

MR. CHAIRMAN, I AM PLEASED TO APPEAR TODAY ON BEHALF OF THE FBI AND SHARE WITH YOUR SUBCOMMITTEES THE FBI'S PERSPECTIVE ON CRIMINAL HISTORY RECORD INFORMATION CHECKS ON INDIVIDUALS CONDUCTING BUSINESS IN THE AREA OF INSURANCE. I AM ALSO PLEASED TO HAVE THE OPPORTUNITY TO DISCUSS THE SHARING OF INFORMATION AMONG REGULATORS WITHIN THE VARIOUS FINANCIAL SECTORS AND LAW ENFORCEMENT.

LET ME BEGIN BY EMPHASIZING THAT THE FBI PLACES A HIGH PRIORITY ON INVESTIGATING FINANCIAL CRIMES AND IS COMMITTED TO WORKING WITH THE SUBCOMMITTEES, THE HOUSE FINANCIAL SERVICES COMMITTEE AND ALL OF CONGRESS TO ENSURE THAT LAW ENFORCEMENT AND THE RESPECTIVE FINANCIAL SERVICES INDUSTRIES HAVE THE NECESSARY TOOLS TO COMBAT THESE CRIMES. THE FBI IS AWARE OF THE INTEREST AND EFFORTS TO COMBAT FRAUD THROUGHOUT THE VARIOUS FINANCE-ORIENTED INDUSTRIES. IN THE CYBER ERA, THE SERVICES PROVIDED BY BANKS, SECURITIES FIRMS AND INSURANCE COMPANIES ARE INCREASINGLY SIMILAR. THE ADVANCES IN TECHNOLOGY AND THE DEVELOPMENT OF CYBER FINANCIAL PRODUCTS AND SERVICES IS CONTINUING TO MELD THE OFFERINGS OF BANKS, SECURITIES FIRMS AND INSURANCE COMPANIES. AS A BY PRODUCT THERE IS INCREASED COMMONALITY AMONG REGULATORS. THE GRAMM-LEACH-BLILEY ACT'S (GLBA'S) PURPOSE WAS TO ESTABLISH A COMPREHENSIVE FRAMEWORK TO PERMIT AFFILIATIONS AMONG COMMERCIAL BANKS, SECURITIES FIRMS AND INSURANCE COMPANIES --- ALLOWING A LEVEL PLAYING FIELD WHILE, MAINTAINING THE SAFETY AND SOUNDNESS OF THE FINANCIAL SYSTEM. IT ALSO RECOGNIZED THE NEED FOR GREATER REGULATORY CONSULTATION AND COORDINATION.

I AM THANKFUL TO ALL WHO WERE INVOLVED AND THEIR LEADERSHIP IN WORKING TO ENACT THE GLBA, PARTICULARLY IN THE FACE OF AN EVER-CHANGING GLOBAL ECONOMY, THE CONSOLIDATION OF FINANCIAL SERVICES AND EMERGING NEW TECHNOLOGY.

THE FBI HAS BEEN REQUESTED TO TESTIFY ON TWO DIFFERENT AREAS, ALTHOUGH SOMEWHAT RELATED: 1.) OUR POSITION ON FBI CRIMINAL HISTORY RECORD INFORMATION

(CHRI) CHECKS OF INDIVIDUALS CONDUCTING BUSINESS IN THE AREA OF INSURANCE AND; 2.) OUR POSITION AND SUPPORT ON THE SHARING OF INFORMATION BETWEEN THE VARIOUS FINANCE-ORIENTED BUSINESSES. IN THESE REGARDS, LET ME STATE THAT THE DEPARTMENT OF JUSTICE IS STUDYING THE NEED FOR ANY ADDITIONAL LEGISLATION IN THESE AREAS. WE ARE THEREFORE NOT PREPARED TO SUGGEST OR COMMENT UPON ANY LEGISLATIVE APPROACHES AT THIS TIME. I WILL FIRST PROVIDE A BRIEF DISCUSSION RELATING TO THE INSURANCE INDUSTRY AND FBI CHRI CHECKS.

