



United States Senate Committee on Commerce, Science and Transportation
Subcommittee on Consumer Protection, Product Safety, Insurance and Data Security
Senator Jerry Moran (R-KS), Chairman

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Statement by Timothy J. Lynch, Director, Government Affairs, National Insurance Crime Bureau

Good Morning Mr. Chairman and Members of the Committee, my name is Tim Lynch, Director of Government Affairs at the National Insurance Crime Bureau (NICB), based in Des Plaines, Illinois. The NICB is a national, not-for-profit organization supported by approximately 1,100 insurance companies that collectively write nearly 80% of the nation's total property/casualty insurance premium. NICB is led by President and Chief Executive Officer Joe Wehrle. Mr. Wehrle is a retired Lieutenant General in the United States Air Force.

Working with our member companies, legislators, regulators and law enforcement, we investigate organized criminal groups that commit insurance fraud and vehicle crimes. We have a 105-year history of established cooperation with federal, state and local law enforcement agencies to fight insurance fraud and help protect the American people from criminal enterprises.

NICB's investigative efforts are mainly focused on external claims fraud - multi-claim, multi-carrier scams perpetrated by organized criminal groups. Through a collective means of investigation, data analysis, training, public awareness and legislative advocacy, NICB targets the most egregious forms of insurance fraud and vehicle crimes. Some of the fraud schemes we are involved with are staged auto accidents, cargo theft and medical fraud abuses.

I will focus my remarks today on 3 key areas: medical fraud, vehicle crime, and some recent state legislative activity on roofer/contractor fraud.

Several years ago, NICB made a strategic adjustment to devote more resources to fighting medical-related fraud based on a surge of inflated medical billing, collusion between disreputable doctors and other healthcare providers. To address this surge, since 2002, NICB has opened eight Major Medical Fraud Task Forces in major population centers such as Chicago, Houston, New York and not far from here in Fairfax, Virginia.

In 2012, based on our national reach and credibility on the topic of medical fraud, NICB was asked to serve on the executive board of the Healthcare Fraud Prevention Partnership (HFPP) under the U.S. Department of Health and Human Services. We know from experience that there is a significant amount of crossover between fraud impacting property/casualty insurers and fraud impacting Medicare, Medicaid and private health insurance.

Building on the NICB model, the HFPP is working to share data and investigations across all lines of insurance to better detect fraud and assist law enforcement to root out potential criminal activity. For example, in 2014, our data analytics team compared over \$900 million of healthcare claims data to NICB data resulting in the identification of over 100 schemes with health care and property/casualty fraud exposure.

In terms of vehicle related crime, NICB's experience with this issue begins over 100 years to our founding in 1912. One of the most common reasons for vehicle theft is the ability to generate profit from organized vehicle theft activities. Stolen vehicles are profitable, either intact, parted out or illegally exported. Regardless if these vehicles are shipped overseas or sold right here in the United States, buyers of these vehicles often do not know the vehicles are stolen. The essential – but missing – piece that enables this kind of black market enterprise is information.

Congress recognized this deficiency and, in 1992, passed legislation that created the National Motor Vehicle Title Information System (NMVTIS). Its purpose is to help protect consumers from fraud and unsafe vehicles, and to keep stolen vehicles from being resold. NICB has served on the advisory board for NMVTIS since 2010.

NMVTIS, which is administered by the U.S. Department of Justice, protects states and consumers from fraud; reduces the use of stolen vehicles for illicit purposes; and provides consumers protection from unsafe vehicles. NMVTIS is intended to ensure key vehicle history information is available and affordable to consumers, so consumers may make well-informed decisions about used vehicle purposes and to avoid purchasing potentially unsafe vehicles or paying more than fair market value for a vehicle.

As mentioned by Oklahoma Commissioner Doak, another issue where we have seen egregious abuses is the area of roofer/contractor fraud. NICB has been very active in this matter from a legislative and public awareness standpoint, and we see numerous cases of exploitation from our team of investigators.

In short, this issue is fairly simple. An area is impacted by a severe weather event, such as a tornado, and there is serious damage to residential communities. Dishonest repair contractors descend on these scenes – often times within days – and entice consumers into scams involving phony contracts, offers of “free repairs” and filing bogus claims. Instances of these individuals inflating roof damage is also prevalent, as well as collecting a sizable down payment to perform services only to skip town.

Several states have taken action to tighten up consumer protections against these abuses, such as Colorado, Kentucky, Illinois, Indiana, Minnesota, Nebraska, Oklahoma, Texas and others.

Since our industry is regulated at the state level, we have also worked with state departments of insurance – including Commissioner Doak on increasing public awareness of this issue using billboards, public service announcements and social media.

We would encourage the committee members – especially those who represent areas prone to severe weather – to communicate to your constituents that they exercise caution after severe weather events, and be sure to contact their insurance company before signing any repair contracts or providing up-front cash for materials – especially if it is from a contractor who just appears, unsolicited, at their door.

In closing, we would like to thank Chairman Moran and the Committee members for their interest in insurance fraud. We ask that you keep these three issues in mind – medical fraud, vehicle crime and property fraud – as you communicate with your state departments of insurance to help protect the citizens of your state from insurance fraud.

Thank you for inviting us to testify and I'd be happy to answer any questions.