

## Draft Pending Adoption

Draft: 8/25/23

Antifraud (D) Task Force  
Seattle, Washington  
August 14, 2023

The Antifraud (D) Task Force met in Seattle, WA, Aug. 14, 2023. The following Task Force members participated: Trinidad Navarro, Chair (DE); John F. King, Vice Chair (GA); Lori K. Wing-Heier represented by Kayla Erickson (AK); Mark Fowler represented by Jimmy Gunn (AL); Alan McClain represented by Russ Galbraith (AR); Barbara D. Richardson represented by Maria Ailor (AZ); Ricardo Lara represented by George Mueller (CA); Andrew N. Mais represented by Kurt Swan (CT); Doug Ommen represented by Andria Seip (IA); Dean L. Cameron represented by Randy Pipal (ID); Sharon P. Clark represented by Rob Roberts (KY); Kathleen A. Birrane represented by Joe Smith (MD); Anita G. Fox represented by Joseph Garcia and Michele Riddering (MI); Grace Arnold represented by Tony Ofstead (MN); Chlora Lindley-Myers represented by Carrie Couch and Marjorie Thompson (MO); Mike Chaney represented by Vanessa Miller (MS); Troy Downing represented by Ted Bidon (MT); Mike Causey represented by Angela Hatchell (NC); Jon Godfread represented by Colton Schulz (ND); Eric Dunning represented Martin Swanson (NE); Alice T. Kane represented by Leatrice Geckler and Roberta Baca (NM); Judith L. French represented by Laura Miller (OH); Glen Mulready represented by Brian Downs (OK); Andrew R. Stolfi represented by Dorothy Bean and Stephanie Noren (OR); Michael Wise represented by Joshua Underwood (SC); Jon Pike represented by Armand Glick (UT); Scott A. White represented by Juan A. Rodriguez Jr. and Richard Tozer (VA); and Kevin Gaffney represented by Mary Block (VT).

### 1. Adopted its Spring National Meeting Minutes

Commissioner King made a motion, seconded by Mueller, to adopt the Task Force's March 23 minutes (*see NAIC Proceedings – Spring 2023, Antifraud (D) Task Force*). The motion passed unanimously.

### 2. Discussed its 2023 Charges

Commissioner Navarro said it is that time of year when the Task Force will be reviewing its charges for 2024. He said NAIC staff will distribute the Task Force's 2023 charges for review and suggestions with a deadline of Sept. 22. He said the Task Force will meet in October to review the suggested revisions and potentially adopt its 2024 charges.

### 3. Heard a Presentation on Workers' Compensation Premium Fraud

Matthew Capece (United Brotherhood of Carpenters and Joiners of America—UBC) provided a presentation concerning the construction industry's fraud schemes. He said construction employees who are not cheating the system on their premiums are punished in the marketplace, while crooked contractors take over the market. He said involvement from state insurance departments is important to entertain further discussions to assist with putting practices into place that protect the market. He said there are billions of dollars worth of premium fraud taking place in the construction industry, with a study showing that in 2021, there were \$5 billion lost in premium fraud. He provided simple and complex labor broker fraud schemes that use the current system to profit. He said these bad actors include insurance brokers, attorneys, accountants, and money service businesses. He said the laws broken by these fraudulent actions include tax fraud, wage theft, child labor, money laundering, mail and wire fraud, labor trafficking, racketeering, and conspiracy. The Task Force discussed the presentation and agreed that further discussions would need to take place within open- and closed-door settings.

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### 4. Received a Report from the Improper Marketing of Health Insurance (D) Working Group

Greg Welker (NAIC) said the Working Group met July 27. He said prior to the meeting, the Working Group had been working on its charge to “Review existing NAIC Models and Guidelines that address the use of lead generators for sales of health insurance products, and identify models and guidelines that need to be updated or developed to address current marketplace activities.” He said following the Spring National Meeting, a group of subject matter experts (SMEs) met to discuss and finalize draft amendments. Prior to the July 27 meeting, the Working Group distributed the revised draft for comments. Welker said during the July 27 meeting, the Working Group discussed comments received. The Working Group agreed on suggested revisions and updated the draft amendments. Welker said a new draft was distributed for review and comments following the July 27 meeting and before the Summer National Meeting. He said the Working Group will meet at the Summer National Meeting to discuss comments received and finalize the revisions. The Task Force adopted the report. (Attachment XX)

### 5. Heard an Update from the Antifraud Technology (D) Working Group

Glick said the Working Group has not met, but he has continued to work with NAIC staff concerning the Online Fraud Reporting System (OFRS) redesign efforts. He said the redesign is completed; however, the NAIC is internally working to update the web services used to electronically transfer data to the states using that service. He said the Working Group will be meeting to discuss the necessary enhancements that states would like the OFRS to contain to assist with the referrals system.

