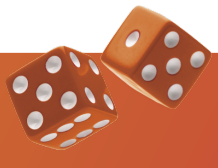
Investigation Insights

DISCOVER NEW RESEARCH INTO THE PERFORMANCE, EFFECTIVENESS AND CHALLENGES OF SPECIAL INVESTIGATION UNITS, AND LEARN HOW BETTER INSIGHTS CAN DRIVE IMPROVEMENTS IN PRODUCTIVITY



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POLONIOUS SYSTEMS

Executive summary

During the International Association of Special Investigation Units (IASIU) conference held virtually on September 14 and 15, 2020, Polonious ran a panel discussion with some of the world's leading investigation professionals.

Prior to the panel a short survey was conducted with 24 of the investigation professionals about approaches to performance management within SIUs, and the results were remarkable.

- Almost a third of respondents do not have a system for measuring the effectiveness of the SIU, and about a third of those that do measure effectiveness are not allocating costs.
- Around half of respondents do not record the number of false positive referrals regardless of source — whether they come from claims teams or from automated tools.
- Limited tracking and reporting of false positives has a detrimental effect, because processes cannot be improved without this information.
- Around 80 per cent of respondents measure performance of the SIU by the number of referrals. Number of referrals in isolation limits the ability for the SIU to improve customer service or identify opportunities for automation and must be seen in the context with other measures — especially considering the number of false positives and rejected claims.
- A significant measure of the contribution an SIU makes to the organisation is ROI — costs versus savings on claims — but few respondents are tracking those reliably.
- Many respondents are taking indirect measures such as training to improve SIU performance.
- In terms of productivity, most organisations are using broad measures such as cycle time, but not looking at more granular indicators like time per stage.
- Looking more closely at productivity can identify faults in the investigation process and improve overall performance of the SIU.
- Less than half of respondents measure the quality of investigations, which means more than half are leaving themselves vulnerable if findings are disputed.
- Less than half of respondents apply measurements of productivity and performance to the vendors they use.

The research uncovered a generally low level of detailed performance measurement and Polonious recommends detailed performance information being fed back to managers to improve referrals and find efficiencies that will drive value for SIUs.

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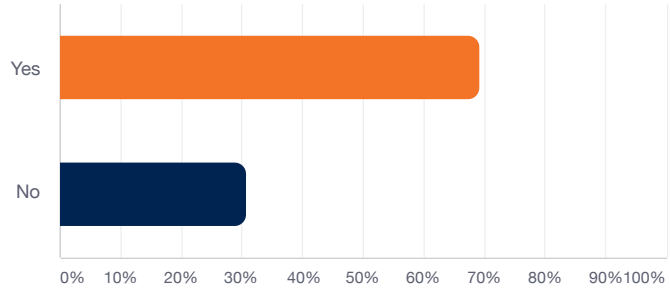
Measuring SIU effectiveness

Measurement is considered an essential component of most business strategies and investigations are no different.

Despite this opportunity, almost a third of respondents to the survey (30.77%) admitted that they do not have a system for measuring the effectiveness of their SIU, which is surprising.

Figure 1: Proportion of organisations with a system in place for measuring SIU performance



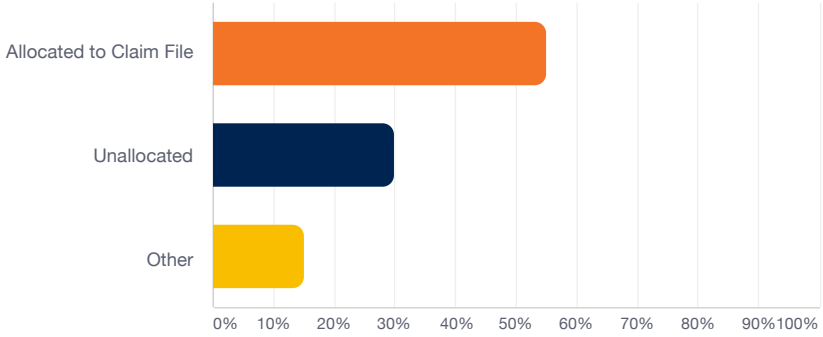
Most operations these days come with some sort of performance metric to justify expenditure and tune performance.

