

The Anti-fraud Plan Guide that follows is principally intended to benefit those property and casualty insurers who must file Pennsylvania anti-fraud plans with the Department. Separately, a Model Pennsylvania Anti-fraud Plan is provided. These guidelines are a compilation of anti-fraud Best Practices as suggested by the Insurance Industry to the Pennsylvania Insurance Fraud Prevention Authority (IFPA) and the Pennsylvania Insurance Department, and are intended as a resource for insurers.

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1. Introduction

This section of the plan reflects the company or group commitment to combating insurance fraud, identifies the company or companies that operate under the plan, and provides for oversight of the company or group's fraud control program. Questions plan writers may ask themselves:

- Does the plan reflect corporate commitment to combating fraudulent insurance acts, including internal and external fraud?
- Does the plan identify or attach a listing of the Pennsylvania licensed company or companies that will operate under the plan and show NAIC Group and Company numbers?
- Does the company or group use a manager or a committee to manage fraud control?
- Does the plan say who this manager is, or identify committee members?
- Does the plan describe how this manager or committee will periodically evaluate and recommend anti-fraud controls to senior management?

2. Organization

This section of the plan provides the department an understanding of how the company or group does business in Pennsylvania, and provides points-of-contact for questions as to the plan's procedures. Plan writers may consider:

- Attaching organizational charts.
- Describing the lines of insurance, market share, and agent distribution systems for Pennsylvania.
- Relating the location of offices for underwriting and claims which support Pennsylvania company or group business.
- Giving a point of contact for fraud control questions involving areas of the company or group.
For example:
 - Personnel
 - Agency and Marketing
 - Policyholder Services
 - Premium, commission and benefit payment accounting.
 - Underwriting
 - Claims
 - Provider/Vendor Relations
 - Corporate Compliance
 - Corporate Security
 - Internal Audit
 - Fraud/Special Investigation
 - Legal

3. Insurance Fraud Awareness Education

This section of the plan exhibits how the company or group intends to create fraud awareness and use training to advance the prevention, detection and investigation of fraud.

- Does the plan show corporate commitment to anti-fraud training and education?
- Is there a specific budget established for anti-fraud training and education?
- Who has responsibility for translating this commitment into action?
- Is the training guided by results from the company or group anti-fraud control program?
- Does the plan include a description of policies and procedures to ensure that any person who is employed or being considered for employment has not been convicted of any criminal felony involving dishonesty, breach of trust or violation of the Insurance Act, as per 18 U.S.C. 1033(e)(1)(b)?

3.1. Initial Insurance Fraud Awareness

- Does the plan provide that all officers, employees and insurance producers for Pennsylvania business are informed of the requirements of this plan upon hire or affiliation with the company or group?
- Are corporate officers responsible for business in Pennsylvania provided a presentation of anti-fraud program objectives and given an opportunity for comment?
- Does the plan establish a number of hours of initial fraud awareness training for all officers, employees and insurance producers?
- Does the plan describe the training sources or media available for this initial training?

3.2. Continuing Insurance Fraud Awareness and Education

- Does the plan provide for continuing fraud awareness training and anti-fraud education?
- Does the plan provide for skills-oriented continuing education relating to fraud detection for agents, underwriters, adjusters and claim handlers?
- Is there a training focus on preventing insurance fraud and limiting opportunistic fraud, through attention to insurance applications, risk inspections and audits, and quality claim practices?
- Does the plan provide for skills-oriented continuing education in fraud investigation and reporting for fraud investigation specialists?
- Are the training sources and media for continuing anti-fraud education described in the plan?

3.3. Public Insurance Fraud Awareness

- Does the plan describe how the company or group will participate in the public awareness efforts of Pennsylvania, or of other agencies?
- Is public insurance fraud awareness shown as created through:
 - The company or group Internet and Intranet web pages?
 - Newsletter and magazines?
 - Advertising and news releases?
 - Insurance fraud warnings on applications and claim forms?
 - Policy correspondence?

3.4. Internal Fraud Control and Compliance

(The Violent Crime Control and Law Enforcement Act of 1994)

- Does the Company conduct background checks of all employees permitted to conduct the business of insurance?
- Does the Company require criminal history disclosure from both current and prospective employees asking if they have ever been convicted of a crime as per 18 U.S.C. Section 1033, or a state or federal felony?
 - For new hires, the question can become part of a standard employment application.
 - For existing employees, a reminder of 40 P.S. § 310.78 (criminal conduct reporting) with a request for disclosure may be sent.
- If the Company makes a determination that an individual has been convicted of a crime under 18 U.S.C. Section 1033 or a criminal felony involving dishonesty or breach of trust, and that individual wants to engage or is engaged in the business of insurance, that individual must refrain from conducting any insurance related activities until such time as he or she has obtained the requisite written consent from the Pennsylvania insurance commissioner.