BACKGROUND

LET ME DISCUSS THE FINANCIAL IMPACT THE INSURANCE INDUSTRY HAS ON THE ECONOMIC SECURITY OF THE UNITED STATES AND ITS CITIZENS. ACCORDING TO THE COALITION AGAINST INSURANCE FRAUD, UNITED STATES (U.S.) PREMIUMS IN 1998 TOTALED \$639 BILLION. ACCORDING TO A RECENT REPORT BY THE ALLIANCE OF AMERICAN INSURERS -- - A NATIONAL TRADE ASSOCIATION REPRESENTING OVER 300 PROPERTY/CASUALTY INSURANCE COMPANIES --- THE INSURANCE INDUSTRY CONTRIBUTES ALMOST \$200 BILLION TO THE U.S. GROSS NATIONAL PRODUCT (GNP) EACH YEAR. THIS IS APPROXIMATELY 2.4 PERCENT OF THE TOTAL GNP. BY COMPARISON, THIS IS ALMOST DOUBLE THE SECURITY INDUSTRY'S CONTRIBUTION OF 1.3 PERCENT AND CLOSER TO THE BANKING INDUSTRY'S 3.3 PERCENT. THE INSURANCE INDUSTRY CURRENTLY EMPLOYS APPROXIMATELY 2.5 MILLION PEOPLE, WITH A TOTAL PAYROLL OF APPROXIMATELY \$100 BILLION. FINANCIAL INTERESTS BY THE INSURANCE INDUSTRY ARE ENORMOUS. INSURANCE INDUSTRY HOLDINGS OF STATE AND LOCAL GOVERNMENT BONDS TOTALED \$227 BILLION OR 15 PERCENT OF ALL OUTSTANDING MUNICIPAL BONDS. THIS PERCENTAGE IS THE LARGEST OF ANY FINANCIAL SECTOR EXCEPT MUTUAL FUNDS, WHICH HOLD 16 PERCENT. INSURERS ALSO HOLD ALMOST A THIRD OF ALL AVAILABLE CORPORATE BONDS.

INDIVIDUALS ENGAGED IN INSURANCE ACTIVITIES HOLD POSITIONS OF GREAT TRUST. THEY BEAR A TREMENDOUS FIDUCIARY RESPONSIBILITY AND HAVE ACCESS TO AND CONTROL

VAST FINANCIAL INVESTMENTS.

RECENT CASES

SOME RECENT FBI INVESTIGATIONS WILL DISCLOSE THE AMOUNT OF TRUST PLACED WITH SOME OF THESE INDIVIDUALS AND THE MAGNITUDE OF FRAUD AS A RESULT OF THIS TRUST. THE NATIONAL HERITAGE LIFE INSURANCE COMPANY WAS THE LARGEST INSURANCE COMPANY FAILURE IN U.S. HISTORY. THE NATIONAL HERITAGE LIFE CASE RESULTED IN OVER \$450 MILLION IN LOSSES. SINCE THE MID-1990'S, 16 DEFENDANTS WERE CONVICTED. THE MOST EGREGIOUS CRIMES WERE COMMITTED BY SHOLAM WEISS AND KEITH POUND, WHO WERE RECENTLY SENTENCED TO 845 AND 700 YEARS RESPECTIVELY. THIS IS BELIEVED TO BE THE LONGEST SENTENCE EVER IMPOSED IN NOT ONLY AN INSURANCE FRAUD PROSECUTION BUT FOR ANY WHITE COLLAR CRIME. THIS INVESTIGATION ALSO RESULTED IN A \$100 MILLION FORFEITURE VERDICT. IN A RECENT VIATICAL-RELATED INSURANCE FRAUD MATTER, FREDERICK BRANDAU WAS SENTENCED TO 55 YEARS IMPRISONMENT.

