



HOUSE COMMITTEE ON APPROPRIATIONS

2009-10 Legislative Session

FISCAL NOTE

HOUSE BILL: 1750

PRINTER'S NO: 3441

PRIME SPONSOR: Barbin

FISCAL IMPACT SUMMARY	FY 2010/11	FY 2011/12
Expenditure Increase/(Decrease):		
General Fund	\$0	\$0
Insurance Fraud Prevention Trust Fund	\$75,000	\$150,000

OVERVIEW:

House Bill 1750 amends Title 18 (Crimes and Offenses) and Title 40 (Insurance), relating to insurance fraud.

First, House Bill 1750 amends Title 18 (Crimes and Offenses) by expanding current law to include all lines of insurance coverage. Currently, §4117 (insurance fraud) of Title 18 is limited to motor vehicle insurance.

A person commits an offense by doing any of the following:

1. Knowingly intends to defraud a government agency by presenting misleading information to the agency when approving or disapproving a rate filing.
2. Knowingly intends to defraud an insurer, self-insured, insurance licensee, a person, or the public by presenting an insurance transaction that contains any false, incomplete, or misleading information related to any of the following:
 - Issue by an insurer or self-insured of an insurance policy, rider, endorsement, or a certificate of insurance.
 - Determination of insurance premium.
 - Payment of any commission, benefit, claim, or other funds, under a policy of insurance or a certificate of insurance.
3. Knowingly intends to defraud an insurer, self-insured, insurance licensee, a person, or the public by assisting, abetting, soliciting, or conspiring with another to prepare a false insurance transaction.
4. Engages in unlicensed insurance activity.
5. Makes, solicits, negotiates, sells, distributes, possesses false insurance documents or uses another person's insurance documents.

This legislation also deletes the immunity section of current law regarding insurance fraud.

Also under Title 18, all applications for insurance and all claim forms shall contain a notice regarding fraudulent acts against an insurer, self-insured, insurance licensee, person, or the public.

In addition, House Bill 1750 amends Part II of Title 40 (Insurance), adding Article A – Insurance Fraud. The bill adds Chapter 11 – Insurance Fraud Prevention Authority. Currently, enabling language for the Insurance Fraud Prevention Authority, including the structure, powers and duties, and Insurance Fraud Prevention Trust Fund, falls under the Insurance Department Act of 1921. House Bill 1750 places these provisions in Title 40.

Also, the legislation moves the enabling language for the Section of Insurance Fraud within the Attorney General's Office into Title 40 and note that the costs of this Section are to be covered by the Trust Fund.

House Bill 1750 requires the development of anti-fraud plans by licensed insurers for all lines of insurance. In addition, the bill requires insurers to annually certify anti-fraud plans and report activity under those plans to the Insurance Commissioner. The legislation requires insurers to file an anti-fraud statistical report, with the Insurance Commissioner, by the first business day in April of each year. In turn, the Insurance Department shall develop an annual certification process and issue a statistical report of the anti-fraud efforts, including the total dollar amount of fraud identified within reports of insurance fraud made to criminal law enforcement agencies. House Bill 1750 requires insurers to participate in the combating of insurance fraud, outlining various responsibilities, including the development of anti-fraud plans. The legislation outlines relative penalties for non-compliance with the act.

This act takes effect in 60 days.

The Insurance Fraud Prevention Trust Fund is comprised of assessments on the insurance companies that conduct business in the Commonwealth of Pennsylvania, fines and penalties, and interest earnings. The purpose of the fund is to finance activities in the commonwealth to prevent, combat and reduce insurance fraud, and to improve and support insurance fraud law enforcement, prosecutions and prevention.

ANALYSIS:

Currently, the Insurance Department only examines anti-fraud plans for motor vehicle auto carriers and workers' compensation companies. House Bill 1750 would require examination of health insurance plans. The department anticipates that this would increase its workload, requiring an increase in complement from two to four positions. Currently, the two positions are funded under the Insurance Fraud Prevention Authority (IFPA) Trust Fund. This analysis assumes that the Trust Fund will continue to fund the existing two positions, and will be able to fund any additional positions required with implementing this act. This fiscal note assumes funding an additional two positions for six months in the current fiscal year (approximately \$75,000) and a full year in the budget year (approximately \$150,000).

The Attorney General's Office's Section of Insurance Fraud currently has positions funded under the IFPA Trust Fund. At this time, the Attorney General's Office does not anticipate the need for additional positions as a result of this act. Should additional positions become necessary, this fiscal analysis assumes that the IFPA Trust Fund would cover any such costs.

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General Note and Disclaimer: *This Fiscal Note was prepared pursuant to House Rule 19(a), and the elements considered and reported above are required by Section 5 of the rule. Estimates are calculated using the best information available. Actual costs and revenue impact incurred may vary from estimates.*