

New Jersey Anti-Fraud Prevention and Detection Plan Protocol

GROUP NAME NAIC #999

MEMBER COMPANIES:

MEMBER COMPANY 1 NAIC #99999
MEMBER COMPANY 2 NAIC #99999
MEMBER COMPANY 3 NAIC #99999
MEMBER COMPANY 4 NAIC #99999
MEMBER COMPANY 5 NAIC #99999

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I. Introduction

A. Company Profile

The company profile should address the type of company, lines of business pursued in New Jersey, business organization in New Jersey; underwriting, claim handling and SIU, where headquartered. The company profile is used by the Department to determine which rules are not appropriate for this plan, i.e. comprehensive health insurance training requirements are not appropriate for a company providing vision only benefits.

The profile can provide (but is not necessary) a brief history of the company.

Topics like where the company typically handles claims and policy administration.

The number of Inforce automobile policies or number of lives insured under a health insurance contract the previous calendar year.

Number of claims handled the previous calendar year.

The number of Special Investigation Unit personnel.

Etcetera.

II. Special Investigation Unit

The Special Investigations Unit (SIU) is a separate department from the Claims Department and consists of one part-time SIU Investigator. Outside licensed private investigation firms provide investigation services if needed.

A. The Special Investigation Unit is responsible for the following:

1. Conducting investigations of claims referred by the claim personnel or applications referred by underwriting personnel whenever the adjuster, processor, or underwriter identifies specific facts and circumstances which, upon further SIU investigation, may lead to a reasonable conclusion that a violation of N.J.S.A. 17:33A-4 has occurred;
2. Providing liaison with OIFP, other law enforcement personnel and the MCEAFC;
3. Providing in-service training to claims personnel, underwriting personnel, and adjusters in accordance with the provisions of N.J.A.C. 11:16-6.5;
4. Maintaining a database of fraudulent claims and application fraud which shall contain, at a minimum, the names, addresses and other identifying information regarding all parties to the investigation referred to in (b)1 above;
5. Informing insurance underwriters of ineligible risks by reason of prior fraudulent activities from the database in (b)4 above;
6. Identifying persons and organizations that are involved in suspicious claim activity and application fraud, as described in (b)1 above;
7. Referring matters to OIFP in accordance with N.J.A.C. 11:16-6.6(b) and 6.7 and providing notice of suspicious claims in accordance with N.J.A.C. 11:6-6.6(c); and
8. Ensuring that all evidence on matters referred to the SIU including, but not limited to:
 - checks issued in payment of claims,
 - taped statements,
 - original receipts,
 - original documents submitted by a person or entity in support of or in opposition to a claim applicant,

are identified,
collected and
preserved

In order to be turned over to OIFP at the request of OIFP in connection with the referral of cases to Office of the Insurance Fraud Prosecutor

B. Special Investigation Unit Composition

1. SIU investigators and SIU specialists shall be a separate unit from the claims or underwriting unit. The SIU is not responsible for any action in the claims process.

2. Automobile insurers shall employ at least one SIU investigator or SIU specialist (when permitted by N.J.A.C. 11:16-6.4(d)2) for each 30,000 New Jersey automobile policies serviced.

Comment [RWG1]: Automobile insurers incorporate - Health carriers disregard paragraph.

3. Health insurers offering comprehensive benefits contracts shall employ at least one SIU investigator or SIU specialist (when permitted by N.J.A.C. 11:16-6.4(d)2) for every 60,000 insured lives.

Comment [RWG2]: Automobile insurers disregard - Comprehensive health care insurers include paragraph - Limited benefit insurers disregard paragraph.

4. Health insurers offering limited benefits contracts shall employ at least one SIU investigator or SIU specialist (when permitted by N.J.A.C. 11:16-6.4(d)2) for every 250,000 insured lives. Limited benefits contracts shall include, but not be limited to, the following: accident only; credit; disability; long-term care; Medicare supplement; dental only; vision only; insurance issued as a supplement to liability insurance; and any other supplemental hospital indemnity benefits

Comment [RWG3]: Limited benefit insurers include this paragraph - Automobile and Comprehensive health insurers disregard.

C. Special Investigation Unit Qualifications

1. SIU investigators shall have at least one of the following:

- i. A Bachelor's degree;
- ii. An Associate's degree plus a minimum of two years experience with insurance related employment;
- iii. A minimum of four years of experience with insurance related employment; or
- iv. A minimum of five years of law enforcement experience.

