Ahead of the Curve

2016 Annual Report

National Insurance Crime Bureau
President's Letter

2016 was a year of continued advancement for the National Insurance Crime Bureau (NICB) and our members. As the field of insurance crime evolves, so do the threats that we face. As the NICB continues to adapt and advance, so do we.

In 2016, we continued to evolve our membership engagement, technology offerings, and media relations efforts. As you'll see in this report, we've invested in new digital intelligence-gathering techniques to help NICB members understand national trends, which will help inform future research and analysis. These investments are only possible because of your support and our commitment to help members evaluate and help mitigate risks. The NICB is always looking for ways to support our members and continue our role as the most knowledgeable and responsive organization in the world dedicated to fighting insurance fraud and vehicle crime.

This is only possible because of your commitment and support of our mission and vision. And for that, we are deeply grateful.

Joseph H. Wehrle, Jr.
President and Chief Executive Officer

Keeping You Ahead of the Curve

In 2016, we continued to expand partnerships with technology firms to support our vehicle identification and recovery efforts.

• NICB human resources processes continued to evolve so that we can empower our highly engaged professionals who thrive within our organizational culture and can best contribute to our non-insurance industry assessment income streams—such as the license plate reader program, an expanded VINCheckSM program and strategic partnerships—which we rolled out in 2016. These partnerships have helped our non-insurance industry assessment income streams grow by 17%.

• We improved our performance analysis reporting to help members recognize how they can better utilize our products and services to support their own fraud-fighting efforts and boost their return on investment in NICB membership.

• We continued to expand partnerships with technology firms to support our vehicle identification and recovery efforts.

• Our Investigations and Data Analytics teams continued to bring innovative processes to evaluate the worthiness of claim file exchanges so we can better secure our members' data and personally identifiable information within insurance claims.

• Through the growth and diversification of our non-insurance industry assessment income streams—such as the license plate reader program, strategic partnerships—which we rolled out in 2016—all of which were driven by our own internal resources, our non-insurance industry assessment income streams grew by 17%.

• Our media relations efforts, as you'll see in this report's Public Awareness section, were more than willing to help members and stakeholders share their story. For instance, after more than two years of research, we launched an initiative in 2016 which uses digital intelligence-gathering techniques to help NICB members understand national trends. Our license plate reader program is only possible because of our unique relationships with law enforcement agencies nationwide that have trusted the NICB for more than a century.

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While 20/20 eyesight is not a job requirement for team members in our Data Analytics group, it does take a keen sense of vision to peer into the future to adapt new software and technologies that can detect and deflect tomorrow’s problems. Looking beyond the curve of where we are today, our analytics experts continually implement techniques that help NICB members better evaluate data so they can make smarter, faster and more-informed claims decisions.

Time is an ever-present factor during the claims process. And we know from experience that fraud detection requires fast work to prevent erroneous payments. Thanks to a collaboration between our Data Analytics and Information Technology teams and the Insurance Services Office (ISO), our members can now quickly assess claim submissions for potential fraud indicators at the earliest point possible. NICB members can also now gather fraud-fighting information from NICB alerts and ISO databases through a single sign-on. This provides a more seamless user experience, as well as faster and more direct access to information that can be leveraged to detect and prevent future trends.

Our data analysts also expanded their view of the criminal landscape in 2016, with new visual/cluster analysis technology that can detect and deflect emerging trends. To do this, specialized software is used to peer into potential linkages among crime groups and related entities. As a result, we can then develop new visual/cluster analysis tools that NICB members can use to identify organized ring activity. This allows us to proactively uncover potential fraud before it occurs. Our analytics teams can now better visualize crime trends, from pattern to pattern, and geographical and thematic crime patterns. We use this insight to help our members and law enforcement partners better inform, and also to allocate NICB investigative resources to the most urgent hot spots.

Expansion was also on our Data Analytics radar in 2016. We are using big data and analytics to identify and prevent organized activity, among many other priorities. And as we look toward the future, we expect to continue building our capabilities in coming years to analyze prescription drug fraud.

Sharing our analytic knowledge and technology developments with NICB members is critical. Our introductory and advanced training academies for member company analysts in 2016 included new learning modules that taught them how to customize our data to their internal systems to more proactively identify potential fraud early in the claims process. These courses included mapping and other visual technologies, charting, social media analysis and advanced Excel techniques.

