

**WEST VIRGINIA
SECRETARY OF STATE
JOE MANCHIN, III
ADMINISTRATIVE LAW DIVISION**

Form #2

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2004 JUN 30 A 11:08

OFFICE OF THE WEST VIRGINIA
SECRETARY OF STATE

NOTICE OF A COMMENT PERIOD ON A PROPOSED RULE

AGENCY: Insurance Commissioner TITLE NUMBER: 114

RULE TYPE: Legislative CITE AUTHORITY: WV Code §§33-2-10 and 33-41-10

AMENDMENT TO AN EXISTING RULE: YES NO

IF YES, SERIES NUMBER OF RULE BEING AMENDED: _____

TITLE OF RULE BEING AMENDED: _____

IF NO, SERIES NUMBER OF RULE BEING PROPOSED: 71

TITLE OF RULE BEING PROPOSED: Insurance Fraud Prevention

IN LIEU OF A PUBLIC HEARING, A COMMENT PERIOD HAS BEEN ESTABLISHED DURING WHICH ANY INTERESTED PERSON MAY SEND COMMENTS CONCERNING THESE PROPOSED RULES. THIS COMMENT PERIOD WILL END ON July 30, 2004 AT 4:30 PM ONLY WRITTEN COMMENTS WILL BE ACCEPTED AND ARE TO BE MAILED TO THE FOLLOWING ADDRESS:

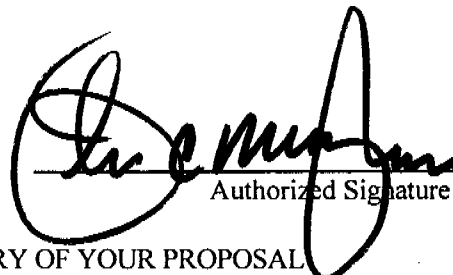
Gregory A. Elam, Associate Counsel

West Virginia Insurance Commission

P.O. Box 50540

Charleston, WV 25305-0540

THE ISSUES TO BE HEARD SHALL BE LIMITED TO THIS PROPOSED RULE.


Authorized Signature

ATTACH A **BRIEF** SUMMARY OF YOUR PROPOSAL



STATE OF WEST VIRGINIA

Offices of the Insurance Commissioner

Legal Division

BOB WISE
Governor

June 30, 2004

JANE L. CLINE
Insurance Commissioner

HAND DELIVERED

Ms. Judy Cooper, Director
Administrative Law Division
Office of Secretary of State
State Capitol
Charleston, West Virginia 25305

- RE: SERIES 3 - CANCELLATION AND NONRENEWAL OF AUTOMOBILE
LIABILITY POLICIES
SERIES 15 - EXAMINERS AND EXAMINATIONS
SERIES 20 - SURPLUS LINES INSURANCE
SERIES 42 - CONTINUING EDUCATION FOR INDIVIDUAL INSURANCE
PRODUCERS
SERIES 67 - RATE AND FORM FILING ABSTRACTS (PROCEDURAL RULE)
SERIES 68 - VALUATION OF LIFE INSURANCE POLICES
SERIES 69 - RECOGNITION OF THE 2001 CSO MORTALITY TABLE FOR
USE IN DETERMINING MINIMUM RESERVE LIABILITIES
AND NONFORFEITURE BENEFITS
SERIES 70 - REBATES AND REFERRALS (INTERPRETIVE RULE)
SERIES 71 - INSURANCE FRAUD PREVENTION
SERIES 72 - PERSONAL PRIVATE PASSENGER AUTOMOBILE LIABILITY
INSURANCE AND PROPERTY INSURANCE WITHDRAWAL PLAN
PROCEDURES (PROCEDURAL RULE)

Dear Judy:

Please find herewith one (1) copy of the following for each of
the above subject rules:

- 1) Notice Of A Comment Period On A Proposed Rule and
consent of Tax and Revenue Cabinet Secretary;
- 2) Brief Summary of the Rule;
- 3) Statement of Circumstances;
- 4) Fiscal Note; and
- 5) The proposed rule.

Please contact our office if you have any questions regarding
the above or if further information is required.

Sincerely,


Jane L. Cline
Insurance Commissioner

JLC/jz
Enclosures

Insurance Commissioner
Legislative Rule
Title 114, Series 71

INSURANCE FRAUD PREVENTION

TITLE 114, SERIES 71

BRIEF SUMMARY OF RULE

The rule is a new series. H.B. 4004, which was passed March 11, 2004 and becomes effective June 11, 2004 created an insurance fraud unit within the Office of the Insurance Commissioner. The statute mandates reporting of suspected insurance fraud by insurers. The creation of Series 71 specifies the form to submit suspected insurance fraud to the Insurance Fraud Unit and requires insurers to designate an individual to be the contact for the insurance fraud unit.

Insurance Commissioner
Legislative Rule
Title 114, Series 71

INSURANCE FRAUD PREVENTION

TITLE 114, SERIES 71

STATEMENT OF CIRCUMSTANCES

H.B. 4004, which was passed March 13, 2004 and becomes effective June 11, 2004, amended Article 41 relating to privileges and immunities and created a fraud unit within the Office of the Insurance Commissioner. H.B. 4004 requires mandatory reporting of suspected insurance fraud by entities transacting insurance within the State of West Virginia. This creation of Series 71 specifies the form to submit suspected insurance fraud to the Insurance Fraud Unit and requires insurers to designate an individual to be the contact for the insurance fraud unit.

