Testimony of

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State of Oklahoma

On Behalf of the National Association of Insurance

Commissioners

Before the

Subcommittee on Consumer Protection, Product Safety,

Insurance, and Data Security

Committee on Commerce, Science, and Transportation

**United States Senate** 

Regarding:

Insurance Fraud in America:

**Current Issues Facing Industry and Consumers** 

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## **Introduction**

Chairman Moran, Ranking Member Blumenthal, and members of the Subcommittee, thank you for the invitation to testify today. My name is John Doak. I am the elected Insurance Commissioner for the state of Oklahoma cpf" K" rtgugpv" vqfc {øu" vguvk o qp{" qp" dgj cnh" qh" vjg" National Association of Insurance Commissioners (NAIC). K"ugtxg"cu" vjg" Ejckt" qh" vjg" PCKEøu Antifraud Task Force as well as its Property and Casualty Committee. On behalf of my fellow state insurance regulators, I appreciate the opportunity to provide an overview of our efforts to detect, investigate, and prevent insurance fraud.

Insurance is an essential part of the financial services sector, a fundamental pillar of our economy and vital for the well-

fines. State fraud bureaus initiate independent inquiries and conduct investigations on suspected fraudulent insurance acts. They also review reports or complaints of alleged fraudulent insurance activities from federal, state and local law enforcement and regulatory agencies, persons engaged in the business of insurance, and the public to determine whether the reports require further investigation and to conduct these investigations. State fraud bureaus regularly conduct independent examinations of alleged fraudulent insurance acts and undertake studies to determine the extent of these acts. States can also ceeguu" vjg" PCKEøu" Tgiwncvqt {"Kphqtocvkqp" Retrieval System (RIRS), which contains all final adjudicated actions taken and submitted by state insurance departments. This information typically includes administrative complaints, cease and desist orders, settlement agreements and consent orders, and license suspensions or revocations. Since 2007, there have been more than 96,000 adjudicated actions submitted by the states into RIRS. States can receive alerts through this system.

State insurance regulators work with insurers and their special investigation units (SIUs) to address suspected fraud. The SIUs are divisions within insurers to investigate insurance fraud and usually consist of former law enforcement or claims employees turned investigators. Insurers@"UKWu" o wuv" eq o rn{" ykvj" vjg" NAIC Insurance Fraud Prevention Model Act (#680) or similar state fraud prevention statutes. This model act creates a framework to help state insurance regulators identify, investigate, and prevent insurance fraud and provides guidance on how to assist and receive assistance from other state, local and federal law enforcement and regulatory agencies in enforcing laws prohibiting fraudulent insurance acts. Further, the NAIC Antifraud Plan Guideline (#1690) establishes standards for SIUs regarding the preparation of an antifraud plan to meet state insurance department requirements. By conducting an audit or inspection, or d{"tgxkgykpi"cp"kpuwtgt@u"cptifraud plan in conjunction with a market conduct examina

In addition, the Task Force is undertaking an initiative to evaluate sources of antifraud data and propose methods for improving the exchange of information among insurance regulators, law enforcement officials, insurers SIUs, and other antifraud organizations. The Task Force is developing uniform insurance fraud referral requirements for insurers to submit suspected insurance fraud data to state insurance departments. We are collecting information from the states in order to develop these requirements. Task Force members also continue to develop new and update existing seminars, trainings and webinars for regulators regarding insurance fraud and relevant trends, and efforts to combat fraud.

The NAIC and state insurance regulators also play an important role in educating consumers. The NAIC has a robust communications effort in place through its consumer alerts and Insure U public education program to assist consumers with navigating the complexities of insurance. The NAIC website provides tools to help consumers avoid being scammed. Vjg"PCKEøu"õHkijv"Hcmg" Kpuwtcpegö" rtqitco was developed to protect consumers from insurance fraud by encouraging them to õStop, Call, Confirmö that the individual insurance agent and company are properly licensed by their state insurance department before buying coverage. In my home state of Oklahoma, my department leads a series of Senior Fraud Conferences throughout the year focused on educating and protecting seniors regarding Medicare fraud and other types of financial fraud. In 2017, we held seven conferences with approximately 500 attendees statewide.

## **Coordination with Federal Government and International Partners**

In addition to our work with insurance consumers within our own states, state insurance regulators collaborate

## **Current Insurance Fraud Trends**

Through our interactions with our state and federal regulatory and law enforcement counterparts, we are seeing some disturbing insurance fraud trends, including:

<u>Contractor/adjuster fraud following natural disasters</u>: State insurance departments have seen a number of instances of contractor and adjuster fraud recently that have occurred immediately after floods, tornados, and other natural disasters. Contractors or insurance adjusters have required

These examples are a few of the recent trends