

ANTIFRAUD (D) TASK FORCE

Antifraud (D) Task Force April 7, 2019, Minutes

Draft Pending Adoption

Draft: 4/18/19

Antifraud (D) Task Force
Orlando, Florida
April 7, 2019

The Antifraud (D) Task Force met in Orlando, FL, April 7, 2019. The following Task Force members participated: John G. Franchini, Chair, and Roberta Baca (NM); Trinidad Navarro, Vice Chair, and Frank Pyle (DE); Lori K. Wing-Heier represented by Sarah Bailey (AK); Keith Schraad represented by Scott Greenberg (AZ); Ricardo Lara represented by George Mueller (CA); Michael Conway represented by Damion Hughes (CO); Andrew N. Mais represented by Kurt Swan (CT); Stephen C. Taylor represented by Sharon Shipp (DC); David Altmaier represented by Simon Blank (FL); Jim Beck represented by Margaret Witten (GA); Dean L. Cameron represented by Elaine Mellon (ID); Vicki Schmidt represented by LeAnn Crow (KS); Nancy G. Atkins represented by Josh Rayborn (KY); James J. Donelon represented by Matthew Stewart (LA); Al Redmer Jr. represented by Erica Bailey and Nour Benchaaboun (MD); Anita G. Fox represented by Randall Gregg (MI); Steve Kelley represented by Michael Marben (MN); Chlora Lindley-Myers represented by Carrie Couch (MO); Mike Chaney represented by John Hornback (MS); Matthew Rosendale represented by Jeannie Keller (MT); Mike Causey represented by Angela Hatchell and Tracy Biehn (NC); Jon Godfread represented by Greg Nelson (ND); Bruce R. Ramge represented by Peg Jasa (NE); Marlene Caride represented by Ralph Boeckman (NJ); Barbara D. Richardson (NV); Jillian Froment represented by Michelle Brugh Rafeld (OH); Glen Mulready represented by Landon Hubbart (OK); Andrew Stolfi represented by Dennis Powell (OR); Kent Sullivan represented by Leah Gillum (TX); Todd E. Kiser represented by Tracy L. Klausmeier (UT); Scott A. White represented by Mike Beavers (VA); Mike Kreidler represented by John Haworth (WA); and James A. Dodrill represented by Erin K. Hunter (WV).

1. Adopted its 2018 Fall National Meeting Minutes

Mr. Marben made a motion, seconded by Ms. Rafeld, to adopt the Task Force's Nov. 16, 2018, minutes (*see NAIC Proceedings – Fall 2018, Antifraud (D) Task Force*). The motion passed unanimously.

2. Discussed its 2019 Charges

a. Adopted Recommendation Related to Charge 1H

Commissioner Navarro said, at the 2018 Fall National Meeting, the Task Force introduced and adopted a new charge 1H to: “Coordinate with NAIC committees, task forces and working groups (e.g., Financial Condition (E) Committee, etc.) and provide recommendations for the development of a database to be created and maintained by the NAIC Securities Valuation Office (SVO) specific to tracking the fraudulent financial reporting for chief executive officers (CEOs), directors and corporate officers.”

Commissioner Navarro said, after a thorough review with NAIC staff, including the SVO, it was determined that due to the type of specific information this database would collect, it would be difficult to maintain accuracy and it could potentially cause additional liability. In addition, there would be a great cost to create and maintain this database. Commissioner Navarro said, during the internal review, it was determined that the information that would be collected in this database was once collected in the Special Activities Database (SAD), which was retired due to inactivity. He said, during this review, it was also discovered that when SAD was retired, it was determined at that time that other existing NAIC databases already contain the same data that was being collected. He said some of these existing databases include the 1033 State Decision Repository (SDR), the Regulatory Information Retrieval System (RIRS) and the Online Fraud Reporting System (OFRS). He said the creation of this new database would once again be compiling information that is already collected at the NAIC.