4. Detection

This section of the plan explains how the company or group will accomplish fraud detection, provides guidelines for detection, provides for the evaluation of the effectiveness of detection efforts, and assigns overall responsibility for the fraud detection component of the company or group's anti-fraud plan.

- Does the plan designate an individual within each business area as having responsibility for fraud detection in that unit?

- Does the plan inform all officers, employees and producers of their obligation to detect fraudulent insurance acts?
- Have "fraud indicators" for each business area of the company or group been described within or attached to the plan, to include fraud indicators for agents and employees involved with:
 - Agency and Marketing
 - Premium handling
 - Underwriting
 - Policyholder Services
 - Consumer Services
 - Claims
 - Compliance
 - Fraud Investigation
 - Vendor / Provider Relations
 - Contracting
- Does the plan provide detailed procedures for fraud detection?
- Does the plan provide "broad" procedures and reference other documents as the source of detailed fraud detection procedures?
- Does the plan identify the "information database or databases" that the company or group will subscribe to and use for reporting, accessing and sharing of insurance information? The ISO ClaimSearch database contains information from the former American Insurance Services Group (AISG), the former Property Insurance Loss Register (PILR), and Index System (BI/bodily-injury claims), as well as the vehicle information databases formerly administered by the National Insurance Crime Bureau. Currently, all these databases are part of a single database that enables a search of all insurance lines of business and all types of insurance claims simultaneously.
- Does the plan discuss procedures for detection of patterned or organized fraudulent insurance acts?
- Does the plan describe how and to whom the detected fraudulent insurance acts should be reported within the company or group?
- Does the plan mandate the involvement of the company or group fraud investigation specialists or vendors under certain circumstances?
- Does the plan provide for continuing insurance fraud detection education?
- Does the plan describe an audit or review process to identify "missed" insurance fraud detection opportunities?
- Is there a provision in the plan for at least one annual evaluation and report on insurance fraud detection effectiveness to the manager or committee managing the insurance fraud control program?

5. Investigation

This section of the plan explains how the company or group will accomplish insurance fraud investigation. It provides the rationale for the decision to use either internal or external fraud investigation resources and adopts standards of investigation. The section will describe how an insurance fraud investigation will be assigned and evaluated, and identify overall responsibility for fraud investigation.

- Does the plan assign oversight responsibility for the investigative component of the anti-fraud program?
- If the company or group employs fraud investigation specialists for its investigation of suspected fraudulent insurance acts, does the plan also offer staffing and budgeting for these investigation specialists?
- Are fraud investigation unit budgets separate from those of other business areas of the company or group?
- If the company or group does not employ fraud investigation specialists, does the plan explain how insurance fraud investigation needs will be met?
- Does the plan provide the rationale for the company or group decision to contract its needs for insurance fraud investigation specialists?
- If the company or group contracts insurance fraud investigation specialists, is a copy of that contract provided in the plan?

- Does the plan provide budgeting calculations or contract cost for the hiring of insurance fraud investigation services?
- Are education and experience requirements for employees or insurance fraud investigation services identified in the plan?
- Does the plan provide for continuing fraud investigation education for fraud investigation specialists?
- Are fraud investigation specialists required to dedicate a minimum number of hours annually to providing fraud awareness education to employees of the company or group; to customers; and to law enforcement?
- Does the plan provide a company or group organizational chart and listing of fraud investigation specialists with their region of responsibility?
- Does the plan require broad investigative procedures?
- Has the company or group developed an insurance fraud investigation manual?
- Does the plan make reference to written documents where detailed investigative procedures may be found?
- Does the plan provide information of the utilization of any investigative case management system?
- Does the plan describe an initial review process for matters reported to company or group fraud investigation specialists?
- Do plan procedures allow fraud investigation specialists to provide consultation or guidance services on questioned transactions in lieu of full investigation?
- Does the plan identify and provide procedures for use of databases for reporting, sharing and accessing of insurance fraud-related information?
- Does the plan provide procedures for fraud investigation specialists to keep the company or group apprised of investigation progress and results?
- Does the plan require that a fraud investigation written report include findings and recommendations?
- Does the plan include final claim payment disposition procedures?
- Does the plan outline a quality assurance process for the company or group fraud control program?
- Is there a plan provision for an annual evaluation of insurance fraud investigation effectiveness?

6. Reporting Insurance Fraud to Law Enforcement for Criminal Prosecution

This section states the company commitment to cooperating with all interested parties in the prosecution of fraudulent insurance acts. The plan should fix responsibility and outline procedures for the sharing of insurance fraud related information and reporting of suspected fraudulent insurance acts to law enforcement.

