

Erie Insurance Reduces Fraud Losses with FraudFocus™

Predictive Modeling Demonstrates Effectiveness for Auto, Property and Worker's Comp

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In the first full year of operation, FraudFocus™, Magnify's advanced fraud detection solution, has dramatically improved Erie Insurance's fraud detection and mitigation effectiveness and has helped establish Erie Insurance as one of the leaders in fraud mitigation.. "We've seen a considerable increase in the number of quality referrals and a substantial decrease in the average time to referral since FraudFocus went live," said David Rioux, Erie's Corporate Security Manager. "We have already experienced a positive return on our investment."

FraudFocus continuously reviews Erie's claims, from first notice of loss and throughout the life of the claim, to identify potentially fraudulent claims and bring them to the attention of adjusters and the SIU. FraudFocus utilizes a combination of several fraud detection technologies, including predictive modeling, text mining, identity matching and red flag processing, making it one of the first truly multidimensional pro-active solutions in the industry.

The "heart" of the FraudFocus approach is predictive modeling, which relies on advanced statistical analysis of claims data to develop algorithms (models) that can accurately identify claims likely to be fraudulent. Predictive modeling has become the defacto standard for fraud detection technology in the credit card industry. "Magnify is a leader in applying predictive modeling to the insurance fraud problem. Predictive modeling helped reduce credit card fraud

losses by more than 30% after its introduction and based on the results we've seen at Erie Insurance and other major insurers, we believe there is similarly a significant opportunity for insurers to reduce their fraud losses dramatically," said Bob Hoyler, President of Magnify.

FraudFocus' text mining functionality sifts through claim diary entries and log notes for fraudulent patterns, allowing insurers to unlock critical information that is typically difficult to utilize in automated systems. "Text mining has improved the accuracy of our fraud detection models and can be especially important for insurers that have few or dirty data elements in their claim system," said John Lorimer, Magnify's VP of Insurance Solutions.

Erie also has been pleased with the effectiveness of the Identity Matching module, which identifies people and businesses that match NICB ForeWARN alerts, Erie's internal SIU watch list and other lists, even when there are misspellings, nicknames or doctored addresses. The module also identifies addresses that are known commercial mailbox locations.

FraudFocus initially went live for Erie in August of 2003. The installation, which included integration with Erie's claim system and customization of the predictive models for each line of business, was delivered on time and on budget. "Our experience in working with Magnify has been very positive," said Barry Stiles, Erie's SVP of Claims.

About Magnify

Magnify provides advanced predictive analytic and decisioning software and solutions that allow clients to efficiently identify which customers or transactions to focus on, and what actions to take to maximize financial return. The company's tailored solutions optimize critical applications such as fraud detection, risk management, underwriting rating, list selection, offer targeting, and customer retention. For more information about Magnify, e-mail: info3@magnify.com or visit the company's web site at <http://www.magnify.com>.