CURRENT ENFORCEMENT ACTIVITIES

IN 1994, CONGRESS RECOGNIZED THE FIDUCIARY NATURE OF INSURANCE EMPLOYMENT WHEN IT ENACTED THE VIOLENT CRIME CONTROL AND LAW ENFORCEMENT ACT, WHICH, AMONG OTHER PROVISIONS, INCLUDED NEW FEDERAL CRIMINAL AND CIVIL ENFORCEMENT PROVISIONS AIMED DIRECTLY AT INSURANCE FRAUD, 18 U.S.C. SECTIONS 1033 (1033) AND 1034 (1034). IN PASSING 1033, CONGRESS HELD THAT, AMONG OTHER STATUTORY REGULATIONS, "ANY INDIVIDUAL WHO HAS BEEN CONVICTED OF ANY CRIMINAL FELONY INVOLVING DISHONESTY OR A BREACH OF TRUST, OR WHO HAS BEEN CONVICTED OF AN OFFENSE UNDER THIS SECTION (1033), AND WHO WILLFULLY ENGAGES IN THE BUSINESS OF INSURANCE WHOSE ACTIVITIES AFFECT INTERSTATE COMMERCE OR PARTICIPATE IN SUCH BUSINESS SHALL BE GUILTY OF A CRIME." CONGRESS FURTHER STATED THAT ANY INDIVIDUAL WHO IS ENGAGED IN THE BUSINESS OF INSURANCE WHOSE ACTIVITIES AFFECT INTERSTATE COMMERCE AND WHO WILLFULLY PERMITS THIS PARTICIPATION OF ANY INDIVIDUAL SO CONVICTED SHALL BE

FINED OR IMPRISONED.

IT IMMEDIATELY BECAME ILLEGAL FOR CERTAIN INDIVIDUALS TO EITHER BE EMPLOYED IN THE BUSINESS OF INSURANCE OR CONTINUE TO WORK IN THE BUSINESS OF INSURANCE.

PUBLIC LAW (PUB. L.) 92-544 AUTHORIZES THE FBI TO EXCHANGE CHRI WITH OFFICIALS OF STATE AND LOCAL GOVERNMENTAL AGENCIES FOR LICENSING AND EMPLOYMENT PURPOSES. THIS CAN ONLY BE AUTHORIZED BY A STATE STATUTE WHICH HAS BEEN APPROVED BY THE ATTORNEY GENERAL OF THE UNITED STATES. ONE OF THE PRIMARY PURPOSES FOR ENACTING PUB. L. 92-544 WAS TO ESTABLISH A NATIONAL POLICY WITH ADEQUATE SANCTIONS AND ADMINISTRATIVE SAFEGUARDS REGARDING THE DISSEMINATION OF FBI CHRI TO STATE AND LOCAL GOVERNMENTS FOR NON-CRIMINAL JUSTICE LICENSING AND EMPLOYMENT PURPOSES. FINGERPRINT SUBMISSIONS TO THE FBI UNDER PUB. L. 92-544 MUST BE FORWARDED TO THE FBI THROUGH THE STATE IDENTIFICATION BUREAU WITHIN EACH STATE. FURTHERMORE, A GOVERNMENTAL AGENCY WITHIN THE STATE MUST BE DESIGNATED AS THE RECIPIENT OF THE FBI CHRI, AS SUCH INFORMATION CANNOT BE DISSEMINATED TO A PRIVATE ENTITY WITHOUT SPECIFIC AUTHORIZING FEDERAL LEGISLATION.

A RECENT REVIEW CONDUCTED BY THE FBI CRIMINAL JUSTICE INFORMATION SYSTEMS (CJIS) DIVISION DISCLOSED THAT MULTIPLE STATES HAVE STATUTES APPROVED PURSUANT TO PUB. L. 92-544 FOR SUBMISSION OF FINGERPRINTS FOR NON-CRIMINAL JUSTICE LICENSING AND EMPLOYMENT PURPOSES. A REVIEW OF THESE SPECIFIC STATUTES INDICATES A BROAD DIVERSITY OF CRITERIA FOR SELECTING AND SCREENING APPLICANTS. FOR EXAMPLE, ONE STATE MAY REQUIRE THAT ONLY LICENSED AGENTS BE FINGERPRINTED, WHILE ANOTHER MAY REQUIRE THAT OFFICERS, DIRECTORS, STOCKHOLDERS, MANAGERS, ADJUSTORS, SOLICITORS AND BROKERS BE FINGERPRINTED. ACCORDING TO THE NATIONAL ASSOCIATION OF INSURANCE COMMISSIONERS (NAIC), ONLY THREE STATES (CALIFORNIA,

FLORIDA AND IDAHO) CONSISTENTLY ACCESS THE FBI CRIMINAL DATABASE FOR REGULATORY PURPOSES.

