

CHAPTER 16

FRAUD PREVENTION AND DETECTION

Authority

N.J.S.A. 17:1-8.1, 17:1-15e, 17:23-8 et seq., 17:23-19, 17:23-20 et seq., 17:33A-1 et seq. and 47:1A-2.

Source and Effective Date

R.2006 d.308, effective July 30, 2006.
See: 38 N.J.R. 1276(a), 38 N.J.R. 3592(a).

Chapter Expiration Date

In accordance with N.J.S.A. 52:14B-5.1b, Chapter 16, Fraud Prevention and Detection, expires on July 30, 2013. See: 43 N.J.R. 1203(a).

Chapter Historical Note

Chapter 16, General Requirements, and Subchapter 1, Verification and Claim Form Statements, were adopted as R.1986 d.13, effective February 3, 1986, operative June 3, 1986. See: 17 N.J.R. 47(a), 18 N.J.R. 281(a).

Subchapter 2, Reports to the National Automobile Theft Bureau, was adopted as R.1989 d.583, effective November 20, 1989. See: 21 N.J.R. 2901(a), 21 N.J.R. 3668(b).

Pursuant to Executive Order No. 66(1978), Chapter 16, General Requirements, was readopted as R.1991 d.102, effective January 31, 1991. See: 22 N.J.R. 3688(b), 23 N.J.R. 702(a).

Subchapter 4, Fraud and Theft Prevention/Detection Plans, was adopted as new rules by R.1992 d.190, effective April 20, 1992. See: 23 N.J.R. 3236(a), 24 N.J.R. 1505(a).

Subchapter 5, Health Fraud Prevention—Detection Plans, was adopted as new rules by R.1995 d.368, effective July 3, 1995. See: 26 N.J.R. 4882(a), 27 N.J.R. 2583(a).

Pursuant to Executive Order No. 66(1978), Chapter 16, General Requirements, was readopted as Chapter 16, Fraud Prevention and Detection, by R.1996 d.117, effective January 31, 1996. See: 27 N.J.R. 4492(a), 28 N.J.R. 1389(a).

Subchapter 4, Fraud and Theft Prevention/Detection Plans, and Subchapter 5, Health Fraud Prevention/Detection Plans, were repealed by R.2000 d.58, and Subchapter 6, Fraud Prevention and Detection Plans, was adopted as R.2000 d.58, effective February 7, 2000. See: 31 N.J.R. 3196(a), 32 N.J.R. 478(a).

Pursuant to Executive Order No. 66(1978), Chapter 16, Fraud Prevention and Detection, was readopted as R.2001 d.76, effective January 31, 2001. See: 32 N.J.R. 4197(a), 33 N.J.R. 804(a).

Chapter 16, Fraud Prevention and Detection, was readopted as R.2006 d.308, effective July 30, 2006. See: Source and Effective Date. See, also, section annotations.

CHAPTER TABLE OF CONTENTS

SUBCHAPTER 1. CLAIM FORM STATEMENTS

- 11:16-1.1 Scope; definitions
- 11:16-1.2 Statement of liability for fraud on claim and application forms

SUBCHAPTER 2. REPORTS TO THE NATIONAL INSURANCE CRIME BUREAU

- 11:16-2.1 Purpose and scope
- 11:16-2.2 Definitions
- 11:16-2.3 NICB membership or service company requirement
- 11:16-2.4 Insurer reporting requirements
- 11:16-2.5 Insurer cooperation with NICB
- 11:16-2.6 NICB cooperation with insurers
- 11:16-2.7 Deferred claim processing and payment

- 11:16-2.8 NICB record retention
- 11:16-2.9 Penalties

SUBCHAPTERS 3 THROUGH 5. (RESERVED)

SUBCHAPTER 6. FRAUD PREVENTION AND DETECTION PLANS

- 11:16-6.1 Purpose and scope
- 11:16-6.2 Definitions
- 11:16-6.3 General requirements and filing format
- 11:16-6.4 Special Investigations Unit (SIU)—duties, qualifications, and composition
- 11:16-6.5 Training program and manual for the prevention and detection of fraud
- 11:16-6.6 Fraud prevention and detection plan
- 11:16-6.7 Referrals to OIFP
- 11:16-6.8 Record retention
- 11:16-6.9 Approval and filing of fraud prevention and detection plans
- 11:16-6.10 Penalties
- 11:16-6.11 Confidential records and information
- 11:16-6.12 (Reserved)

APPENDIX

APPENDIX A (RESERVED)

SUBCHAPTER 1. CLAIM FORM STATEMENTS

11:16-1.1 Scope; definitions

- (a) This subchapter applies to all insurers in the State of New Jersey.
- (b) For the purpose of this subchapter:

“Commissioner” means the Commissioner of the New Jersey Department of Banking and Insurance.

