Draft Pending Adoption

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Big Data (EX) Working Group
New York, New York
August 3, 2019

The Big Data (EX) Working Group of the Innovation and Technology (EX) Task Force met in New York, NY, Aug. 3, 2019. The following Working Group members participated: Doug Ommen, Chair (IA); Elizabeth Kelleher Dwyer, Vice Chair (RI); Lori K. Wing-Heier (AK); Jerry Workman (AL); Ken Allen (CA); Andrew N. Mais (CT); Stephen C. Taylor represented by Sharon Shipp (DC); Frank Pyle (DE); Sandra Starnes (FL); Judy Mottar (IL); Rich Piazza (LA); Al Redmer Jr. and Robert Baron (MD); Timothy Schott (ME); Karen Dennis (MI); Grace Arnold and Phil Vigliaturo (MN); Angela Nelson and Teresa Kroll (MO); John Elias represented by Christian Citarella (NH); Marlene Caride represented by Mark McGill and Justin Zimmerman (NJ); Barbara D. Richardson (NV); Jillian Froment (OH); Andrew Stolfi represented by TK Keen (OR); Michael McKenzie (PA); Diane Cooper and Joe Cregan (SC); Leah Gillum (TX); Todd E. Kiser (UT); Michael S. Pieciak represented by Christina Rouleau and Kevin Gaffney (VT); and Mike Kreidler represented by Annalisa Gellermann (WA).

1. Adopted its Spring National Meeting Minutes

Director Froment made a motion, seconded by Commissioner Kiser, to adopt the Working Group’s April 6 minutes (see NAIC Proceedings – Spring 2019, Innovation and Technology (EX) Task Force, Attachment Two). The motion passed unanimously.

2. Heard a Presentation from the ISO on the Use of Big Data in Fraud Detection and Claims

Stephen Clarke (Insurance Services Office—ISO) said that the claim process has a strong bearing on the customer experience and that there is a tremendous amount of information to help accelerate the claim process to make policyholders whole. When dealing with large amounts of money, Mr. Clarke said there is a propensity for fraud. However, he said data analytics helps identify fraud, which can amount up to 10% of insurance premiums.

Kevin Rawlins (ISO) said index cards were used in 1971 to obtain claim histories for claimants. Mr. Rawlins said in 1990, information on property and auto claims were merged into one database, and in 2007, electronic reports became available. The insurance industry is now moving to visualization of an individual’s claim history to speed up claim payment.

Mr. Rawlins provided an overview of ISO’s ClaimSearch ecosystem. He explained the input process of data from a company’s claims system. There are then a suite of decision support solutions built from this data. Mr. Rawlins said ISO ClaimSearch has 1.4 billion records, and 1.1 million records were submitted on Aug. 2. A record is the initial claim submitted but may not have all necessary data, such as claimant’s date of birth. More than 100,000 claim users and 8,000 Special Investigative Units (SIU) users access ClaimSearch daily. Mr. Rawlins said fraud amounts to $80 billion annually for all lines, with $34 billion in fraud costs for U.S. property/casualty (P/C) insurers. Mr. Rawlins said insurers are focusing on “right touch” adjusting of claims and that data helps achieve this goal. Data in ClaimSearch reflects 138 million claims and 95 million relationships, such as a relationship between a claimant and body shop or a claimant and a doctor. ClaimSearch can help identify questionable networks. Mr. Rawlins said this type of insight from data provides insurers confidence in whether claims are moving through settlement appropriately. Mr. Rawlins said there are compliance benefits with ClaimSearch, with $80 million collected by the Office of Child Care and $1.3 billion collected by the Child Support Lien Network. Superintendent Dwyer asked if all states report child support delinquencies to ISO. Mr. Clarke said insurers, at their discretion, use this service in the states that have a child support check requirement.