Obviously, we would love people to use Polonious to track and report on expenses and outcomes, but any case management system should include performance reporting, and we would highly recommend a system for tracking performance to guide future decisions on resources and methods.

Among those organisations that do measure the performance of their SIU, 70 per cent answered that measurement is done by SIU management, and almost 85 per cent said that they reported quarterly or more frequently — which is roughly what we had expected.

Some 55 per cent reported that operating costs are allocated to the claim file — which is also an expected result.

Figure 2: Allocation of expenses and other costs of investigations



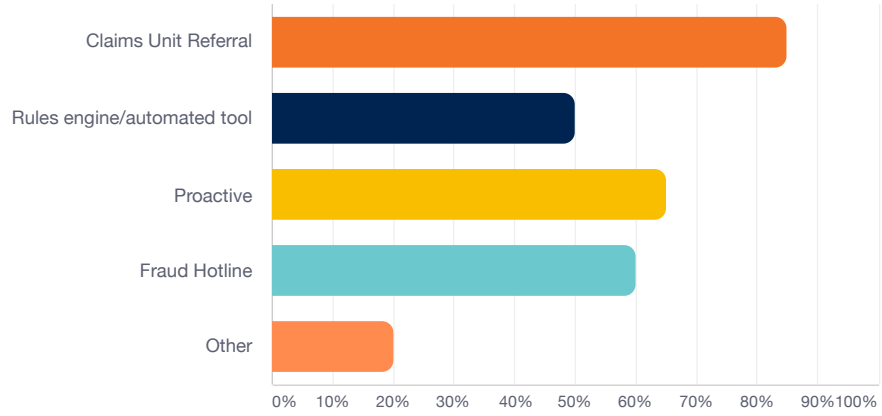
However, 30 per cent of respondents that are measuring performance nonetheless reported that costs are unallocated. This would make it difficult for an SIU to identify high-cost problem cases (or areas), especially without some other performance measurement such as cycle time or person-hours per case.

Sources of referral

When asked how cases were referred to them for investigation, respondents were predictable in their responses.

Most SIUs (85%) get referrals from claims units. Beyond that, other methods of sourcing referrals were reasonably evenly spread.

Figure 3: How cases are referred for investigation

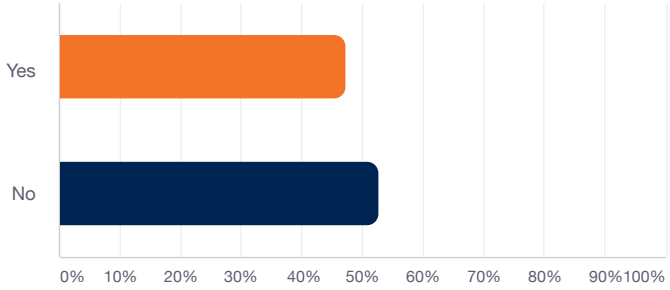


Automated tools such as analytics engines using predictive analytics, machine learning, artificial intelligence and rules-based algorithms are employed by 50 per cent of organisations, 60 per cent use fraud hotlines, and 65 per cent said they seek out cases proactively.

It is important to note though, that we did not ask what proportion of cases are referred from each of these sources.

A big surprise for us was that around half (52.63%) of respondents did not record the number of false positive referrals they receive — those that, on first glance from an experienced investigator, are clearly not going to go anywhere — from either an analytics tool or their claims unit.

Figure 4: Keeping track of false positives



A smaller but still significant percentage (38.89%) told us that when they did receive a false positive they did not feed the information back to the analytics tool in order to improve referrals.