### 6. Heard a Presentation from the CAIF

Matthew J. Smith (Coalition Against Insurance Fraud—CAIF) said the focus of this presentation is to bring awareness to the psychology of insurance fraud. He said a study was completed by surveying 1,500 U.S. consumers with 29 questions regarding how they perceive insurance fraud. He said the results showed that more than 53 million Americans do not view insurance fraud as a crime. He said compared to tax fraud or stealing, the results show that depending on age, the perception of insurance fraud may be considered a business practice and not a real crime. He said the older the generation, the more severe insurance fraud is considered a crime. The study showed that younger generations do not feel they are directly affected by insurance fraud that is committed by others across the U.S. Smith said the study asked questions on what type of insurance fraud individuals would be willing to commit, including auto claims, homeowners, workers’ compensation, and medical services. He said it is a routine moral failure that the millennial generation does not perceive theft the same as others. He said due to the advancement in technology, the lines of ownership and the concept of whether theft is bad have blurred. He said the CAIF’s research showed that 35.8 million Americans admit to lying in order to get lower auto insurance rates, which is a 204.8% increase in only two years. He said when viewing the generations—Generation Z, millennials, Generation X, baby boomers, and Silent Generation—the acceptance of lying is much lower with older generations. He said Generation Z and millennials are the most sought-after policyholders given their age. The Working Group discussed and agreed to have further discussions with the CAIF concerning its study.

### 7. Heard Reports from Interested Parties

#### A. CAIF

Smith said the CAIF is celebrating its 30th anniversary this year. He said the CAIF is working on its next study, “Keys to Unlocking SIU Success.” He said this study will be for industry only to assist insurers so they have adequate resources and employees. He said this will be delivered in December. He said the Global Insurance Fraud Summit will take place in October in Edinburgh, Scotland, and there will be two open spots on the agenda for the NAIC to participate in a panel and provide an update on the movement within the NAIC and the Task Force. He said during the Global Insurance Fraud Summit, the CAIF will be continuing its work with others to create a standard definition

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of insurance fraud, as there is not a standard definition. He said the CAIF, and the International Association of Special Investigation Units (IASIU) have adopted the current working definition. Lastly, he said the CAIF's Annual Meeting will take place Dec. 7–8 in Washington, DC.

### B. NICB

Rich DiZinno (National Insurance Crime Bureau—NICB) said there are three topics he would like to focus on for his update. He said the goal for the NICB is not just to provide fraud directors with more data in terms of fraud reporting, but to provide more effective data to help better tailor information that can be used to advance their investigations and prosecutions. He said as the Antifraud Technology (D) Working Group continues to determine what technological improvements are needed, the NICB and the NAIC will continue to work together to ensure we build on those moving forward. He said he met in Kansas City, MO, with Welker and NAIC staff to discuss some of the issues on both sides. He said the meeting was a good foundation, and the NICB walked away with a better understanding of both sides so it can achieve meeting the desirables that fraud directors need.

DiZinno said the next issue he wants to highlight is the significant development in Wisconsin. He said this past legislative session, the NICB worked with industry partners and the Wisconsin Department of Insurance (DOI) to help create a new fraud investigator statute. He said the NICB applauds the work completed by industry and the Wisconsin DOI. The NICB will continue to work with Wisconsin to build out the fraud unit.

DiZinno said the NICB National Conference of Insurance Crime Attorneys (NCICA) is coming up Oct. 18–19, taking place in Schomburg, IL. He said the basic idea is to discuss more effective means to facilitate the investigation and prosecution of insurance crimes and fraud.

### 8. Discussed Other Matters

Welker said the NAIC Insurance Summit will take place Sept. 11–14. He said the Insurance Summit will cover a wide range of insurance topics, including antifraud, market regulation, finance, producer licensing, and communication. He said for the past few years, there has been a separate antifraud track. He said this year, which will continue, with six sessions Sept. 13 and 14. He said the Insurance Summit information can be found on the NAIC's web page.

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

[AFTF 8.14.23 Minutes.docx](#)