“Insurer” means any person, corporation, association, partnership, company, fraternal benefit society, eligible unauthorized surplus lines insurer and other legal entity engaged as an indemnitor or contractor in the business of insurance or any hospital service corporation as defined at N.J.S.A. 17:48-1, medical service corporation as defined at N.J.S.A. 17:48A-1, health service corporation defined at section 1 of P.L. 1985, chap. 236, dental service corporation as defined at N.J.S.A. 17:48C-2 and dental plan organization as defined at N.J.S.A. 17:48D-2. “Insurer” shall also include any individual, corporation, association, partnership or other legal entity authorized to represent an insurer with respect to a claim.

Amended by R.1988 d.342, effective July 18, 1988.
See: 20 N.J.R. 1062(a), 20 N.J.R. 1720(b).
Amended by R.1996 d.117, effective March 4, 1996.
See: 27 N.J.R. 4492(a), 28 N.J.R. 1389(a).
Amended by R.2001 d.76, effective March 5, 2001.
See: 32 N.J.R. 4197(a), 33 N.J.R. 804(a).

11:16-1.2 Statement of liability for fraud on claim and application forms

- (a) Insurers shall either place on or attach to all claim forms the following warning:

“Any person who knowingly files a statement of claim containing any false or misleading information is subject to criminal and civil penalties.”

(b) Pursuant to N.J.S.A. 17:33A-6, all applications for insurance shall prominently and clearly contain the following statement:

“Any person who includes any false or misleading information on an application for an insurance policy is subject to criminal and civil penalties.”

(c) In lieu of the statement in (a) and (b) above, insurers may use a substantially similar statement with the prior approval of the Commissioner.

1. The Commissioner may approve the use of a statement substantially similar to that set forth above upon finding that the statement properly describes the prohibited conduct and references both criminal and civil penalties.

2. Requests for approval of substantially similar statements shall be directed to the Department at the following address:

Division of Anti Fraud Compliance
New Jersey Department of Banking and Insurance
PO Box 324
Trenton, NJ 08625-0324

Amended by R.1988 d.342, effective July 18, 1988.
See: 20 N.J.R. 1062(a), 20 N.J.R. 1720(b).

Recodified from 11:16-1.5. Repealed 11:16-1.2 (General requirements), 11:16-1.3 (Form and content of verification), 11:16-1.4 (Notification to claimant), Appendix A (Certification/Verification), and Appendix B (Consumer Notice—Verification Required with Bills To Be Reimbursed).

Administrative Correction.
See: 25 N.J.R. 5229(b).

Amended by R.1996 d.117, effective March 4, 1996.

See: 27 N.J.R. 4492(a), 28 N.J.R. 1389(a).

Amended by R.2001 d.76, effective March 5, 2001.

See: 32 N.J.R. 4197(a), 33 N.J.R. 804(a).

Added a new (b) and recodified former (b) as (c).

Case Notes

Insured's husband who provided chiropractic therapy had to verify treatment for which insured made claim. *State Farm Mut. Auto. Ins. Co. v. Dalton*, 234 N.J.Super. 128, 560 A.2d 683 (A.D.1989), certification denied 117 N.J. 664, 569 A.2d 1356, certiorari denied 110 S.Ct. 1131, 493 U.S. 1078, 107 L.Ed.2d 1037.

SUBCHAPTER 2. REPORTS TO THE NATIONAL INSURANCE CRIME BUREAU

11:16-2.1 Purpose and scope

This subchapter governs the reporting of motor vehicle theft or salvage and related transactions between insurers and the National Insurance Crime Bureau (“NICB”) or its successor, in implementation of N.J.S.A. 17:23-19. This subchapter applies to all insurers transacting motor vehicle insurance in New Jersey.

Amended by R.1993 d.48, effective January 19, 1993.