2. SIU specialists who shall possess unique qualifications by way of training, technical skill, and/or experience to investigate and identify cases of fraud, may lack the specific educational requirements set forth in (d)1 above, to be SIU investigators may be used on a limited basis.

Comment [RWG4]: Provision to employ Specialists that fail to meet above qualifications. If not elected, SIU hires must meet above qualifications - or Approved Plan requires amendment to employ SIU Specialist.

D. Outside Vendors

If and / or when an outside vendor or third party administrator is employed, the outside vendor or third party administrator shall also be responsible, together with the insurer, for compliance with N.J.A.C. 11:16-6

Comment [RG5]: This section applies when the company contracts with an outside vendor and states in the protocol that the company as well as the outside vendor are equally responsible for compliance.

Where there is no contracted vendor, the protocol states that in the event an outside vendor is contracted, the outside vendor and the company are both responsible for compliance.

III. Anti-Fraud Prevention Plan

A. Automobile Insurers Underwriting Inquiry

Within 60 days of receipt of an application for automobile insurance the company executes and underwriting inquiry to verify that the insured satisfies the insurer's acceptance criteria and that the policy is properly rated. These underwriting inquiries

Comment [RG6]: Health insurers disregard this paragraph

shall verify the insured's residency provided by the insured on his or her application for insurance. These inquiries are generally done "in-house" by telephone and by using information from the New Jersey Motor Vehicle Commission (or similar agencies in other states) and prior insurers.

B. Referral of Applications and Claims

Suspicious applications or claims are referred to the Bureau and OIFP, for further investigation or other appropriate action. The referral is made either using electronic referral forms that may be established by the Commissioner and the Insurance Fraud Prosecutor, or using the applicable hard-copy Referral Form OIFP/BFD-1 for Automobile Claim Fraud, OIFP/BFD-2 for Automobile Application Fraud, OIFP/BFD-3 for Health Claim Fraud, and OIFP/BFD-4 for Health Application Fraud indicating "REFERRAL."

The referral shall include all information required by the electronic referral form or the hard-copy referral form, when the investigation complies with the requirements set forth in N.J.A.C. 11:16-6.7.

Applications and claims, which meet the standard for referral set forth in N.J.A.C. 11:16-6.7, shall be referred to OIFP by the SIU as soon as practicable, but in no case later than 30 days from when the investigation is complete.

Claims and applications meeting or exceeding \$ (some specific amount) or all claims and applications found suspicious are referred to the OIFP in accordance with the requirements of N.J.A.C. 11:16-6.7.

Comment [RG7]: Automobile insurers reference Referral Form OIFP/BFD-1 and Referral Form OIFP/BFD-2 - Disregard Referral Form OIFP/BFD-3 and Referral Form OIFP/BFD-4 -

Health insurers reference Referral Form OIFP/BFD-3 and Referral Form OIFP/BFD-4 Disregard Referral Form OIFP/BFD-1 and Referral Form OIFP/BFD-2

C. OIFP Notification

Claims and Applications found suspicious on the basis of fraud factors or indicators, but where sufficient evidence to support a case referral pursuant to N.J.A.C. 11:16-6.7 has not been developed are submitted to the Bureau and the OIFP using OIFP/BFD Form 1, for Automobile Claims, OIFP/BFD Form 2 for Automobile Applications, OIFP/BFD Form 3 for Health Claims, or OIFP/BFD Form 4 for Health Applications, indicating "NOTIFICATION"

Comment [RWG8]: Automobile insurers include OIFP/BFD Form 1 and OIFP/BFD Form 2 - DISREGARD OIFP/BFD Form 3 and OIFP/BFD Form 4

Health insurers include OIFP/BFD Form 3 and OIFP/BFD Form 4 - DISREGARD OIFP/BFD Form 1 and OIFP/BFD Form 2

D. Referring Personnel

Referrals and notifications of application and claims fraud to OIFP shall be made by personnel in the insurer's SIU. (In the event other personnel submit referrals of applications to the OIFP those personnel should be named in the plan and noting that records are kept of all referrals and notifications and the appropriate form is used)

Comment [RG9]: If all referrals are made by SIU delete parenthetical

E. Outside Vendors

Outside vendors currently contracted to provide any Special Investigation Unit responsibilities will be published in the protocol and include the third party administrator's name and address and a copy of the contract with the outside vendor attached to the plan.