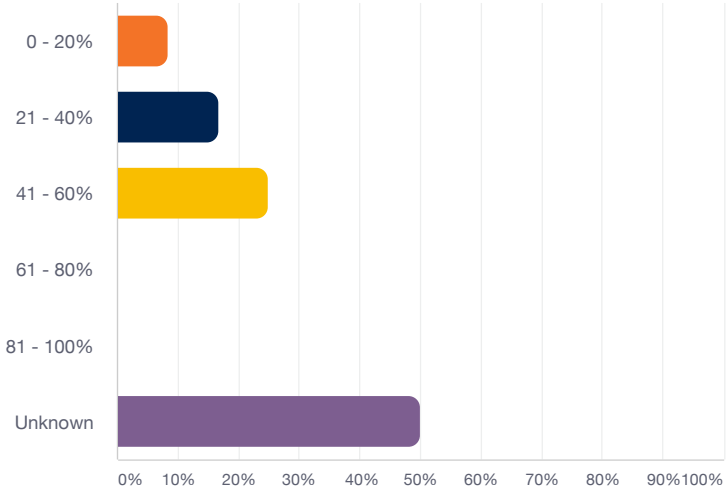
There will always be claims that legitimately warrant suspicion but, upon investigation, turn out to be valid. Where you want to draw the line on level of suspicion is a matter for each SIU. You may only want to investigate “slam dunks”, or those with a 100 per cent strike rate, but risk a lot of potential fraud slipping through. Or you may want to investigate every possible case, but end up spending a lot of time on claims that turn out to be valid.

This triage process might not take a long time — but even if it takes about five minutes per case, after 100 false positives, you have lost a whole day of work. In SIUs with high case volumes, this adds up. And in SIUs with low case volumes, there is likely not much budget to waste on spinning wheels.

At a minimum, reporting on raw numbers can identify some inefficiencies before putting pressure on investigators.

Compare this to the SIUs that did record false positives. About a sixth of those respondents had between 21 and 40 per cent of referrals as false positives, while a full quarter reported that between 41 and 60 per cent of their referrals turned out to be false positives.

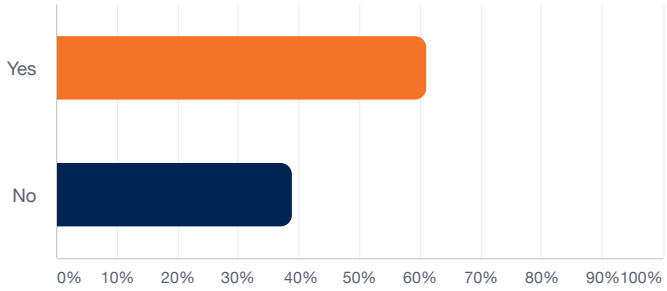
Figure 5: What percentage of referrals are false positives



While this was just a quick questionnaire with a small sample size (only 12 respondents for this question), if the numbers are representative of the wider industry there is a big proportion of SIUs where around half their cases should not even have been referred to them for investigation. What's more, around half of them would not even know a referral was a false positive.

As mentioned above, of the units that track false positives, almost 40 per cent are not feeding these back into the detection tool, so we would hope that these are not the units receiving 41 to 60 per cent false positives.

Figure 6: Proportion of organisations feeding results back into fraud detection tools



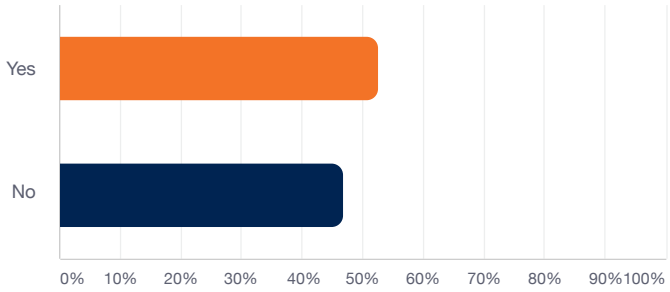
Analytics tools work by learning the flags for fraud — either through AI or through analysts updating the rules as they receive data. If false positives are not being fed back into these tools, they cannot update the rules, and they are going to keep sending you bad cases.

If you are getting 50 per cent false positives, you are paying investigators to read case details and not provide value. And if these results are not being used to enhance your detection systems, you are going to be doing that every quarter.