AT PRESENT, ALL STATE INSURANCE DEPARTMENTS DO NOT HAVE CLEAR FEDERAL AUTHORITY TO OBTAIN FBI CHRI CHECKS REGARDING PERSONS WHO SEEK TO HOLD POSITIONS OF TRUST IN COMPANIES PROVIDING FINANCIAL SERVICES TO THE PUBLIC. CONGRESS HAS ENACTED FEDERAL LEGISLATION AUTHORIZING ACCESS TO NATIONAL CHRI FOR THE SCREENING OF PROSPECTIVE EMPLOYEES IN AREAS INVOLVING IMPORTANT NATIONAL INTERESTS, WITHOUT REQUIRING STATES TO SUBSEQUENTLY ENACT STATE LAWS TO ACCESS FBI CHRI. MOST RECENTLY, CONGRESS ENACTED PUB. L. 105-277 TO GIVE ALL STATES THE AUTHORITY TO REQUEST FBI CHRI FOR PERSONS SEEKING EMPLOYMENT AT DIRECT CARE PROVIDERS IN NURSING HOMES. THE FBI REPORTS THAT 10.5 PERCENT OF ALL CIVIL NON-CRIMINAL JUSTICE APPLICANT FINGERPRINT CHECKS IN FISCAL YEAR 2000 DISCLOSED CRIMINAL RECORD INFORMATION. THE INTENT OF 1033'S PROHIBITION IS TO PREVENT CERTAIN PERSONS FROM HAVING THE OPPORTUNITY TO HARM THE PUBLIC OR INSURERS. THERE ARE NO STATISTICS TO DISCLOSE THE AMOUNT OF FRAUDULENT LOSSES ELIMINATED, AS A RESULT OF SCREENING APPLICANTS AND CURRENT EMPLOYEES THROUGH THE FINGERPRINT IDENTIFICATION PROCESS. HOWEVER, BASED ON THE 10.5 PERCENT POSITIVE IDENTIFICATION RATE, ONE CAN ONLY BELIEVE THAT IT IS SUBSTANTIAL. TWO SELECT EXAMPLES ARE NOTED BELOW.

RECENT CASES:

ONE INDIVIDUAL WAS A CONVICTED FELON (STATE FRAUD RELATED CONVICTION) WHO USED AN ASSUMED NAME IN THE MID 1990'S TO CONDUCT BUSINESS WITHIN THE INSURANCE INDUSTRY. HIS FRAUDULENT ACTIONS RESULTED IN AS MUCH AS \$6 MILLION IN LOSSES AND HE WAS CONVICTED ON NUMEROUS COUNTS OF VARIOUS FRAUDULENT ACTS. IN ANOTHER INVESTIGATION, AN INDIVIDUAL WAS RECENTLY INDICTED ON CONSPIRACY, MONEY LAUNDERING AND MAIL FRAUD CHARGES RELATING TO HIS ALLEGED FRAUDULENT ACTIONS,

POSSIBLY RESULTING IN AS MUCH AS \$50 MILLION IN LOSSES ASSOCIATED WITH THE VIATICAL LIFE INSURANCE SETTLEMENT INDUSTRY. THIS INDIVIDUAL WAS PREVIOUSLY CONVICTED AND SERVED TIME FOR ILLEGAL SALE OF ARMS AND VARIOUS FRAUD CONVICTIONS.