**LOOKING BEYOND THE CURVE**

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<thead>
<tr>
<th>ForeCAST® Reports Published</th>
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<tbody>
<tr>
<td>MedAWARE® Alerts Published</td>
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<td>ForeWARN® Alerts Published</td>
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<td>Data Analytics Investigative Leads Sent to NICB Field Operations</td>
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</tr>
<tr>
<td>Tactical Products Produced in Support of Investigations</td>
<td>213</td>
</tr>
</tbody>
</table>
Basic geometry teaches that the shortest distance between two points is a straight line. Yet as we all know, insurance crime investigations never follow a linear path. Bends, bows, kinks, curves and tangents typically arise that impede investigations and throw them off course. Not to mention that continual changes in information technology, delivery systems and telecommunications which affect how we transport ourselves, heal ourselves and protect our belongings also present opportunities for exploitation and fraud, whether vehicle crimes, medical and natural disaster fraud, cargo and specialized equipment theft, or other NICB investigative priorities.

However, thanks to innovative technology applications, as well as our reputation and long-standing relationships with law enforcement agencies worldwide, our Field Operations teams help members avoid time-consuming detours and keep their investigations headed in the right direction.

For example, in 2014 we surveyed NICB members to gather their ideas and concerns about cybercrime. Our objective then was to better understand how these crimes affected members and whether the NICB could play a role in helping to identify and stop proliferating cyber fraud schemes. We then spent the following year conducting research, discussing cybercrime initiatives with federal agencies and law enforcement organizations, and meeting with technology firms specializing in cybercrime detection.

We formalized our two years of research and analysis in 2016 to create the Digital Intelligence Collection Initiative. Its initial goal is to help NICB members better understand the scope of damages resulting from natural catastrophes and disasters so they can better direct potential fraud threats. We partnered with a technology consultant, who deployed to several natural disaster sites with NICB special agents to gather digital images of damages. Hitting the ground immediately following the natural catastrophe – or in some cases while it was still in progress – they used specialized digital technology to quickly collect, analyze and disseminate images to members to support their catastrophe responses. Because of our law enforcement relationships, we were able to gain access to flooded homes in Texas, Louisiana and North Carolina, as well as sites in Florida and Georgia, sites that inflicted non-residential and commercial property damages.

While the Digital Intelligence Collection Initiative is in its early stages, preliminary results from 2016 demonstrate its great promise in helping NICB members make well-informed claims and investigative decisions based upon on-the-ground intelligence, deliver faster claims payments, protect their policyholders from post-disaster scam artists, and save on costly catastrophe team deployment expenses.

Of course, strong relationships are nothing new at the NICB. Ever since the 1920s when we began partnering with Mexican and Canadian government and law enforcement agencies, we’ve known that vehicle fraud and theft crimes are not limited to U.S. borders. Today, our renowned expertise is leading us to even more distant lands to support cooperative global investigative initiatives, and help NICB members better address the many legal and diplomatic curves involved with international stolen vehicle identifications, investigations, recoveries and repatriations.

In 2016, we participated in the International Criminal Police Organization’s (INTERPOL) Formatrain project to support stolen vehicle interdiction efforts in West Africa, and train law enforcement agencies there on how to detect vehicle crime activity. Organized by INTERPOL and funded by the German government, Formatrain is an INTERPOL initiative the NICB was one of only two participating U.S. organizations to support. Using bothFormatrain-funded mobile border crossing units and INTERPOL databases to facilitate interdiction efforts and expand the organization of law enforcement’s insured vehicles.

While in West Africa, we also provided NICB VINassist™ and VINCheck training, as well as new vehicle identification manuals, to recently personnel working at Ghana’s capital port in Accra, a notorious distribution point for stolen American vehicles. As a result, 2016 was a big year for the Digital Intelligence Collection Initiative.
Whether you’re just starting your crime-fighting career or are a seasoned veteran of the battle, insurance fraud and vehicle theft can present a steep learning curve given continually evolving schemes, the globalization of insurance crimes, and the changing technologies used not only by thieves and fraud artists, but the ones we apply as well to identify and stop criminal conspiracies.

NICB training programs feature multiple approaches, formats and curricula — from basic to advanced — to provide our members and law enforcement agencies with the knowledge necessary to quickly get up to speed, make sound decisions and improve their competitiveness. In 2016, we expanded our course offerings, and worked harder than ever to understand and fulfill our members’ educational needs. As a result, we had a banner year of results that put us all ahead of the curve.

Our online and electronic training curricula grew with the debut of the Medical Fraud Scheme Guide (now available on our Download Center) that details scams involving fictitious injuries and patients, as well as medical billing fraud. In addition, we created three new online courses for the National Insurance Crime Training Academy (NICTA) that address diagnostic testing, mysterious property disappearances and recorded statements.

