

**INSURANCE  
DEPARTMENT OF BANKING AND INSURANCE  
DIVISION OF INSURANCE**

**Fraud Prevention and Detection  
Fraud Prevention and Detection Plans  
Adopted Amendments: N.J.A.C. 11:16-6**

Proposed: January 18, 2005 at 37 N.J.R. 199(a)

Adopted: April 21, 2005 by Donald Bryan, Acting Commissioner, Department of Banking and Insurance

Filed: April 22, 2005 as R. 2005 d.159, **without change**.

Authority: N.J.S.A. 17:1-8.1, 15e, 17:23-8 et seq., 17:23-20 et seq., 17:33A-1 et seq. and 47:1A-5.

Effective Date: May 16, 2005

Expiration Date: January 31, 2006.

**Summary** of Public Comments and Agency Responses:

The Department received comments from the Insurance Council of New Jersey (ICNJ).

**COMMENT:** The commenter stated that Item (b) of Section II, Underwriting Data, in proposed Exhibit 1 (the annual report form to be used by auto insurers), requests insurers to provide the "Number of NJ Policies and Applications Processed During Calendar Year (includes New, renewal, endorsements, etc.)," while the form being replaced requested the "Number of NJ Policy Applications Processed for the Preceding Calendar Year." The commenter believes that including renewals and endorsements in the data to be reported will result in a significant increase in the applications processed figure. Every policy change in an endorsement (adding and

deleting a vehicle, an address change, correcting a mistake, adding a driver, etc.) is not currently broken down, but included in one total figure. With the new format, the percentage of the number of files referred to the Office of Insurance Fraud Prosecutor (OIFP) for investigation will appear much lower and may not present a true picture. Also, insurers would need to begin tracking the additional data. The commenter recommended that the Department restore the original language and reporting requirements.

**RESPONSE:** The Department disagrees with the commenter. Prior to the Department's proposal of these rule amendments, the Insurance Company Fraud Practices Advisory Board and insurers throughout the State agreed that endorsements could give rise to fraudulent conduct, and that they should be included in the annual report. The Department does not believe that requiring insurers to report this information will be unduly burdensome because insurers should already be tracking this data. Moreover, the Department is not requiring that the reporting of applications and endorsements be broken down by individual type and number, but rather only that the total combined number be included in the report.

**COMMENT:** The commenter does not believe it is necessary to break out in either the auto or health annual report forms proposed as Exhibits #1 and #1A respectively, the expenditures for salaries, direct expenses and other/indirect expenses at Item (a), Section III, Total SIU Expenditures. The commenter suggested that the data to be reported be limited to the total dollar amount spent on New Jersey claim and underwriting fraud detection and prevention activities.

**RESPONSE:** The Department disagrees with the commenter. The Department found large discrepancies among insurers in the amounts they reported were spent on claim and underwriting fraud detection and prevention activity. In order to make more accurate comparisons, it was determined that it is necessary for insurers to report more specifically how their fraud detection and prevention dollars are spent.

### **Federal Standards Statement**

A Federal standards analysis is not required because N.J.A.C. 11:16, including N.J.A.C. 11:16-6 Appendix, is not subject to any Federal requirements or standards.

**Full text** of the adoption follows:

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