Mr. Rawlins said aerial imagery is available in ClaimXperience to assist companies in identifying the condition of property before and after a storm. Mr. Rawlins said this enhances the speed of claim process as issues can be addressed before claimants may have access to their property after a storm. Mr. Rawlins said Verisk Weather provides information on location and date of hail storms. This can be used before a storm occurs to help companies identify the location of future claims and potential severity.

Commissioner Ommen asked how aerial imagery is collected. Mr. Rawlins said Verisk has a fleet of airplanes to collect images with special cameras and then insurers can select what imagery they want.
Commissioner Ommen asked for a description of the modeling and analytics used to settle claims. Mr. Rawlins said insurers use data to identify networks of high interest. Mr. Clarke said a lot of the innovation and analytics provide the ability to identify “low touch” claims. For example, a consumer may submit a claim via his/her phone, a chatbot may request a picture of damage, and then the picture can be analyzed to assess the damage. This information, such as size and construction of a fence, can be analyzed, and the claim processing can be initiated without a claim adjuster physically inspecting the damage.

Ms. Gellermann asked what data is used to identify when a claim is potentially fraudulent. Mr. Gellermann questioned if data is tied to who is purchasing insurance, where they live and if there could be potential bias. Mr. Rawlins said there are 12 data points required to be submitted to ClaimSearch but that ClaimSearch does not take into account any data beyond what a company submits. Mr. Clarke said a very small number of claims are identified, with 90% of claims moving through the process very rapidly.

3. Heard a Presentation from the NICB on the Use of Big Data in Fraud Detection and Claims

Alan Haskins (National Insurance Crime Bureau—NICB) said the NICB is a 107-year-old organization with 400 employees across the country and a budget of 55.7 million. He said the NICB’s core disciplines are data analytics, investigations, learning and development, government affairs, and public awareness. Mr. Haskins said the NICB is headquartered in Chicago.

Mr. Haskins said the Federal Bureau of Investigation (FBI) assesses there is $120 billion annually in insurance fraud, with $40 billion in P/C insurance. He said insurance companies are mandated to identify claim fraud and report this information to states. Mr. Haskins said companies that are members of the NICB identify approximately 130,000 claims involving suspected fraud each year. He said the NICB does not look at single claims for fraud but rather looks at data from multiple insurance companies to identify fraud networks affecting the industry. Mr. Haskins provided a few examples of how the NICB worked with law enforcement to identify organized fraud networks in the U.S. He said organized crime networks use insurance fraud to fund other organized crimes, such as drug and human trafficking.

Mr. Haskins said the NICB has a Geospatial Intelligence Center that takes aerial imagery of the entire U.S. He said the imagery has “blue sky” imagery of property prior to a catastrophe and “gray sky” imagery of property after a catastrophe. Mr. Haskins said the NICB uses this imagery and advanced analytics to enhance fraud detection, catastrophe responses and claims handling. Mr. Haskins said the imagery can measure rooftops and windows to identify damage for specific property.

Commissioner Ommen asked for a description of the analytics used. Mr. Haskins said the NICB uses Esri, which has claims software but that the NICB does not have proprietary analytics products. Mr. Haskins said any claims processing is done at member companies. Mr. Clarke said any machine learning at the ISO is supervised through the setting of parameters and the assessment of results. Mr. Clarke said the ISO’s goals are to speed up the claim process and provide a better consumer experience. Commissioner Ommen said this discussion would be followed up with a conference call.

4. Received a Report from the Casualty Actuarial and Statistical (C) Task Force

Mr. Piazza said the Casualty Actuarial and Statistical (C) Task Force exposed a revised draft of its draft white paper on best practices for the regulatory review of predictive analytics. Mr. Piazza recognized state insurance regulators from Maine, Minnesota, Nevada, New Jersey and Texas as key contributors. The Task Force is reviewing comments on the latest draft and will issue its third draft of the white paper. Mr. Piazza said the Task Force may ask the Big Data (EX) Working Group to review the issues of causality versus statistical correlation and the confidentiality of predictive models.

Having no further business, the Big Data (EX) Working Group adjourned.