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COUNTY OF SAN DIEGO

AGENDA ITEM

DATE: **September 24, 2024**

02

TO: Board of Supervisors

SUBJECT

DISTRICT ATTORNEY – REQUEST APPROVAL FOR A SINGLE SOURCE PROCUREMENT OF A SOFTWARE LICENSE TO DETECT FRAUDULENT INSURANCE ACTIVITY (DISTRICTS: ALL)

OVERVIEW

The San Diego County District Attorney's Insurance Fraud and Workplace Justice Division (Division) proactively investigates and prosecutes complex insurance fraud prosecutions and brings awareness and education throughout San Diego County. In California, insurance fraud costs consumers approximately $15 billion a year, and is the second-largest economic crime in the United States, exceeded only by tax evasion. The Division's multiple, reinforcing strategies seek to reduce insurance premiums for consumers, lower workers' compensation premium rates for employers, ensure injured workers receive the benefits they are entitled to collect, and ultimately protect all San Diego communities by deterring this form of criminal behavior.

The District Attorney's Office (DAO) is seeking to procure Verisk Analytics Inc.'s Anti-Fraud One – Government (AF1– Gov) software license, with access to the *ISO ClaimSearch* proprietary database containing claims information from 97% of all property and casualty carriers and third-party administrators throughout the United States. The software aggregates, in real-time, key information from questionable claims, including: the loss history for each party involved in a claim, investigation details and outcomes for the parties' prior claims, patterns of previous losses, network analytics, and evaluation of suspected fraud. Insurance fraud activity has far-reaching implications, and leveraging comprehensive industry data and analytics would enhance the DAO's ability to assess and mitigate emerging fraud risks, as well as increase effectiveness and efficiency in the identification, prioritization, and investigation of fraud. An AF1– Gov software license will grant the DAO automated access to the largest claims database and insights to triage investigations – a unique combination not available from other sources where competition is also precluded because of the existence of proprietary information, pursuant to Board Policy A-87, Competitive Procurement: A-87 (D.3) and (D.1).

This is a request to authorize the Director of Purchasing and Contracting to enter into a single source procurement and contract with Verisk Analytics Inc. (Verisk) for an AF1– Gov software license and user training for investigations of insurance fraud and related criminal activities.

SUBJECT: DISTRICT ATTORNEY – REQUEST APPROVAL FOR A SINGLE SOURCE PROCUREMENT OF A SOFTWARE LICENSE TO DETECT FRAUDULENT INSURANCE ACTIVITY (DISTRICTS: ALL)

RECOMMENDATION(S)
DISTRICT ATTORNEY

1. In accordance with Board Policy A-87, Competitive Procurement, approve and authorize the Director of the Department of Purchasing and Contracting to enter into negotiations with Verisk, and subject to successful negotiations and a determination of a fair and reasonable price, award a contract for an AF1– Gov software license and user training for up to three years, and an additional six months if needed, and to amend the contract as needed to reflect changes to service needs or funding requirements subject to the approval of the District Attorney.

EQUITY IMPACT STATEMENT
The District Attorney's Office is constitutionally responsible for the investigation and prosecution of all criminal violations of state law and county ordinances. The District Attorney's Insurance Fraud and Workplace Justice Programs specialize in prosecuting fraudulent activity – activity that affects all San Diego communities regardless of zip code. As part of the District Attorney's ongoing dedication to public safety, the DAO anticipates that the implementation of the Verisk AF1– Gov software license will enhance local law enforcement operations, resulting in strategic allocation of resources, and ultimately equitable outcomes throughout San Diego communities.

SUSTAINABILITY IMPACT STATEMENT
Reducing the instances of insurance fraud will reduce the cost for consumers and employers, directly contributing to the County of San Diego's Sustainability Goals by creating sustainable enhancements for the economy. In addition, investments in robust investigative techniques and the overall prosecutorial process not only increases organizational capacity but leads to social and economic enhancements – contributing to overall regional sustainability.

FISCAL IMPACT
Funds for this request are included in the Fiscal Year 2024-26 Operational Plan for the District Attorney's Office. If approved, this request will result in costs and revenue of approximately $405,000. The funding source is the California Department of Insurance. Subsequent year costs and revenues will be included in future Operational Plans. There will be no change in net General Fund cost and no additional staff years.

BUSINESS IMPACT STATEMENT
N/A

ADVISORY BOARD STATEMENT
N/A

BACKGROUND
The District Attorney's Office seeks to identify organized criminal fraud schemes by leveraging industry data and analytics to enhance the allocation of resources effectively and efficiently. Verisk's AF1– Gov software provides exclusive access to over 1.7 billion claim records, consisting of approximately 97% of all property and casualty carriers and third-party administrators throughout the United States; a scoring tool to evaluate potential fraud; and link analysis and

network analytics software to map and detect loss patterns and organized crime. Verisk Claims Solutions includes the proprietary *ISO ClaimSearch* that claims and investigations professionals use to find property, casualty, and automobile claims, including physical damage, theft, and salvage information. The software would directly benefit the DAO's Workers' Compensation Insurance Fraud Program, the Automobile Insurance Fraud Program, and the Organized Automobile Fraud Activity Interdiction Program. The District Attorney's Insurance Fraud and Workplace Justice programs are consistently recognized for their excellence. Each of the existing Insurance Fraud and Workplace Justice programs have received National Association of Counties awards for innovative and proactive use of law enforcement resources. Each of the programs below were re-authorized by the Board of Supervisors on May 21, 2024(2).