Claims referrals

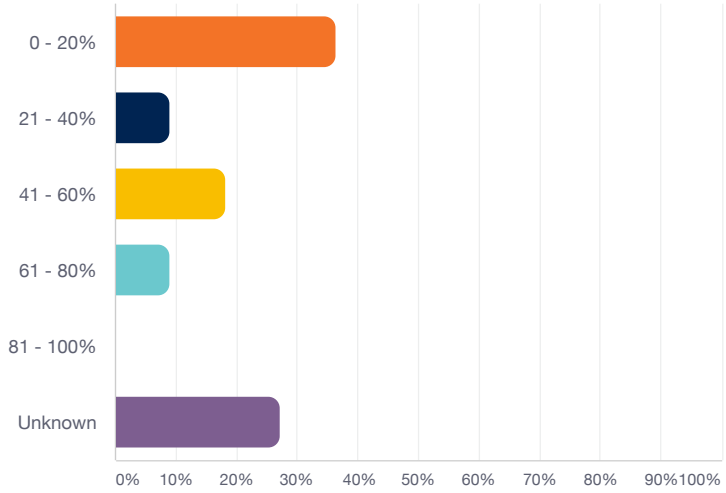
The survey also asked SIUs whether they track the number of claims that they reject when they come from claims units rather than automated tools, and the findings were surprising. If anything, it is an even worse situation than the tracking (or lack thereof) of false positives. Nearly half (47.37%) of respondents admitted that they do not measure the number of rejected cases from claims units at all.

Figure 7: Organisations tracking rejected cases referred by claims teams



Respondents that do track these rejections indicated they scored a little bit lower than the rejections from automated tools. A bit more than a third (36.36%) of respondents said rejections were in the range of zero to 20 per cent of referrals, and less than a fifth (18.18%) rejected between 41 and 60 per cent of cases referred from claims units.

Figure 8: Proportion of cases referred by claims teams that are rejected

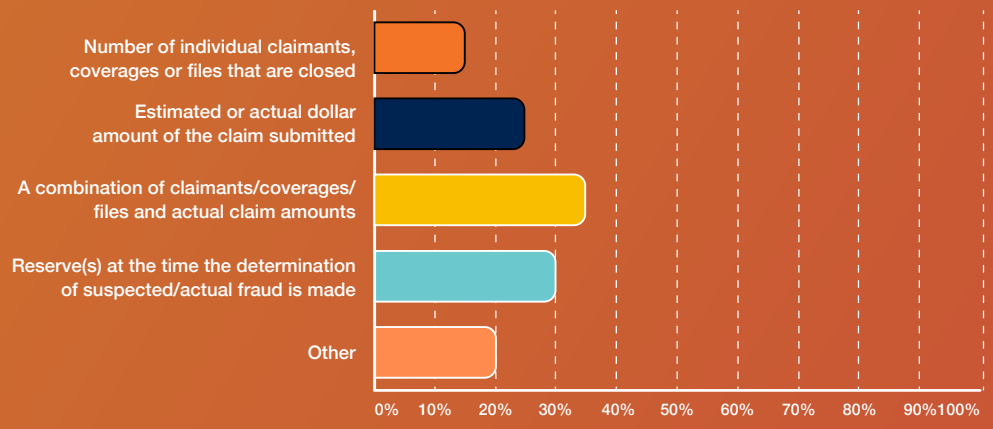


Surprisingly, one solitary respondent reported rejecting between 61 and 80 per cent of cases referred by claims units.

Calculating savings

Savings and mitigation calculations were largely based on a combination of the number of closed files, including the estimated, or actual, dollar amount of the claim submitted.

Figure 9: Methodology for calculated savings or cost mitigations



About 30 per cent of respondents calculated this based on the reserve(s) at the time the determination of suspected (or actual) fraud was made.

Performance measurement factors

To gather performance insights, we asked survey respondents to describe the factors by which they measure the performance of their SIU and found that they were largely as we would expect, though there were some concerns.

The overwhelming majority of respondents (80%) use number of referrals as a performance measure. When considered alongside the percentage of false positives, this is only a measure of how much work the SIU is doing clearing those cases — not a measure of how much value the SIU is providing.

For example, if you are an SIU with more than 40 per cent false referrals, as some of our respondents appear to be, then your true performance figure — the referrals that result in savings — is less than 60 per cent of your total referrals.

The next most commonly used metric is whether or not fraud is determined, which was used by 55 per cent of respondents. This is getting closer to reporting on actual value — cases where fraud was found and, we can assume, savings were made — but it is not quantifying those savings. This means you might be finding a lot of small fraud, which is good, but the ROI of your budget on those cases might not be there.

