

Special Investigative Unit

Compliance vs Commitment



California

Department of Insurance

SIU Compliance Program: What We Do

- Conduct examination of insurers' SIU operations and evaluate the insurers' SIU operations for compliance/ effectiveness
- Analyze SIU Annual Reports filed by ~1200 primary and subsidiary insurers and complete desk audits
- Increase insurance fraud awareness by educating insurers on California SIU statutes and regulations
- Assist Fraud Division/County DAs when an insurer is not responsive to a investigative demand letter.

Authority and Focus

California Insurance Code §730

Reports are confidential but may be made public at the discretion of the Commissioner §735.5

Insurance Frauds Prevention Act (IFPA)

- Specifically - §1875.20 - 1875.24

California Code of Regulations, Title 10

- Specifically - §2698.30 - 2698.42

What is the SIU Examination Process?

SIU Examination Overview

- ❖ Preliminary Questions
- ❖ Engagement
- ❖ Preliminary Data Request
- ❖ Documentation Request
- ❖ On-site examination of claims/cases/files
- ❖ Draft Report of Examination/Response required
- ❖ Cause of Noncompliance Questionnaire
- ❖ Final Report of Examination
- ❖ Notice of Noncompliance
- ❖ Consent Order

SURVIVING THE SIU EXAMINATION

TIPS

Do NOT wait until you find out you are on our examination list to review your anti-fraud operations for compliance!

Do not hesitate to ask questions for clarification.

WHAT ARE WE REVIEWING?

1. Staffing and Operations

2. SIU Annual Report

3. Anti-fraud Training

4. Detection, Investigation and Referral of Suspected Insurance Fraud

STAFFING AND OPERATIONS

SIU Adequacy and Knowledge

- Do you have enough SIU personnel to thoroughly investigate suspected insurance fraud?
- Does your SIU have the knowledge to conduct thorough and effective investigations of suspected insurance fraud?

STAFFING AND OPERATIONS, cont...

Contracted Entities

CCR § 2698.30

(f) “Contracted entity” means any entity with which an insurer contracts to perform SIU or integral anti-fraud personnel duties or functions on behalf of the insurer. “Contracted entity”

INCLUDES:

- Subcontractors and sub-subcontractors contracted to perform SIU or integral anti-fraud personnel duties or functions on behalf of the insurer.

DOES NOT INCLUDE:

- The insurer's affiliates or subsidiaries
- Vendors

STAFFING AND OPERATIONS, cont....

- § 2698.34. Communication with the Fraud Division and Authorized Governmental Agencies.
- CA Ins Code 1877.3
- CA Ins Code 1874.2



Next Presentation: “Compliance – File Request Response Requirements (What do you do with the Unicorn?)”

SIU ANNUAL REPORT

Compliance requirements:

- Was the report filed on time?
- Was the report complete?
- Narratives vs. attachments
- Comparison of statistics and documents

ANTI-FRAUD TRAINING

SIU
Continuing
Training

The diagram consists of three overlapping circles arranged horizontally. The left circle is labeled 'SIU Continuing Training', the middle circle is labeled 'New Hire Training', and the right circle is labeled 'Annual Training'. The circles overlap in pairs and all three overlap in the center.

New Hire
Training

Annual
Training

ANTI-FRAUD TRAINING, cont...

Training Records

**Records are
required to be kept and
provided to the CDI upon request**

Detection, Investigation and Referral

SIU written procedures

Do they contain all required topics?

In the requirement for summaries – be sure the questions/statements required are listed

SIU investigation review

Was investigation opened for all valid red flags?

If an investigation was not opened, was it documented why?

Does the investigation contain all required investigative steps?

Has reasonable belief of insurance fraud been established?

Detection, Investigation and Referral, cont...

Investigative Steps: Compliance vs Commitment

§ 2698.36. Investigating Suspected Insurance Fraud

(a) “The SIU shall establish, maintain, distribute, and adhere to written procedures for the investigation of possible suspected insurance fraud. An investigation of possible suspected insurance fraud shall include: . . .”

