

Department of Commerce's Civil Insurance Complaint Investigations

Update to 2022 Evaluation Report

January 2023

Problems Identified

- **Inconsistent Antifraud Plan Reviews.** Minnesota statutes require insurers to implement and maintain antifraud plans that outline how they will prevent, report, and cooperate with the prosecution of insurance fraud. Insurers must notify Commerce in writing when they institute or materially modify their antifraud plan. The department did not enforce this notification requirement for all insurers. Statutes *allow* but do not *require* Commerce to review these plans, and three teams in two Commerce divisions reviewed the antifraud plans of a small fraction of Minnesota licensed insurance companies, but did not coordinate these reviews across teams.
- **Lack of Clear, Comprehensive Investigation Policies.** Commerce's Enforcement Division had not adopted written policies to guide certain aspects of its civil insurance complaint investigations. Some written policies that *did* exist did not reflect industry best practices, were poorly communicated, or were not in use. For example, investigators prioritized some civil insurance complaint investigations over others, but written policies did not establish prioritization criteria or timeframes for completing investigations based on prioritization level. The lack of written, clearly communicated policies and case-handling procedures have resulted in inconsistent communication, documentation, and data practices among investigators.

Actions Needed

- **Implement Antifraud Plan Review Improvements.** Commerce is modifying the electronic system it currently uses so that it can accept insurers' antifraud plan notifications. Commerce plans to update its website and issue a memorandum to insurance companies informing them of the new notification process. Commerce anticipates implementing its updated antifraud plan notification process by early 2023. Commerce is also finalizing a plan for conducting antifraud plan reviews.
- **Review Department Responsibilities.** The Legislature should review Commerce's legal responsibilities related to antifraud plans to ensure they meet the Legislature's expectations.
- **Implement and Enforce Policy Changes.** Commerce is finalizing an Enforcement Division Operations Manual and intends to initiate extensive training on the manual in early 2023. The manual contains case prioritization criteria that are associated with specific timeframes and reflect industry best practices. The manual also includes standards for communicating with the individuals and entities involved in investigations, documenting evidence, and maintaining data according to data practices requirements.