Evolving crime schemes and the latest technological responses to them also prompted us in 2016 to update many of our online and FraudSmartSM courses, including revised statistics and graphics, as well as new course content. NICB classroom training programs continued to be a popular educational choice for members. Among our fully booked courses was a weeklong regional medical investigations training academy in Southern California that focused on geographic-specific fraud issues, and a national medical investigations training academy at our headquarters facility in Des Plaines, Ill. These and other efforts produced remarkable results for NICB Training in 2016, including the second-highest number of classroom attendees ever, a record number of new NICTA students, the highest number of online course enrollments, and a record number of visitors to nicbtraining.org, our law enforcement training website.

Members and law enforcement agents put the solutions whose training courses we support to good use in 2016. NICB students and agents successfully used the new NICTA training to identify and disrupt numerous fraudulent schemes. As a result, we had a banner year of results that put us all ahead of the curve.

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Prior to 2016, preventing and stopping illicit tow truck operators from fleecing motorists at accident scenes was like negotiating a blind curve while driving along a dark road—you couldn’t see around it and there was no telling what lurked on the other side. To navigate through this issue, our Government Affairs Department drove a multi-year process to help states address the twists and turns of combating rogue tow truck drivers who defraud NICB members and the American public.

Our expertise regarding the legal and regulatory issues surrounding consent towing has grown exponentially during the past several years. We have long driven educational efforts within the insurance industry about unscrupulous operators, especially in metropolitan areas most affected by related problems, and created greater consumer understanding of tow truck scams through our “Know Before You Tow” public awareness campaign.

Recognizing the problem’s broad scope, the National Conference of Insurance Legislators, an organization composed of state lawmakers who focus on insurance legislation and regulation, utilized the NICB’s expertise in 2016 to assist in forming a model legislative bill that will guide elected officials on how they can best navigate towing abuses. We advocated for establishing firm — and where appropriate, felony — laws that will make rogue tow truck operators think twice before taking advantage of motorists at accident scenes. While invaluable on-the-ground support from NICB agents nationwide has been provided to Minnesota and Illinois in 2016 that better bankrolled for illicit towing, such as fines, imprisonment, and penalties allowing victims to sue operators for illegal towing tactics.

In addition, we helped Pennsylvania’s lawmakers get ahead of abuser towing companies in their state by creating linear legislation. Our Government Affairs team also targeted dishonest repair contractors who arrive at accident scenes and natural disaster sites to tempt consumers into fraudulently inflating vehicle, property and automobile glass claims…all of which can have significant financial impact on NICB members.

Our 2016 vehicle theft and fraud summits were conducted in South Carolina and New Mexico—two states which, on the surface, might not jump to mind when it comes to insurance crime, but are areas where crime has either migrated or where public funds are not as readily available for fighting fraud. Our post-summit recommendations addressed a wide range of topical concerns in these states, among them stronger penalties and mandatory entry requirements for fake motor vehicle accident claims, making it illegal to solicit vehicle accident victims, developing consumer awareness campaigns against loaner car/rental car fraud, enhancing law enforcement training and granting political action committee funds to support anti-solicitation initiatives.

Since their inception, we’ve structured NICB fraud summits in partnership with members and state insurance trade associations so we can improve our collective abilities to stay ahead of insurance crime. For example, three years after we convened the Kentucky Insurance Fraud Summit in 2013, the Insurance Institute of Kentucky now has a permanent insurance fraud council which includes their insurer members, law enforcement agencies and NICB legislative experts who address ongoing fraud problems statewide. Together, we raised greater awareness that put fraud on the map there.

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Albuquerque, New Mexico’s Change in National Placement Ranking for Vehicle Thefts (2015-2016) 12th to 2nd White Paper Recommendations Resulting from the New Mexico and South Carolina Insurance Fraud Summits 17

Potential Financial Penalty for a Convicted Rogue Tow Truck Operator in Illinois $25,000 13

Attendees at the New Mexico and South Carolina Insurance Fraud Summits 297

2016 KEY STATISTICS

LEGISLATIVE ADVOCACY
As we all know, life throws us curveballs. And while some can be anticipated and addressed, others can be more difficult to judge and really hard to hit. That was the case in 2014 when a mysterious electronic device began appearing in the hands of criminals who somehow used it to open locked vehicles, all without breaking a window or using tools to compromise locking systems. We had seen it before, but law enforcement agencies were dubious and only grainy security camera footage existed of its usage. Yet that didn’t stop us from pursuing the truth.

Today, that device is no longer a mystery. Our Communications Department worked with our Investigations team and insurance industry resources to hit that mysterious curveball out of the park with a public awareness effort that dramatically demonstrated how thieves were capitalizing on a new technology to steal vehicles.

NICB public awareness efforts about the so-called mystery device began in 2014 with our general warning to members and law enforcement agencies about its existence. We went further in 2016 by purchasing a device called a “Relay Attack” unit from an overseas company via a third-party security expert. Our extensive testing of the device revealed that it works on many cars and trucks which utilize a keyless remote and push-button ignition systems. Not only did the device unlock them, it was also able to start the majority of them, thus potentially giving thieves the opportunity to steal vehicles with little to no hinting of intrusion or evidence.