AN INSURANCE AGENT WHO IS LICENSED IN ONE STATE MAY CONDUCT BUSINESS IN ANY NUMBER OF OTHER STATES. THE POLICYHOLDERS ARE PROTECTED TO VARYING DEGREES BY THEIR OWN STATE'S INSURANCE GUARANTY PROGRAM. IF FRAUDULENT ACTIVITY RESULTED IN THE INSOLVENCY OF AN INSURANCE COMPANY, THIS ACTIVITY CAN TRIGGER THE NEED FOR COVERAGE FROM NUMEROUS STATE GUARANTY PROGRAMS TO THE EXTENT THAT POLICYHOLDERS OF THE FAILED INSURER ARE RESIDENTS OF DIFFERENT STATES. ALTHOUGH THE FRAUDULENT ACTIVITY MAY OCCUR IN A STATE THAT LICENSED AN AGENT (BASED ON NOT DOING A CHRI CHECK) WHO WAS IN VIOLATION OF 1033, SHOULD THIS ACTIVITY CAUSE IMMENSE FINANCIAL LOSSES TO AN INSURANCE COMPANY THAT IS HEADQUARTERED IN ANOTHER STATE AND HAS POLICYHOLDERS THROUGHOUT THE NATION, THE GUARANTY FUND OF EACH STATE MAY BE SEVERELY IMPACTED, AFFECTING POLICYHOLDERS AND TAXPAYERS IN VARIOUS STATES. MANY INSURERS DOMICILED IN SOME STATES ARE ELIGIBLE TO OFFSET A PORTION OF THE AMOUNTS ASSESSED BY THE STATE'S GUARANTY FUNDS AGAINST PREMIUM TAXES COLLECTED BY THESE STATES.

IF AN INSURER IS MADE AWARE OF A FELONY CONVICTION, IT MUST THEN MAKE A DETERMINATION IF THAT FELONY INVOLVED DISHONESTY OR BREACH OF TRUST. THE STATUTE DOES NOT IDENTIFY FELONIES THAT INVOLVE DISHONESTY OR BREACH OF TRUST. IDENTICAL LANGUAGE APPEARS IN SEVERAL FEDERAL STATUTES, INCLUDING PROVISIONS RELATED TO FEDERALLY INSURED BANKS, SAVINGS AND LOANS, CREDIT UNIONS, SMALL BUSINESS INVESTMENT COMPANIES, ETC. THERE DOES NOT APPEAR TO BE ANY COURT DECISIONS OUTLINING STANDARDS FOR DETERMINING WHICH CRIMES INVOLVE DISHONESTY OR BREACH OF TRUST IN THE CONTEXT OF 1033. EACH STATE HAS ITS OWN SET OF STATUTES AND CASE LAW THAT DEFINES WHAT IS, OR IS NOT, DISHONESTY OR BREACH OF TRUST.

AN INDIVIDUAL MAY SEEK RELIEF FROM THE PROHIBITION AGAINST ENGAGING IN THE BUSINESS OF INSURANCE BY OBTAINING THE WRITTEN CONSENT OF THE INSURANCE REGULATORY OFFICIAL (THE APPROPRIATE STATE INSURANCE COMMISSIONER) AUTHORIZED TO REGULATE THE INSURER WHO EMPLOYS THIS INDIVIDUAL. EACH STATE HAS THEIR OWN RULING ON GRANTING WAIVERS ON A CASE BY CASE BASIS.

IN ADDITION TO THE VIOLENT CRIME CONTROL AND LAW ENFORCEMENT ACT OF 1994, THE GLBA PROVIDES THAT STATE INSURANCE REGULATORS SHALL COORDINATE WITH THE FEDERAL REGULATORY AGENCIES AND ACHIEVE A NATIONAL SYSTEM OF AGENCY LICENSING. NEITHER OF THESE SPECIFIC FEDERAL MANDATES CAN BE PROPERLY MET BY STATE OFFICIALS WITHOUT THE ABILITY TO HAVE FBI CHRI CHECKS.

THE NAIC HAS NOTED, THAT WHILE THE INSURANCE INDUSTRY SHOULD REMAIN STATE REGULATED, THERE IS A ROLE FOR THE FEDERAL GOVERNMENT TO PLAY IN THE AREA OF LAW ENFORCEMENT IN CONCERT WITH STATE INSURANCE REGULATORS AND THE NAIC. FEDERAL STATUTES ARE TO BE VIEWED AS ENHANCING, NOT SUPERSEDING, STATE LAW ENFORCEMENT AND WILL HELP TO SERVE AS ADDITIONAL DETERRENCE TO AND PUNISHMENT OF INDIVIDUALS WHO ENGAGE IN ILLEGAL INSURANCE ACTIVITIES.