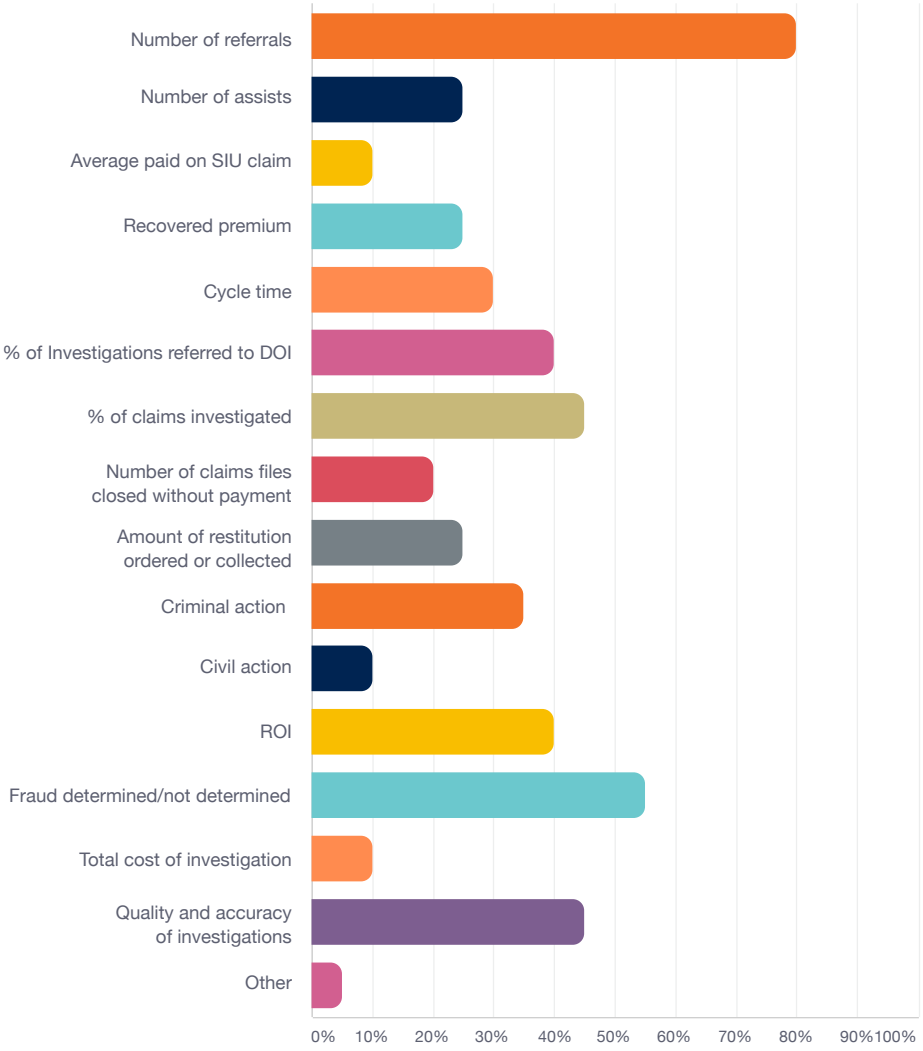
However, Figure 10 shows the range of individual measures employed, which we have itemised for illustrative purposes. Respondents could give multiple answers, and most, if not all, sensibly use a combination of measures.

There were also around 40 to 50 per cent of units using the percentage of claims investigated, and percentage referred to a department of investigations (DOI), and another 25 per cent reporting on recovered premiums and 40 per cent reported specifically measuring for ROI.

So, for example, measuring the total number of referrals combined with a percentage of investigations, and a percentage of referrals to DOI, would give a reasonable picture of SIU performance.

However, in terms of value provided to your organisation, the ROI — costs on investigations versus savings on claims — is an easily recognisable measure to claims executives.