APPENDIX B

FISCAL NOTE FOR PROPOSED RULES

Rule Title: Insurance Fraud Prevention
Title 114, Series 71

Type of Rule: X Legislative Interpretive Procedural

Agency: Insurance Commissioner

Address: Post Office Box 50540
1124 Smith Street, Greenbrooke Building
Charleston, West Virginia 25305-0540

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1. Effect of Proposed Rule

	ANNUAL FISCAL YEAR				
	Increase	Decrease	Current	Next	Thereafter
ESTIMATED TOTAL COST	2,000.00	None	None	2,000.00	2,000.00
PERSONAL SERVICES	2,000.00	None	None	2,000.00	2,000.00
CURRENT EXPENSE	None	None	None	None	None
REPAIRS AND ALTERNATIONS	None	None	None	None	None
EQUIPMENT	None	None	None	None	None
OTHER	None	None	None	None	None

2. Explanation of above estimates:

H.B. 4004 passed March 13, 2004 and effective June 11, 2004 created a fraud unit within the Office of the Insurance Commissioner. The bill requires the mandatory reporting of suspected fraud by entities transacting insurance. The above estimates reflect the cost of the personnel required to receive the mandated reports and log same.

3. Objectives of these rules: To specify the form to be used for reporting suspected insurance fraud and require the designation of a contact person for fraud reporting by entities transacting insurance.

Rule Title: Insurance Fraud Prevention
Title 114, Series 71

4. Explanation of Overall Economic Impact of Proposed Rule.

A. Economic Impact on State Government.

There is minimal economic impact on State Government.

B. Economic Impact on Political Subdivisions; Specific Industries; Specific groups of Citizens.

There is minimal or no economic impact on Political Subdivisions.

There is minimal impact on the insurance industry. This industry will incur the cost of reporting suspected insurance fraud. Many states already require this reporting and the industry already has the in house process to comply. There will be a new minimal cost of reporting to West Virginia.

There is no economic impact to Specific groups of Citizens.

C. Economic Impact on Citizens/Public at Large.

There is no economic impact on citizens and the public at large.

Date: June 30, 2004

Signature of Agency Head or Authorized Representative


JANE L. CLINE, INSURANCE COMMISSIONER

**114CSR71
LEGISLATIVE RULE
INSURANCE COMMISSIONER**

**SERIES 71
INSURANCE FRAUD PREVENTION**

Section

- 114-71-1. General.
- 114-71-2. Designation of Primary Contact.
- 114-71-3. Reporting of Insurance Fraud or Criminal Offenses Otherwise Related to the Business of Insurance.

114CSR71
LEGISLATIVE RULE
INSURANCE COMMISSIONER

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SERIES 71
INSURANCE FRAUD PREVENTION
WEST VIRGINIA
SECRETARY OF STATE

§114-71-1. General.

- 1.1. Scope. -- This legislative rule establishes standards for reporting insurance fraud.
- 1.2. Authority. -- W. Va. Code §§33-2-10 and 33-41-10.
- 1.3. Filing Date. --
- 1.4. Effective Date. --

§114-71-2. Designation of Primary Contact.

2.1. Every insurer shall designate at least one (1) primary contact person but not more than four (4) primary contact persons who shall communicate with the Insurance Fraud Unit on matters relating to the reporting, investigation, and prosecution of suspected fraudulent insurance acts.

2.2. Every insurer shall notify the Insurance Fraud Unit in writing of the names, titles, addresses, and telephone numbers of the insurer's primary contact person or persons. Any changes to information relating to the contact person or persons must be reported to the Insurance Fraud Unit within ten (10) days of the changes.

§114-71-3. Reporting of Insurance Fraud or Criminal Offenses Otherwise Related to the Business of Insurance.

3.1. All persons identified in W. Va. Code §33-41-5(a) shall report in writing all suspected fraudulent insurance acts to the Insurance Fraud Unit.

3.2. The report shall be filed within fourteen (14) days of the determination by the reporter that a suspected fraudulent insurance act has been committed.

3.3. When a suspected fraudulent insurance act is reported, the following information, if known, shall be reported to the Insurance Fraud Unit:

- a. Date of preparation of the report.
- b. The following information about the reporting insurance company:

**Insurance Commissioner
Legislative Rule
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1. Name of insurance company;
 2. Telephone number and fax number of insurance company;
 3. Policy number or claim number; and
 4. Insurance policy type.
- c. The following information about the reporting person if not an insurance company:
1. Complete name;
 2. Occupation and title;
 3. Complete address; and
 4. Telephone number and fax number.
- d. The following information about the loss or occurrence:
1. Date of loss or occurrence;
 2. Location of loss including the complete address;
 3. Estimated value of claim for loss; and
 4. Whether claim was paid or not paid.
- e. The following information concerning the parties involved and their roles:
1. Complete names of all parties;
 2. Business and alias names of parties;
 3. Roles of each party;
 4. Complete address of each party;

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5. Phone number of each party;
6. Date of birth or age of each party;
7. Social Security number of each party;
8. Tax identification number of each party; and
9. Driver's license number of each party.

f. A detailed narrative of what fraudulent insurance act is suspected and why it is suspected.

g. List the type of documents in your possession, for example police reports, photographs, or falsified documents.

h. If you have reported the suspected fraudulent insurance act to some other agency or entity, identify the agency or entity by name, address, and telephone number.

3.4. The information provided must be signed and dated by the reporting party or an authorized representative of the reporting party.

3.5. The required information shall be submitted on the most current version of the National Association of Insurance Commissioners ("NAIC") Model Fraud Reporting Form.