into the Division's case management system.

The anti-fraud database provides access to over 1.6 billion claim files in the U.S., with over 80 million claims anticipated to be added annually. Utilizing this database, the Division is now capable of instantly gathering and collecting information on subjects and businesses associated with suspicious claims. As a result, analysts and investigators will have accurate and up to date information available to assist in their investigations with the ability to enter those same subjects and businesses into an internal case management system for possible use in future cases opened by the Division.

6. Percentage of Insurance Services Office (ISO) database checks to increase.

The anti-fraud database aggregates multiple search functions into one task, allowing Division analysts to conduct more searches within a fraction of the time and gain access to a greater number of claims filed throughout the country. Again, access to more information will aid the Division's analytics team as they pursue more leads that culminate in successful investigations and prosecutions.

CONCLUSION

As with any predictive modeling software, the volume of stored data is proportional to the capability of its ability to accurately forecast future occurrences. While it is still too early to provide long-term statistics regarding the benefits of Verisk, the Division has already seen improvements in the screening and processing of suspected fraud referrals.

The Division received nearly 20,000 suspected fraud referrals for FY 2022/23. Each referral takes approximately 15 minutes to process. The automation of the referral process was initiated on October 1, 2023 and the benefits have been extraordinary. The system has been able to enter over 3,000 referrals. More than 2,300 business records have been created and over 3,500 businesses have been automatically linked to new or existing referrals. Additionally, upwards of 6,000 individual subject records have been created and/or linked to new or existing referrals.

Likewise, the automation of the referral process is more thorough and includes associated claims data previously not received. This reduces the amount of time required to process and evaluate complaints, while greatly increasing the amount of intelligence being developed. The additional data is accurately classified and reduces research by criminal analysts and investigators.

Continued use of the anti-fraud database will impact productivity by enhancing the Division's ability to quickly identify repeat offenders, those associated with organized crime, and fraud schemes before they become trends. The links developed will be essential to the investigations conducted by DIFS that extend within Florida and potentially nationwide.

The database has been deployed and, in collaboration with Verisk, additional needs have been identified with adjustments to parameters taking place. Future reports will provide larger datasets and more specifics as to the uses and benefits for the Division.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