Mr. Greenberg made a motion, seconded by Mr. Beavers, to recommend that this database not be created. The motion passed, with Nevada dissenting.

b. Agreed on 2019 Priorities for the Antifraud Technology (D) Working Group

Commissioner Navarro said the next item is concerning the Antifraud Technology (D) Working Group. He said the Working Group's main role has been to review and provide enhancements for the OFRS. At this time, the OFRS is going through a rewrite and, as such, the discussion for enhancements is not necessary. Commissioner Navarro said, with the enhancement process being on hold, there has been no activity for the Working Group.

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Ms. Rafeld said, in 2015, the Task Force discussed creating an electronic database that insurers could use to create and store an electronic fraud plan, which would be accessible by insurers and provide them with the ability to send it to selected states in order to meet state reporting requirements. She said the proposal was set aside due to other priorities at the time. However, with the rewrite of the OFRS taking place, it would allow the Working Group the opportunity to take up this task as one of its priorities. The Working Group discussed and agreed with the proposal. Commissioner Navarro said he and the Working Group chair would work with NAIC staff to pursue this proposal.

3. Received an Update from the Antifraud Education Enhancement (D) Working Group

Ms. Rafeld said, in 2009, the NAIC and the Task Force released a “Basic Fraud Investigations” course to assist state insurance regulators in training new fraud and enforcement employees. She said, since 2009, the course has been offered on a monthly basis, and individuals are able to earn 26 hours of continuing education (CE). In addition, the course is offered as part of the Professional in Insurance Regulation (PIR) designation of the NAIC’s Insurance Regulator Professional Designation Program. Ms. Rafeld said while the initial course content has been expanded over the years, certain content has become outdated. She said in order to bring the course up to the standard of the NAIC Education and Training Department, all of the training modules, presentations, handouts and exercises associated with the course were updated. The designation exam, which is a requirement of the PIR designation, was also updated. Ms. Rafeld said, in February 2019, the Education and Training Department released the updated course and 39 individuals have taken the course. She said the course has received a 4.6 out of 5 rating. She said the course is free to all state insurance department employees. Fraud directors are highly encouraged to enroll new investigative staff members in the course.

Ms. Rafeld said the Working Group also sponsors advance webinar training throughout the year. On Jan. 25, the Working Group hosted a “Fraud Investigator Safety Webinar for Industry.” She said the Working Group’s NAIC support staff will be working with the Education and Training Department to schedule webinars that will meet the training needs of state insurance regulators. During the 2019 Insurance Fraud Management Conference, a representative from General Motors (GM) gave a presentation on how GM can assist law enforcement and state fraud bureaus with investigations. The Working Group will contact GM for training assistance. Ms. Rafeld said a survey will be sent to state insurance regulators and interested parties to help assess training ideas and needs.

4. Heard Reports from Interested Parties

a. NICB

Alan Haskins (National Insurance Crime Bureau—NICB) said there are specific areas the NICB has been focusing on since the beginning of 2019. He said the NICB is in the middle of a legislative session. Most states and the NICB are looking to provide additional resources for prosecutors and fraud directors. He said the NICB is working on towing and storage legislation for the states and is using the National Council of Insurance Legislators’ (NCOIL) model adopted in 2018 to assist with this movement. He said the NICB is also monitoring disaster response activities involving the solicitation of roofing contractors and auto glass claims. He said other areas include vehicle crime and vehicle theft.

b. CAIF

Matthew J. Smith (Coalition Against Insurance Fraud—CAIF) said the CAIF recently released its biennial study, *The State of Insurance Fraud Technology*, which is a 30-page document providing information about the use of technology in fraud identification. He said since the last study was published, 75% of its members reported an increase in fraud overall. He said 41% of its members said their budget will increase within the next few years and, lastly, there has been a 200% increase in the use of technology to detect cyber fraud. He said the CAIF has been tracking 149 different pieces of legislation, with 15 new laws already adopted. He said the CAIF has been monitoring proposed changes in California, and it has concerns regarding the outsourcing of special investigation unit functions that affect the depth of investigations. He said, in 2019, the CAIF will also be reviewing its Model Insurance Fraud Act for necessary updates. He said the CAIF Midyear Membership Meeting will be held in June.

Having no further business, the Antifraud (D) Task Force adjourned.

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