Where no outside vendors are currently retained the following statement should be included in the Protocol:

In the event the company contracts with an outside vendor on an ongoing basis the outside vendor's name, address and a copy of the contract with that vendor will be amended to the approved Anti-fraud Prevention and Detection Plan.

IV. Referrals to the Bureau and the OIFP

A. Referral Standards

Upon completion of an investigation, as described in "D" below, the SIU will refer cases which meet the following standards:

1. Any application or claim where the facts and circumstances create a reasonable suspicion that a person or entity has violated N.J.S.A. 17:33A-4; and
2. There is sufficient independent evidence corroborating the reasonable suspicion described in (a)1 above, from which a person could reasonably conclude that the person or entity has violated N.J.S.A. 17:33A-4.

The SIU shall submit one copy of the appropriate referral form and one copy of any attachments to the address indicated on the form. It is understood that submission of one copy of the referral form and attachments shall constitute a referral to both the Bureau and OIFP.

B. Facts and Circumstances attached to Referral or Notification:

Facts and circumstances include but are not limited to, "fraud indicators" contained in an insurer's approved plan, and such other facts and circumstances as would lead a reasonable person to suspect that a violation of N.J.S.A. 17:33A-4 has occurred.

C. Independent Evidence

Independent evidence corroborating the reasonable suspicion that a person has violated N.J.S.A. 17:33A-4 includes, but is not limited to

1. A statement from a witness;
2. Documentary evidence that directly negates a material element of the claim or directly establishes the falsity of a material element of an insurance application;
3. A report of an expert; or
4. Additional apparent misrepresentations tending to negate a possibility that the misrepresentation was merely an error.

D. Investigation Complete

An investigation shall be considered complete for purposes of referral to the Bureau and OIFP when reasonable and appropriate investigative leads and opportunities have been exhausted. When an investigation has identified a pattern of possible violations of N.J.S.A. 17:33A-4, the investigation will be deemed complete for purposes of referral as a case to the Bureau and OIFP when one or more violations included in the identified pattern have been sufficiently investigated and corroborated, in accordance with (a) above for referral to the Bureau and OIFP.

V. Training Program

A. Requirements:

The company provides Anti-fraud education for SIU investigators, SIU specialists, claims adjusters, and underwriters that includes a detailed and comprehensive program of insurance fraud awareness and education to prepare claims adjusting and underwriting personnel for insurance fraud prevention and detection

Named insurance company's training program includes Basic Entry Level Training and Continuing Education Training for all adjusters, claims processors, underwriters, SIU investigators, and SIU specialists. The Continuing Education Training instructions format includes classroom instruction, self-guided instruction, videotape, seminar, computer based, or by any other means.

Training shall include, but not be limited to, the following areas as appropriate:

Comment [RG10]: Automobile insurers include - Health insurers disregard

- Automobile theft investigations,
- Automobile property damage and fire investigations,
- personal injury protection investigations,
- Bodily injury liability claim investigation,
- Statutory requirements for fraud referrals,
- Techniques for the identification of fraudulent applications for coverage,
- Insurance rate making practices,
- Tier rating plans used by the insurer,
- PIP medical expense benefits and medical treatment protocols and precertification plans,
- Current indicators of fraud

Training shall include, but not limited to, the following areas as appropriate:

Comment [RG11]: Health insurers include - Automobile insurers disregard

- Overcharging and overpayment detection,
- Claims processing guidelines,
- Medical coding,
- Duplicate bills,
- Excessive charges,
- Unnecessary services or supplies,
- Over-utilization,
- Services never rendered,
- Miscoded or misleading claim information,
- Hospital inpatient or outpatient billing abuse or inappropriate commitment or confinement,
- Abusive or fraudulent referrals,
- Statutory requirements dealing with fraud referrals,
- Techniques for the identification of fraudulent applications for coverage,
- The type, methods of service and operating procedures of various health insurers,
- Current indicators of fraud.

Basic Entry Level Training, which shall be no less than nine hours of classroom instruction for SIU personnel and no less than four and one-half hours of classroom instruction for non-SIU personnel.

Continuing Education Training shall be no less than nine hours of training per year for SIU personnel and no less than two hours per year for claims and underwriting personnel.

Basic Entry Level Training shall be given to all employees within 180 days from the commencement of their employment at each of these positions: underwriters, adjusters, claims processors, SIU investigators, or SIU specialists.

The no less than two hours of continuing education training provided to non-SIU personnel emphasizes the responsibility of all employees to identify and report indications of internal and external fraud to the proper authority.

VI. Update History

[illegible]