**CENTER FOR ECONOMIC JUSTICE – COMMENT 3.12.20**

Below please find the two additions to Section 4B I mentioned on today's call and a third proposed addition related to oversight of third party vendors.

Section 4B Prevention, Detection and Investigation of Fraud

6. A description of procedures for assessing accuracy, completeness and bias in third party data used for prevention, detection and investigation.

7. A description of procedures used to identify and minimize bias in algorithms used for prevention, detection and investigation.

8. A description of the insurer’s procedures for oversight of third party vendors involved in prevention, detection and investigation, including data security practices of the third party.

Rationale:

Since the guideline was originally developed, insurers' antifraud programs have utilized and relied to a far greater degree upon third party data sets and third party vendor algorithms.  Many or most of these data sets and algorithms are not subject to the protections and oversight provided by the federal Fair Credit Reporting Act or state laws.  Issues of third party data accuracy, completeness and bias have been a central theme of a variety of NAIC work streams dealing with big data, predictive modeling and artificial intelligence.  It is both reasonable and necessary for insurers to be aware of these issues and to have procedures in place to assess these issues.  Adding items 6 and 7 above accomplishes both of these purposes -- raising awareness and requiring procedures.

Proposed item 8 addresses insurers' growing use of third party vendors for a variety of antifraud purposes and identifies one particular issue -- data security -- consistent with the NAIC's emphasis on cybersecurity and the recently-adopted Insurance Data Security Model Act.

Thanks for your consideration,

Birny Birnbaum

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