Figure 10: Measures used by organisations to calculate the performance of the SIU



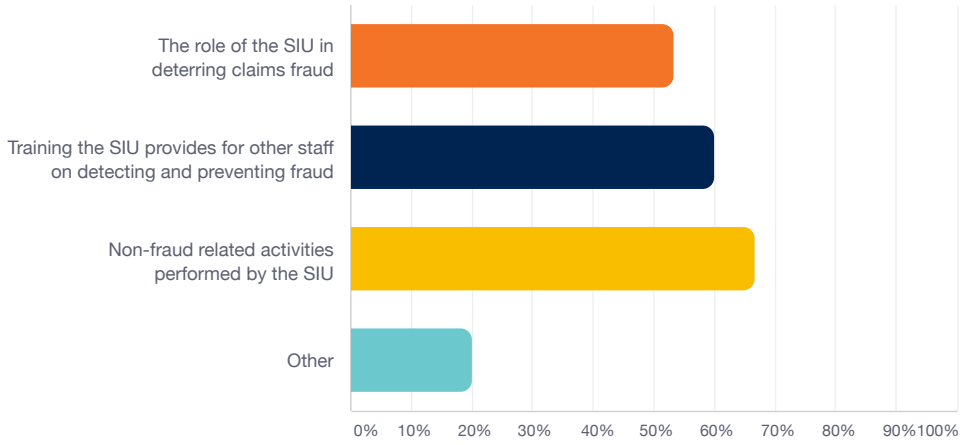
Many respondents also report on indirect performance measures (see Figure 11) such as training and deterrent effects.

TWO THIRDS OF RESPONDENTS

66.67%

report on various other non-fraud related activities.

Figure 11: Performance activities not directly related to investigations



A bit more than half (53.33%) report on fraud deterrent effects, and 60 per cent report on training they provide for other staff on detecting and preventing fraud. Two thirds of respondents (66.67%) report on various other non-fraud related activities, but for this survey we did not go into further detail of what they were.

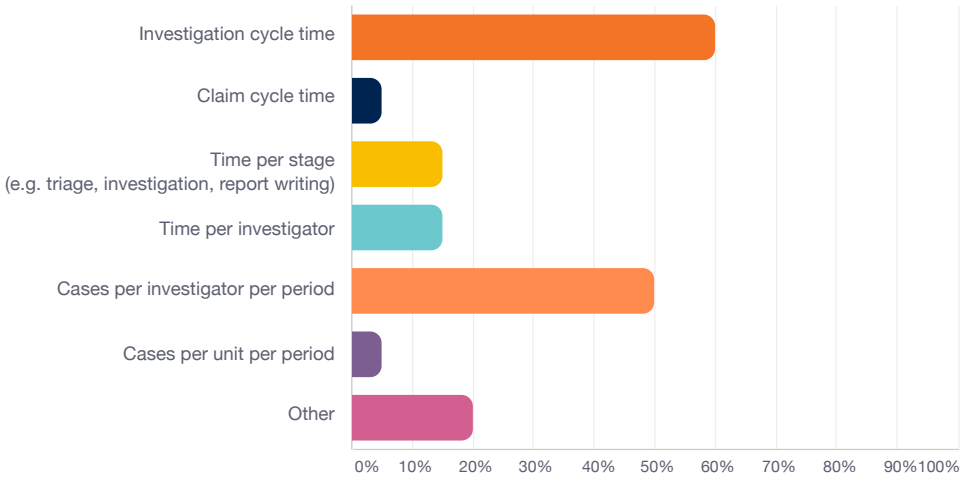
The contribution of these indirect activities to financial performance is harder to measure. However, it speaks to the proactive work that SIUs are doing to prevent fraud, which is very encouraging.

Productivity measures

In addition to the overall performance of the SIU, we asked respondents to describe the methods they use, if any, to measure the productivity of individual investigators.

Responses were largely as expected — the focus is on cycle times and cases per investigator. However, few SIUs are measuring time per stage or time per investigator.

Figure 12: Methods used to track time spent on cases and quantify productivity



If you are struggling with the broader measures, more granular reporting can help you identify bottlenecks in your process, or training and performance issues with investigators. With the right case management system, you can identify these issues and improve the broader measures that you report up the chain.

Investigation accuracy and quality

Understanding the accuracy and quality of investigations — and being able to quantify these — may not be as directly relevant as financial and productivity impacts. But it can have immense ramifications in cases where claimants dispute the findings.