FOR FIVE YEARS, THE ENERGY AND COMMERCE COMMITTEE'S SUBCOMMITTEE ON OVERSIGHT AND INVESTIGATIONS CONDUCTED INVESTIGATIONS AND HELD OVERSIGHT HEARINGS ON THE INSURANCE INDUSTRY. THESE HEARINGS DEMONSTRATED THAT ENFORCEMENT OF INSURANCE LAWS AND REGULATIONS IS ONE OF THE WEAKEST LINKS IN THE INSURANCE REGULATORY SYSTEM. IN FEBRUARY, 1990, THE SUBCOMMITTEE FOCUSED ATTENTION ON THE NEED FOR FEDERAL CRIMINAL LEGISLATION IN ITS REPORT "FAILED PROMISES." IN THIS REPORT, THE SUBCOMMITTEE EXAMINED FOUR MAJOR INSURANCE COMPANY FAILURES AND CONCLUDED THAT EXISTING STATE REMEDIES WERE INEFFECTIVE AGAINST THE FRAUDULENT BEHAVIORS THAT DROVE THESE COMPANIES INTO INSOLVENCY. AS A RESULT, CONGRESS ENACTED FEDERAL CRIMINAL STATUTES (1033 AND 1034) TO HELP

INSURANCE REGULATORS DEAL WITH INTERSTATE INSURANCE FRAUD SCHEMES.

MANY OF THE STATES HAVE VARYING PROCEDURES/PRACTICES IN PLACE WITH RESPECT TO THE ENFORCEMENT OF 1033. SOME STATES HAVE NO POLICY OR PROCEDURES IN PLACE AND SOME DO NOT BELIEVE THEIR RESPECTIVE INSURANCE DEPARTMENT COULD INTERPRET OR ENFORCE 1033. OTHER STATES BELIEVE THAT COMPANIES/EMPLOYEES MUST DETERMINE FOR THEMSELVES WHETHER THEY MUST SEEK CONSENT. NUMEROUS STATES HAVE POLICY AND PROCEDURES IN PLACE TO ENFORCE 1033 BASED ON THE NAIC GUIDELINES FOR STATE INSURANCE REGULATORS. WE COMMEND THE NAIC FOR THEIR PROACTIVE EFFORTS AND PROGRESS IN SEEKING TO ESTABLISH UNIFORMITY THROUGHOUT THE INDUSTRY.

ALL TOO OFTEN THE PERPETRATORS OF FRAUD AND DECEPTIVE PRACTICES IN THE INSURANCE FIELD NOT ONLY ARE ABLE TO CARRY OUT THEIR SCHEMES WITH IMPUNITY, BUT EQUALLY TROUBLING THEY MOVE ON TO ANOTHER INSURANCE COMPANY TO INFLICT STILL MORE HARM TO THE GOOD NAME OF INSURANCE. EVEN MORE TROUBLING IS THAT CON MEN FROM OTHER INDUSTRIES ARE MIGRATING MORE AND MORE TO THE INSURANCE INDUSTRY BECAUSE OF THE LACK OF UNIFORMITY AND CONTROLS.

I WILL NOW ADDRESS THE INFORMATION SHARING PORTION OF OUR TESTIMONY. THE GLBA FINANCIAL MODERNIZATION LEGISLATION HIGHLIGHTS THE IMPORTANCE OF CONSULTATION AND INFORMATION SHARING AMONG FEDERAL FINANCIAL REGULATORS AND STATE INSURANCE REGULATORS. ALTHOUGH THE LEGISLATION IS RECENT, REGULATORS IN CERTAIN FINANCE-ORIENTED INDUSTRIES HAVE RECOGNIZED THE NEED TO IMPROVE THEIR COORDINATION AND HAVE TAKEN OR PLAN TO TAKE A NUMBER OF ACTIONS. GENERALLY, THE ACTIONS CONSIST OF ESTABLISHING FORMAL AGREEMENTS FOR SHARING INFORMATION AND CREATING WORKING GROUPS TO DISCUSS MATTERS OF MUTUAL INTEREST. THESE REGULATORY ACTIONS ARE IN THEIR INFANCY.