- Does the plan assign overall responsibility for managing the reporting of suspected insurance fraud to law enforcement?
- Does the plan provide procedures for the referral of suspected fraudulent insurance acts to law enforcement?
- Does the plan cover the Pennsylvania requirement for policyholder notification when insurance fraud is reported to a criminal law enforcement agency as per 75 Pa. C.S. § 1795?
- Does the plan address how investigators will identify or obtain evidence to prove alleged criminal fraudulent insurance acts?
- Does the plan provide:
 - a copy of relevant Federal and Pennsylvania insurance fraud statutes
 - a copy of the Pennsylvania statute providing for immunity in the reporting of suspected insurance fraud to law enforcement
 - a copy of the “fraud warning notice” required on applications and claim forms (and for Pennsylvania the fraud warning notice required on motor vehicle insurance renewals)
 - a copy of the “insurance fraud reporting form,” and instructions for completing the reporting form?
- Does the plan provide for the reporting of fraud-related information to industry database systems? (Note: Pennsylvania does not have a central fraud database. For P&C insurers ISO offers an all claims database system that consists of a questionable claims database formerly owned by the NICB and a bodily injury index and property insurance loss register system formerly owned by AISG.) The ISO ClaimSearch database contains information from the former American Insurance Services Group (AISG), the former

Property Insurance Loss Register (PILR), and Index System (BI/bodily-injury claims), as well as the vehicle information databases formerly administered by the National Insurance Crime Bureau. Currently, all these claims are part of a single database that enables a search of all lines of business and all types of claims simultaneously.

- Does the plan designate a contact person or persons responsible for coordinating and responding to requests from law enforcement for evidence, interviews and testimony?
- Does the plan provide procedures for cooperating with requests from law enforcement for information during their criminal investigation and prosecution of suspected insurance fraud?
- Does the plan describe a quality assurance process for the reporting of suspected insurance fraud to law enforcement?
- Does the plan provide a provision for an annual evaluation of company or group reporting of suspected insurance fraud to law enforcement?

7. Cost Exclusion

This section of the plan should outline the company or group definition and procedure for excluding from motor vehicle insurance rate bases any costs incurred by the payment of fraudulent claims.

- Does the plan assign responsibility for ensuring that the cost incurred from motor vehicle insurance fraud is not passed on to insurance consumers?
- Does the plan identify when the company or group will conclude that insurance fraud is present? (i.e. ...when a criminal conviction for or admission of insurance fraud becomes known to the insurer)
- Does the plan identify how the company or group will determine the dollar amount of a cost incurred from insurance fraud? (i.e. ...the “paid claim cost” of claims found to be fraudulent)
- Does the plan contain procedures for removing the cost incurred from insurance fraud from the company or group motor vehicle insurance rate bases?
- If the company or group submits loss data to and uses the rates developed by a rating organization – does the plan say how the company will remove the cost incurred from insurance fraud from the loss data submitted to the rating organization?
- Does the plan provide a review process for the cost exclusion procedure?
- Does the plan provide a procedure to identify the annual amount of cost exclusion?

8. Recovery

This section of the plan states the company or group commitment to and procedures for pursuing the recovery of fraud related losses from the perpetrators of fraudulent insurance acts. Responsibility is assigned to an individual for determining the annual amount of insurance fraud recovery related to insurance fraud.

- Does the plan reflect the company or group commitment to seek recovery of insurance fraud related losses?
- Does the plan designate responsibility to an individual for insurance fraud recovery under the anti-fraud program?
- Does the plan reflect procedures for recovery through criminal prosecutions?
- Does the plan reflect procedures for recovery through civil actions?
- Does the plan provide a quality assurance process for evaluation of the fraud control program?
- Does the plan require annual reporting of insurance fraud recovery to the anti-fraud manager or committee?

9. Anti-Fraud Measurement

This section of the plan provides procedures for benchmarking and performance measurement of the anti-fraud program. The plan will assign the responsibility for anti-fraud measurement by business area and provide for an annual reporting to the Anti-fraud Program Manager or Committee for evaluation of the fraud control program.

- Does the plan assign responsibility for measurement of the company or group anti-fraud efforts?
- Does the plan say how the company or group will benchmark and measure anti-fraud effort?
- Does the plan have procedures for the company or group regarding the annual filing of the Pennsylvania Anti-Fraud Plan Activity Report to the Pennsylvania Insurance Department?
- Does the plan have procedures for the company or group for responding to requests of the Pennsylvania Insurance Department?
- Does the plan require a process for the annual evaluation of anti-fraud program measurement?

10. Recommended Appendices to the Plan

- A. Key Personnel Listing**
- B. Member Company Listing**
- C. Insurance Fraud Indicator Listing(s)**
- D. Insurance Fraud Committee Membership**
- E. Insurance Fraud Investigation Specialist Experience & Educational Requirements**
- F. Insurance Fraud Awareness Education Course Descriptions**
- G. List of Manuals or Documents having Detailed Insurance Fraud Control Procedures**
- H. Organizational Charts for Pennsylvania or Offices supporting Pennsylvania**