

# Getting Started with Predictive Modeling

By Ken Cunningham

The use of predictive modeling to improve quality insurance fraud referrals has been a hot topic in the claim industry for the last few years. Part of the reason for the buzz is that carriers have experienced a significant return on investment by employing predictive modeling in the claims context.

Setting up a predictive modeling system can be a daunting task. The total cost and use of internal resources should be considered, as many IT departments set their schedules six months to a year in advance. But what if you could have all of the benefits of an advanced system with minimal IT investment?

This is possible with ChoicePoint's FraudFocus INTERCEPT. The predictive models for this technology are built using industry-standard claim submissions. The system also leverages the IT investment already made in submitting this data so that minimal IT involvement and minimal capital resources are needed to get up and running.

Once the system is in place, carriers continue to experience the benefits of predictive modeling. The following are just a couple of examples of how FraudFocus INTERCEPT has helped carriers improve fraud referrals.

## Case Study #1

When a top-ranked carrier added a non-standard book of business to its portfolio, it turned to ChoicePoint to assist

with creating improved fraud analysis capabilities. The carrier needed a solution that helped assess risk, but that also required limited IT involvement. FraudFocus INTERCEPT proved to be the perfect solution. Within the first six months of the system going live, the carrier was already seeing four-to-one cost savings. Other benefits included improved loss ratios and earlier notifications to claim adjusters of potentially fraudulent claims.

## Case Study #2

A mid-sized carrier was looking for a way to assist its claim adjusters with uncovering fraudulent claims. Plus, with roughly 10 percent of legitimate recovery opportunities never identified or pursued, the carrier wanted to increase the odds of finding these opportunities.

FraudFocus INTERCEPT was able to help with both situations by identifying a staged accident that had originally been missed by the adjuster. The claimant sought a substantial amount for bodily injury expenses, which was not paid when the claim was denied. The savings to the carrier equated to the cost of six months of FraudFocus INTERCEPT, thus allowing for the system to virtually pay for itself.

Even with all of the advanced features available with FraudFocus INTERCEPT, the human element is not removed from the claim process. Some carriers have used the

system as a learning tool to review missed referrals with adjusters or to explain why certain claims were highlighted even though they passed red flags or business-rule requirements.

The main benefit of FraudFocus INTERCEPT is that it allows carriers to use an advanced predictive modeling system with minimal IT involvement. However, the system can also help carriers improve their claim referrals and address other issues and trends, including:

- ▶ The need to optimize technology and effectively use data and metrics;
- ▶ The ability to use external resources to achieve cost savings;
- ▶ The aging adjusting workforce; and
- ▶ The softening market and increased pressure on profitability.

For more information about FraudFocus INTERCEPT or any of the other advanced analytics offered by ChoicePoint Claims Solutions, go to <http://claimsolutions.choicepoint.com>. You may also send an e-mail to [insurance.claims@choicepoint.com](mailto:insurance.claims@choicepoint.com), or call us at 1-800-934-9698, option 5. ■

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