THE FBI COMMENDS THE GENERAL ACCOUNTING OFFICE (GAO) ON ITS EXCELLENT

REPORT: "INSURANCE REGULATION: SCANDAL HIGHLIGHTS NEED FOR STRENGTHENED OVERSIGHT, SEPTEMBER 2000, GAO REPORT TO THE HONORABLE JOHN D. DINGELL." THE REPORT IS A PRIME EXAMPLE OF THE NEED FOR A COORDINATED SHARING OF INFORMATION. HOWEVER, EVEN WITH PRACTICES IN PLACE WITHIN A SINGLE INDUSTRY, VARIOUS STATE REGULATORS WERE NOT SHARING SUSPECTED FRAUDULENT ACTIVITY WITH OTHER STATE REGULATORS. MARTIN FRANKEL, A FORMER SECURITIES BROKER WHO WAS BARRED FROM THE INDUSTRY IN 1992, ALLEGEDLY MIGRATED TO THE INSURANCE INDUSTRY AND CONTINUED TO OPERATE AS A ROGUE BY ENGAGING IN ILLEGAL ACTIVITY. THE INSURANCE COMPANIES NEGATIVELY AFFECTED BY THE SCAM WERE REGULATED BY INDIVIDUAL STATES. ANOTHER ENTITY TIED TO THE SCAM, A BROKER-DEALER, WAS SUBJECT TO REGULATION IN THE SECURITIES INDUSTRY. THE MIGRATION OF UNDESIRABLE PERSONS, OR ROGUES, FROM ONE INDUSTRY TO ANOTHER IS ONE OF MANY ISSUES OF CONCERN FOR FINANCIAL SERVICE REGULATORS THAT ARE ATTEMPTING TO IMPLEMENT THE GLBA AIMED AT MODERNIZING THE FINANCIAL SERVICES INDUSTRY.

A RECENT EXAMPLE ILLUSTRATES THE FAILURE TO COMMUNICATE AND COOPERATE WITHIN A SINGLE FINANCIAL SECTOR BUSINESS. IN FLORIDA, 18 INDIVIDUALS WERE CHARGED PURSUANT TO INDICTMENTS PERTAINING TO A SCHEME INVOLVING THE "PLANTING" OF MEMBERS OF A SPECIFIC GROUP IN BANKS AS TELLERS. THESE TELLERS IDENTIFIED LARGE ACCOUNTS AND, SUBSEQUENTLY, CO-MEMBERS OF THE GROUP PRESENTED COUNTERFEIT CHECKS TO THEM FOR CASHING. THE LOSSES DUE TO THE ALLEGED FRAUD EXCEEDED \$1.6 MILLION. TWO BANKS AND SEVERAL BRANCHES OF THESE BANKS IN VARIOUS JURISDICTIONS FELL VICTIM. THERE WAS NO "BANK-WIDE" COORDINATION OF BACKGROUND CHECKS OF BANK PERSONNEL. EACH BRANCH CONDUCTED THEIR OWN CHECKS AND DID NOT SHARE THE INFORMATION WITH OTHER BRANCHES. AFTER BEING FIRED, THESE TELLERS WOULD SIMPLY BE HIRED BY ANOTHER BRANCH OF THE SAME BANK.

I WANT TO CONCLUDE BY EMPHASIZING THE FBI'S CONTINUED COMMITMENT TO WORK

WITH THE SUBCOMMITTEES, THE HOUSE FINANCIAL SERVICES COMMITTEE, CONGRESS, THE REGULATORY AGENCIES, THE FINANCIAL SERVICES INDUSTRIES AND OTHER LAW ENFORCEMENT AGENCIES IN ADDRESSING CONCERNS RELATING TO THE MERGING AND OVERLAPPING OF THE FINANCIAL SECTORS. THESE ARE EXCITING TIMES IN THE AMERICAN ECONOMY AS TECHNOLOGY CONTINUES TO RAPIDLY CHANGE AMERICA AND THE WORLD.