With this analysis in hand, our Communications group created a public awareness campaign that mesmerized national and local media, such as the “Today Show” which sent a reporting team to NICB Headquarters to view a demonstration of the mystery device’s ability to gain entry and start vehicles. Further, our mystery device video production achieved more than 100,000 views on YouTube, and the story has been covered by hundreds of national and local print and broadcast media outlets. We are now teaming with vehicle manufacturers to keep them apprised of our efforts so together we can develop technologies to prevent such devices from being the tool of choice for thieves.

Since 2016, we maintained our groundbreaking efforts to inform the American public about vehicle theft trends and hot spots, which continually shift based upon where criminals perceive they can achieve the highest profits. With theft rates on the upswing for the past few years, our Communications team produced consumer-oriented public awareness campaigns that promote and advocate common sense measures — such as locking doors and removing keys when exiting vehicles — to mitigate the theft costs back to the public.

Finally, vehicle thieves and fraud artists have given us a plethora of scams to document in our “Fraud Files” and “NICB News” stories, which we put on YouTube and distribute to media sources nationwide. In 2016, some of the egregious scams involved Compaq sales, millions of dollars of health care fraud schemes, tow truck operator fraud and incidences of contractor fraud following natural disasters nationwide.

PUBLIC AWARENESS HITTING A MYSTERIOUS CURVEBALL

Equivalency Value

Print, Electronic and Online News Media $6,140,213
YouTube Channel Views 762,469
Facebook Total Followers 5,430
Twitter Total Followers 1,926
LinkedIn Impressions 1,096,754

PUBLIC SERVICE ANNOUNCEMENTS Ad Equivalency Value $5,190,313

Facebook Total Followers 2,016,213
Twitter Total Followers 5,430
LinkedIn Impressions 1,096,754
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### Financial Statements

#### Balance Sheet

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<tr>
<th>Category</th>
<th>2016</th>
<th>2015</th>
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<td>Investments</td>
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<tr>
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#### Statement of Activities

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<td>Retirement and employee benefits</td>
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<td>Salaries and benefits for retired employees</td>
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<td><strong>Total Expenses</strong></td>
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<td><strong>Change in Total Net Assets</strong></td>
<td>1,271,228</td>
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#### Notes to Financial Statements

**Assessment Revenues**
The activities of the National Insurance Crime Bureau ("NICB") contribute substantially to the financial stability of the NICB pension plan and the NICB post-retirement plan.

**Post-Retirement Plan**
NICB provides certain healthcare and life insurance benefits for retired employees. Employees generally enroll in these plans upon retirement and are responsible for a portion of the costs. The NICB post-retirement plan is unfunded. As of December 31, 2016, the accumulated post-retirement benefit obligation was $3,405,033. The plan is unfunded, and the NICB has an outstanding liability of $2,246,331.

**Ligitation**
NICB has been named as a defendant in certain lawsuits wherein the plaintiffs seek to recover damages based upon various allegations against it, and other companies. These allegations involve, among other things, the operations of outside counsel, the NICB’s management of NICB’s financial statements, and the ultimate liability of the NICB’s insurance carriers. As of December 31, 2016, the most significant of these lawsuits were

**Program Services**

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<tr>
<td>Field investigations</td>
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<td>5,806,686</td>
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<td>Major cases - property and casualty</td>
<td>3,441,217</td>
<td>3,521,935</td>
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<tr>
<td>Major cases - vehicle</td>
<td>2,212,262</td>
<td>2,386,824</td>
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<tr>
<td>Domestic vehicle recovery</td>
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<td>$4,131,008</td>
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<tr>
<td><strong>Total Investigations</strong></td>
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<td>32,470,752</td>
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<td><strong>Data Analytics</strong></td>
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<td>Information aggregation and analysis</td>
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<td>1,940,241</td>
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<td>Strategic</td>
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<td>6,791,776</td>
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<tr>
<td><strong>Investigations</strong></td>
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<tr>
<td><strong>Program Services</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total Program Services</strong></td>
<td>52,093,358</td>
<td>49,391,633</td>
</tr>
</tbody>
</table>

**Taxes**
NICB’s net income for federal and state income tax purposes was $2,999,399 for 2016 and $2,866,639 for 2015. NICB has been named as a defendant in certain lawsuits wherein the plaintiffs seek to recover damages based upon various allegations against it, and other companies. These allegations involve, among other things, the operations of outside counsel, the NICB’s management of NICB’s financial statements, and the ultimate liability of the NICB’s insurance carriers.
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