- (1) Thorough analysis of claim file
- (2) Identify/interview potential witnesses
- (3) Database searches
- (4) Preservation of documents

Detection, Investigation and Referral, cont....

SIU Investigation Summaries



Was the summary complete? Does it contain all investigative steps taken?



Was the investigators final determination of suspected insurance fraud included?



Was the basis of the investigators final determination included?

If applicable, were the five (5) required questions answered and answered correctly?



Final statement included?

Detection, Investigation and Referral, cont...

SIU Investigations and Reasonable Belief

§ 2698.30 (M)

“Reasonable belief’ is a level of belief that an act of insurance fraud may have or might be occurring for which there is an objective justification based on articulable fact(s) and rational inferences therefrom”

Detection, Investigation and Referral, cont...

Claim Scenario

- Single vehicle accident with reported DOL 1/1/2023
- Policy Written 12/27/2022
- Policy includes Liability and Collision coverage
- Insured drove vehicle home, but it is not safe to drive so it is currently parked at residence

What should the claims representative do?



Detection, Investigation and Referral, cont...

Claim Scenario

WHAT SHOULD SIU DO?

Do you have reasonable belief?

- Single vehicle accident with reported DOL 1/1/2023
- Policy Written 12/27/2022
- Policy includes Liability and Collision coverage
- Insured drove vehicle home, but it is not safe to drive so it is currently parked at residence



Detection, Investigation and Referral, cont...

Claim Scenario

RED FLAGS

- New policy purchased within days of loss
- Neighbor's statement
- Database hits for prior accident
- Noncooperative, withdraws claim once in SIU

REASONABLE BELIEF

- Doorbell camera footage
- Scene photos with metadata
- Prior carrier sends photos showing the same damage
- Tow bill dated prior to policy inception



Detection, Investigation and Referral, cont...

What is required if you have reasonable belief?

- ✓ SIU shall refer suspected insurance fraud to the Fraud Division. Workers' Comp shall also be referred to the District Attorney.
- ✓ Referrals shall be made within timeframe specified by statute, if determined that reasonable belief of insurance fraud exists.

Detection, Investigation and Referral, cont...

Suspected Fraudulent Claim Referrals Form (SFC)

Seven Sections	Reporting party information (double check your reporting party!)
	Victim information
	Synopsis
	Reports to other agencies (DA required for W/C)
	Contact information
	Employer/insured information (Employer required for W/C)
	Other parties to the loss

SFC Submission form Question 1:

What facts caused the reporting party to believe insurance fraud occurred or may have occurred?

Interview with neighbor confirmed vehicle had been parked in damaged condition for 2 weeks prior.

Confirmed damage was the same damage which was claimed to other insurance company 30 days prior to policy inception

Doorbell camera footage from neighbor supports damage present prior to policy inception

SFC Submission form Question 2:

What are the suspected misrepresentations and who allegedly made them?

The loss occurred prior to the inception of the policy.
The misrepresentation was allegedly made by the policyholder.

SFC Submission form Question 3:

How are the alleged misrepresentation(s) material and how did they affect the claim transaction?

The misrepresentation of the reported date of loss was an attempt to obtain policy benefits to which the insured is not entitled since the policy was not in force when the loss actually occurred.

SFC Submission form Question 4:

Who are the pertinent witnesses to the alleged misrepresentation, if there are pertinent witnesses?

Named Insured

Neighbor who saw vehicle damaged for weeks before reported date of loss

Neighbor who owns doorbell camera showing damage existed prior to policy inception

SFC Submission form Question 5:

What documentation is there of the alleged misrepresentation, if documented?

Interview transcripts

Recordings of interviews

Tow invoices showing date of tow from loss location is prior to policy inception

SFC Submission form Question 6:

Provide a statement as to whether or not the investigation is complete.

Yes, the investigation is complete

Suspected Fraudulent Claim Referrals Form (SFC) cont...

Please remember:

- Each question needs independent response—do not copy/paste the same information for different questions
- Make sure responses are clear and concise

Thank You

