The Antifraud (D) Task Force met via conference call Oct. 13, 2017. The following Task Force members participated:
John D. Doak, Chair; Jillian Froment, Vice Chair, represented by Michelle Rafeld (OH); Lori K. Wing-Heier represented by Alex Romero (AK); Allen W. Kerr represented by Paul Keller; Ralph T. Hudgens represented by Sherry Mowell (GA); James J. Donelon represented by Matthew Stewart (LA); Al Redmer Jr. represented by Victoria August (MD); Patrick M. McPharlin represented by Jean Boven (MI); Mike Rothman represented by Michael Marben (MN); Chlora Lindley-Myers represented by Carrie Couch (MO); Mike Chaney represented by John Hornback (MS); Bruce R. Ramge represented by Charles Starr (NE); Roger A. Sevigny represented by Brendan Harris (NH); Barbara D. Richardson (NV); John G. Franchini represented by Bobbie Baca (NM); Todd E. Kiser represented by Armand A. Glick (UT); and Jacqueline K. Cunningham represented by Mike Beavers (VA).

1. Discussed its 2018 Proposed Charges

Commissioner Doak said the purpose of this conference call is to review and consider adoption of the Task Force’s Aug. 6 minutes and 2018 proposed charges. Commissioner Doak said since there is no quorum, the Task Force would review the charges and discuss any comments. Then an e-vote request would be distributed through email to consider adoption of its Aug. 6 minutes and 2018 proposed charges.

Commissioner Doak said prior to the conference call, the 2018 proposed charges were distributed for review and comment. Commissioner Doak said the charges were updated to reflect the new NAIC process of providing more specific deadlines for each charge. Commissioner Doak said the Task Force Charges A–H will remain without changes as they enable the Task Force to take on a wide variety of areas in order to fight fraud effectively.

Commissioner Doak said the Task Force received a recommendation from the NAIC regarding the Task Force’s two Working Groups. The recommendation was to add deadlines for each of the Working Group’s charges. The Task Force discussed and agreed to recommendation.

Commissioner Doak said the Task Force received a comment from Birny Birnbaum (Center for Economic Justice—CEJ) suggesting a new charge be added stating: “Review antifraud algorithms for potential bias against particular groups of consumers and to ensure fair treatment of consumers. Coordinate with the Big Data (EX) Working Group.” Mr. Birnbaum said there is fast-growing use of big data algorithms to evaluate the likelihood of a claim being fraudulent, and the results of these algorithms are then used to guide claim settlement and antifraud investigations. The use of big data holds the promise of more sophisticated and refined identification of suspicious claims, but also has the potential to reflect and perpetuate historical biases against particular groups of consumers as a result of biased data used to develop the models or unintentional or unconscious bias by modelers. By accepting this charge, the Task Force can help ensure that the growing use of big data in the insurance antifraud space serves and promotes the public interest. The Task Force discussed and agreed to additional review and discussion of the suggestion submitted by Mr. Birnbaum in addition to the potential of adding a new charge concerning innovation and technology and how it affects fraud.

Commissioner Doak said the Task Force did not receive any suggestions regarding the current charges. Commissioner Doak said the Task Force can move forward with adopting the 2018 proposed charges as they are now, and the Task Force could hold a separate conference call to address the addition of a new charge. Commissioner Doak said if the Task Force can get the charges adopted, any amendments could be added at a later date once the Task Force has had an opportunity to review and discuss. Mr. Stewart made a motion, seconded by Ms. Mowell to adopt the charges “as is.” Commissioner Doak said with no quorum he would have NAIC staff distribute an email for an e-vote.

Commissioner Doak said the recommendation from the CEJ would be opened for comment. Commissioner Doak said next the Task Force would discuss the comments received and determine a charge that addresses innovation and technology and its effect on insurance fraud.

Having no further business, the Antifraud (D) Task Force adjourned.
ANTIFRAUD EDUCATION ENHANCEMENT (D) WORKING GROUP
August 10, 2017 – November 30, 2017

Summary Report

The Antifraud Education Enhancement (D) Working Group has not met since the Summer National Meeting. Between Aug. 10 and Nov. 30, the Working Group:

1. Worked with NAIC staff to sponsor a webinar on Sept. 27 titled “Social Media Considerations for State Insurance Investigators.” Representatives from Kemper Insurance and Insight Investigations discussed best practices in searching specific social media sites and touched on the various types of information that can be obtained from such sites.