Workers' Compensation Insurance Fraud Program
The Workers' Compensation Insurance Fraud Program has produced successful investigations and prosecutions of complex workers' compensation fraud cases since the program was first funded in 1992. For calendar year 2023, the California Department of Insurance received 166 suspected fraudulent workers' compensation insurance claims for San Diego County. In Fiscal Year 2023-2024, the Workers' Compensation teams initiated 46 prosecutions, convicted 36 defendants, and secured $4,139,807 in restitution orders.

Automobile Insurance Fraud Program
Over 12,000 vehicles were stolen in San Diego County in 2023. Our county is ranked as one of the highest in Southern California for reported vehicle thefts. The staff positions funded through the Automobile Insurance Fraud Program investigate and prosecute claims for payments on automobile insurance policies including staged auto thefts, staged accidents, vehicle identification number switches (chop shops), automobile theft perpetrated for financial gain, and legal and medical providers engaged in capping and/or fraudulently billing insurance companies. In Fiscal Year 2023-2024, the Automobile Insurance Fraud team initiated 102 prosecutions, convicted 60 defendants, diverted 29 defendants to alternative adjudication, and secured $635,833 in restitution orders.

Organized Automobile Fraud Activity Interdiction Program (Urban Grant)
The Urban Grant program is designed to investigate and prosecute large-scale auto insurance fraud schemes and rings. In 2023, the California Department of Insurance received 654 suspected fraudulent automobile insurance claims which originated in San Diego County. In Fiscal Year 2023-2024, the Urban Grant team initiated 55 prosecutions, convicted 21 defendants, secured $314,574 in restitution orders, and returned $283,793 in restitution to victims. The team also investigated and initiated proceedings against a four-defendant fraud network suspected of filing over $4,000,000 in fraudulent automobile and property claims.

Access to industry-wide claims loss data would expose and connect fraud activity to other California counties and across the United States. AF1– Gov can identify connections between claims based on loss type, common attorneys and/or medical service providers, involved party identifiers, vehicles, and numerous other data points. This software automates industry-wide insights to understand the dynamics, connectivity, and scope of insurance carrier fraud in San Diego County. The mapping feature is the only link analysis application with direct access to *ISO*

ClaimSearch's 1.7+ billion claims records and network analytics, thus facilitating the exposure of potential organized crime. Verisk is also a strategic partner of the National Insurance Crime Bureau (NICB) and will support Verisk in providing the DAO's AF1– Gov user training. The NICB and state fraud bureaus' use of the same AF1– Gov software enables local and national partnerships, leading to more impactful investigations.

Currently, prosecutors must request claims information individually from each insurance carrier. Eliminating this manual process will improve the efficiency of DAO investigations. AF1– Gov will facilitate the ability to conduct suspect inquiries to quickly detect fraud networks on a scale well-beyond the DAO's current capacity. Timely identification of fraudulent networks will also ensure appropriate allocation of investigative resources, which generally has a higher impact on mitigating insurance fraud than smaller-scale prosecutions.

Verisk Analytics Inc. is well-positioned to use its prior extensive experience with state departments of insurance, most recently in Florida and Pennsylvania, to streamline access of data and analytics for San Diego County. Expanding the DAO's ability to identify, prioritize, and investigate fraud will improve prosecutorial coordination and resources. Real-time data collection and analytics of insurance fraud requires extensive technical expertise, as well as a thorough understanding of the required data security and privacy. Verisk Analytics Inc. has been found to meet these needs and qualifies for A-87 (D.1), precluding competition because of the existence of patent rights, copyrights, secret processes, control of the basic raw material(s) or similar circumstances, and no equivalent good or service is available. Verisk Analytics Inc. also qualifies for A-87 (D.3), procurement for services from a provider with unique knowledge, skills, and abilities not available from other sources.

Today's action requests authority for the Director of Purchasing and Contracting to negotiate and award a contract to Verisk Analytics Inc. for an AF1– Gov software license to support real-time detection of fraudulent insurance activity and facilitate local and national analytics. Authority for single source procurement is requested as Verisk Analytics Inc. possesses both proprietary information as well as a unique combination of technical expertise and proven acumen as a leader in technology-based insurance fraud solutions.

LINKAGE TO THE COUNTY OF SAN DIEGO STRATEGIC PLAN
Today's proposed actions support the Equity and Justice Strategic Initiatives in the County of San Diego's 2024-29 Strategic Plan by leveraging resources for public safety initiatives to advance the quality of life for all San Diego communities.

Respectfully submitted,

Summer Stephan

SUMMER S. STEPHAN
District Attorney

ATTACHMENT(S)
N/A