

April 23, 2024

Chair Brenda Carter and Members of the Committee
Committee on Insurance and Financial Services
Michigan House of Representatives

RE: House Bills 5191 through 5197 – Insurance Fraud Package – Support

Dear Chair Carter and Members of the Committee:

The National Insurance Crime Bureau (NICB) is a national, century-old, not-for-profit organization supported by approximately 1,200 property and casualty insurance companies, including many who write business in Michigan. Working hand-in-hand with our member companies and Michigan law enforcement, we help to detect, prevent, and deter insurance crimes. While NICB provides value to our member companies, we also serve a significant public benefit by helping to stem the estimated billions of dollars in economic harm that insurance crime causes to individual policyholders across the country every year.

Insurance fraud is not a victimless crime. The FBI estimates that over a 10-year period, insurance fraud costs the average U.S. family between \$4,000 and \$7,000 in increased premiums. Beyond financial losses, innocent victims sometimes also suffer physical injuries when criminals engage in more violent schemes such as arson and staged accidents.

To combat insurance fraud, most states, including Michigan, have formed fraud units to investigate suspected insurance fraud. All state fraud units are staffed with highly skilled, professional personnel eager to fight insurance fraud. Providing the tools and resources needed to investigate and prosecute insurance fraud is vital to help protect the public and combat insurance fraud.

HB 5197 establishes the mandatory reporting of suspected insurance fraud, putting Michigan in-line with 46 other states. Mandating reporting ensures law enforcement receives the necessary information they need to investigate and prosecute insurance fraud -- thus protecting insurers, the public, and the integrity of the insurance markets.

HB 5192 enhances the immunity statute to protect information sharing concerning suspected insurance fraud, a critical tool to combat fraud.

HB 5191 and HB 5193 through HB 5196 establish tiered criminal penalties, civil penalties, and sentencing guidelines. These tiered penalties put fraudsters on notice that insurance fraud will not be tolerated in Michigan. Civil penalties provide another avenue to hold fraudsters accountable, providing a way to defray investigative and prosecutorial expenses.

Accordingly, we strongly ask for your strong support in favor of House Bills 5191 – 5197.

We thank you for scheduling a hearing and for considering our views as you deliberate the merits of the bill. If you have any questions or need additional information, please contact me at csepich@nicb.org or (847) 772-7667.

Sincerely,

Craig Sepich

Craig Sepich
Director
Office of Strategy, Policy, & Government Affairs
National Insurance Crime Bureau