2. Worked with NAIC staff to set up a webinar scheduled for Dec. 14 regarding investigator safety for private sector field employees. The webinar is being offered free of charge to industry participants as the Working Group believes it is critical that field staff be able to proactively identify, anticipate and determine how they will diffuse potential safety issues that may arise during a claim investigation. The webinar is a repeat of the webinar the Working Group sponsored in 2016, and representatives from Nationwide Insurance and the North Carolina Department of Insurance (DOI) will be serving as presenters.

3. Worked with NAIC staff concerning the proposed revisions to the NAIC’s “Basic Fraud Investigations” course, which was developed in 2009, and worked on redesigning the course by separating it into three tracks: 1) fraud investigators; 2) enforcement investigators; and 3) insurance department personnel who are not part of a fraud/enforcement department. The Working Group plans to meet via conference call in December to discuss the revisions.
First, we suggest deleting "to promote the public interest” in the second line of the opening paragraph because "serving the public interest" is mentioned ten words earlier

Second, we request adding the following the Charge 1:

I. Review anti-fraud algorithms for potential bias against particular groups of consumers and to ensure fair treatment of consumers. Coordinate with the Big Data Working Group.

Rationale: There is fast-growing use of big data algorithms to evaluate the likelihood of a claim being fraudulent and the results of these algorithms are then used to guide claim settlement and anti-fraud investigations. The use of big data holds the promise of more sophisticated and refined identification of suspicious claims, but also has the potential to reflect and perpetuate historical biases against particular groups of consumers as a result of biased data used to develop the models or unintentional or unconscious bias by modelers. By accepting this charge, the Anti-Fraud Task Force can help ensure that the growing use of Big Data in the insurance anti-fraud space serves and promotes the public interest.

Thank you for your consideration,

Birny Birnbaum

Center for Economic Justice
Re: Comments on the proposed addition to Charge 1 of the Antifraud (D) Task Force related to the issue of big data algorithms

Dear Commissioner Doak,

On behalf of the undersigned trade associations, we are writing to express our views to the National Association of Insurance Commissioners (NAIC) Antifraud (D) Task Force regarding the proposed addition to Charge 1 of the Antifraud Task Force requested by the Center for Economic Justice (CEJ). Specifically, the CEJ requests the following addition: “Review anti-fraud algorithms for potential bias against particular groups of consumers and to ensure fair treatment of consumers. Coordinate with the Big Data Working Group.” The undersigned trade associations strongly oppose the addition of this language to the Antifraud Task Force’s charges.

We oppose the addition of this language to Charge 1 of the Antifraud Task Force primarily because we believe the fundamental review of algorithms is within the scope of the charges of the NAIC Big Data (EX) Working Group. The Big Data Working Group was created in 2016 and given the authority to explore insurance regulatory issues involving use of Big Data including its use in claims practices that would entail anti-fraud activities, which benefit consumers. Since its creation, the Big Data Working Group has received a considerable level of attention from regulators. Its significance was highlighted this year when its reporting structure was changed so that it reports through the new Innovation and Technology (EX) Task Force to the NAIC Executive Committee. The Big Data Working Group recently adopted three 2018 charges aimed at providing state insurance regulators with the tools and information necessary to review complex models and algorithms used by insurers for underwriting, rating and claims. Therefore, adding the CEJ’s proposed language to Charge 1 of the Antifraud Task Force is redundant, presupposes a result before a Big Data Working Group review, and is wholly unnecessary. Further, we believe that the Big Data Working Group’s position, composition, and staffing makes it best positioned to handle this complex issue.

Thank you for your consideration of these comments, and please contact us if you have any questions.

Sincerely,

Organization | Name | Phone Number | E-mail Address
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America’s Health Insurance Plans | Martin Mitchell | 202-861-1476 | mmitchell@ahip.org
American Council of Life Insurers | Jigar Gandhi | 202-624-2019 | jigargandhi@acli.com
American Insurance Association | Lisa Brown | 202-828-7104 | lbrown@aiadc.org
National Association of Mutual Insurance Companies | Paul Tetrault | 978-969-1046 | ptetrault@namic.org
Property Casualty Insurers Association of America | Deirdre Manna | 847-271-9811 | Deirdre.manna@pciaa.org

CC: Jean Straight, Chair, NAIC Big Data Working Group