LESS THAN HALF

44.44%

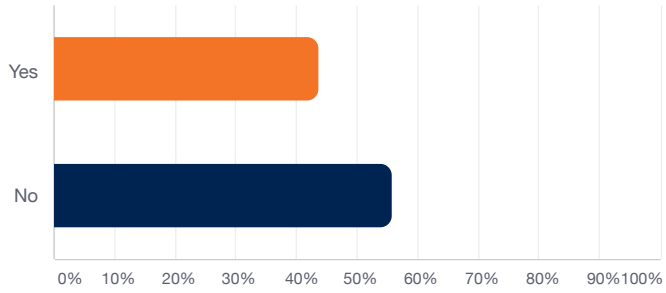
reported that they tracked the quality and accuracy of investigations via qualitative measures.

The research found fewer than 50 per cent of respondents reported that they tracked the quality and accuracy of investigations via qualitative measures — not just time and budget.

In addition to making it easier to defend disputed findings, quality control also can help identify problems with investigations. It can help prevent problems that lead to complaints from claimants and brand damage — particularly when combined with other measures like cycle time and the percentage of investigations found to be valid claims.

Less than half (44.44%) of SIUs answered that they measure surveillance quality. This includes measures such as time stamps or meta-data on the video, subject centred in the video, in focus, and so forth. This means that several SIUs are receiving — and paying for — surveillance footage that is less likely to have a positive impact on a case.

Figure 13: Proportion of organisations doing quality control on surveillance footage



Less impact from your footage means less savings for every dollar spent on surveillance. Fraudulent claims that would otherwise result in savings can fall over in civil or criminal cases if the surveillance footage is of poor quality.

Vendor performance measurement

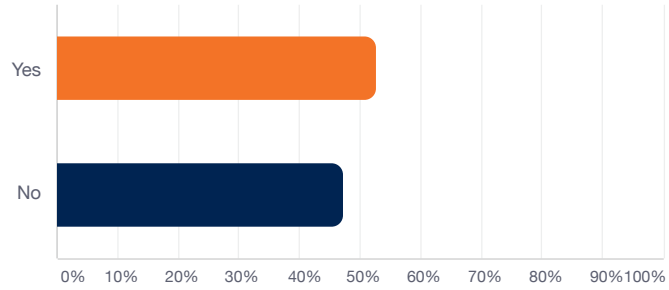
Performance measurement should apply not only to the organisation and the SIU within it, but also to the vendors upon which the SIU depends. Strangely, nearly half of respondents do not report on the above performance measures as they apply to their vendors.

The half of respondents that do track their vendors told us that they report on performance, as well as Service Level Agreements, and complaints. They also report regularly back to the vendor — which is good, as it helps the vendor improve their performance.

POLONIOUS HIGHLY RECOMMENDS

tracking surveillance quality and feeding this back to investigators and vendors.

Figure 14: Performance tracking of vendors



However, this leaves nearly 50 per cent without any way of identifying problematic vendors and either managing their performance or exiting their contracts.

Vendors are increasingly a part of SIU processes, and they must be managed with the same — or more — diligence as internal staff.

Polonious highly recommends tracking surveillance quality and feeding this back to investigators and vendors.

About this survey

This survey was conducted in order to generate some talking points with our audience in advance of a recent IASIU conference. The sample size was quite small, so the results should be weighed accordingly. It was inspired by a more rigorous survey performed by IASIU, which is now quite old, to see the state of the current market. It would be very interesting to see an updated, rigorously sampled survey of the industry based on an updated version of the IASIU survey to get some statistically reliable results. If our results are representative, it shows there is broad scope for improving how SIUs collect data on their investigations in order to target resources more effectively, to find more fraud, and to provide more value to their organisations and the industry as a whole.

About Polonious

Polonious was founded in 2005 as a Case Management Solution based on the knowledge and experience of both founders. Polonious was originally conceived based on private investigations, but was designed to be future-proof, adapting to changing IT capabilities and market opportunities with little structural change to the code.

Polonious has since expanded into four main markets: insurance investigation, banking, private investigations, and education. Polonious has also adapted to other use cases such as IP infringement investigations and charities.

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Polonious Pty Ltd
Sydney, Australia

Ph: +61 2 8916 6445
W: polonious-systems.com

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Sydney, Australia

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W: polonious-systems.com