See: 24 N.J.R. 3606(a), 25 N.J.R. 311(a).

National Automobile Theft Bureau changed to National Insurance Crime Bureau.

Amended by R.2001 d.76, effective March 5, 2001.

See: 32 N.J.R. 4197(a), 33 N.J.R. 804(a).

Inserted “or its successor” following “(“NICB”)” and substituted an N.J.S.A. reference for “P.L. 1989, c.65”.

11:16-2.2 Definitions

The following words and terms, when used in this subchapter, shall have the following meanings, unless the context clearly indicates otherwise.

“Insurer” means any corporation, company, partnership, association, society, order, individual or combination of individuals transacting automobile insurance in New Jersey.

“Major component part” means the engine, transmission, front end assembly, hood, doors, trunk lid, rear clip or any other part of a motor vehicle on which a unique vehicle identifying number has been placed.

“Motor vehicle” means all vehicles propelled other than by muscular power, excepting such vehicles as are run only upon rails or tracks.

National Insurance Crime Bureau (“NICB”) means that corporate entity, or its successor in interest, that is referred to in N.J.S.A. 17:23-19 that operates and maintains a data base for the data referred to N.J.A.C. 11:16-2.4.

Amended by R.2001 d.76, effective March 5, 2001.

See: 32 N.J.R. 4197(a), 33 N.J.R. 804(a).

Inserted “National Insurance Crime Bureau (“NICB”)”.

11:16-2.3 NICB membership or service company requirement

(a) By December 20, 1989, every insurer transacting motor vehicle insurance in New Jersey that is not already a member or a service company of the NICB, shall make application to become either a member or a service company of the NICB. An insurer shall pay all assessments for membership or service company status as may be required by the NICB in the manner prescribed by the NICB.

(b) An insurer shall become and remain either a member or a service company of the NICB as a condition of maintaining its authorization to conduct the business of motor vehicle insurance in New Jersey.

(c) Applications for membership and service company status and related information can be secured from:

NICB
10330 South Roberts Road—3A
Palos Hills, Illinois 60465-1998

Amended by R.1993 d.48, effective January 19, 1993.

See: 24 N.J.R. 3606(a), 25 N.J.R. 311(a).

National Automobile Theft Bureau changed to National Insurance Crime Bureau.

**Fraud Detection and Prevention Annual Report
Instructions and Definitions
MCEAFC FORM #2B**

I. Instructions

This report is due annually, on or before March 31 of each year.

The data evaluation date for this report is January 1 through December 31.

Data must be provided separately for each company that is part of a group.

Contact Person for Questions:

Virgil Downtin
609-341-2513 ext 50402
vdowntin@dobi.state.nj.us

Report may be emailed to:

mceaafc@dobi.state.nj.us

Report may be mailed to:

New Jersey Department of
Banking and Insurance
Office of Consumer
Protection Services
Market Conduct and Anti-
Fraud Compliance
20 West State Street
P.O. Box 329
Trenton, N.J. 08625

Scope:

This report includes
automobile
fraud prevention and
detection statistics.

II. Definitions

Calendar Year means the period January 1 to December 31.

Claim means a request for indemnity by an insured or claimant.

Claims Opened/Received means the total number of claims opened or received by SIU (or the company in the event that an insured is not required to establish an SIU, during the reporting period).

Dollar Amount Spent is based either on actual expenses for those insurers that track this information individually and by State, or the insurer's pro-rata share in the event that expenses are tracked on an aggregate, national level. Self-insured risk expenditures should be excluded, either on a direct dollar basis or by pro-rata share or other method that distinguishes self-insured and non-self-insured expenditures.

NJ Claim refers to a claim that was made in the State of New Jersey.

NJ Policies and Applications refer to coverages written or applied for in the State of New Jersey.

Non-SIU Investigation means all fraud-investigative activity conducted in the normal course of handling a claim and where an SIU has not been established.

SIU Investigation means all investigative activity that was performed exclusively by the Special Investigative Unit.

Total Dollars Saved applies to all funds that would have been fraudulently or improperly obtained by claimants, ordered or agreed to be returned through adjudication or judgment, as a result of a fraud investigation.

Repeal and New Rule, R.2006 d.308, effective September 5, 2006.
See: 38 N.J.R. 1276(a), 38 N.J.R. 3592(a).