

Department of Fiscal Services
Maryland General Assembly

FISCAL NOTE

House Bill 987 (Delegate Frank)
Economic Matters

Insurance - Fraudulent Acts - Professionals

This bill prohibits a person from soliciting another person injured in a motor vehicle accident for the purpose of referring that accident victim to an attorney or health care practitioner. An attorney or health care practitioner may not employ or compensate any person for soliciting clients. A person violating these provisions may be fined up to \$10,000 or imprisoned for up to 15 years, or both. In addition, an attorney may not send a written solicitation to an automobile accident victim or the victim's family unless the accident occurred more than 30 days before the date the communication is mailed.

The bill directs the Insurance Fraud Division to notify the appropriate professional licensing board or disciplinary body of evidence of insurance fraud involving professionals. The professional licensing boards for the health occupations must report in writing to the Insurance Fraud Unit of the final disposition of a matter referred to the board and if no disciplinary action is taken, the reason why such action was not taken. The board must revoke the license of any licensee convicted of insurance fraud.

Fiscal Summary

State Effect: Potential increase in general fund revenue and expenditures due to the bill's penalty provisions.

Local Effect: Potential increase in local revenues and expenditures due to the bill's penalty provisions.

Fiscal Analysis

State Revenues: General fund revenues could increase under the bill's monetary penalty provision for those cases heard in the District Court, depending upon the number of convictions and fines imposed.

State Expenditures: The Maryland Insurance Administration (MIA) advises that the bill would require MIA to conduct additional investigations and that the administration would need to hire an investigator at an annual salary of \$32,000. The Department of Fiscal Services (DFS) assumes that any investigations of insurance fraud would be conducted by the Insurance Fraud Division within the normal course of the division's duties. Therefore, no additional positions would be required.

The professional licensing boards for the health occupations would need to review evidence of insurance fraud by licensed professionals. DFS assumes that the boards could handle this additional activity within existing resources.

General fund expenditures could increase as a result of the bill's incarceration penalty due to more people being committed to a Division of Correction (DOC) facility and increased payments to counties for reimbursement of inmate costs, depending upon the number of convictions and sentences imposed.

Persons serving a sentence longer than 12 months are incarcerated in a DOC facility. In fiscal 1997 the average monthly cost per inmate is estimated at \$1,400. Persons serving a sentence of 12 months or less are sentenced to a local detention facility. The State reimburses counties for part of their per diem rate after a person has served 90 days. State per diem reimbursements for fiscal 1997 are estimated to range from \$11 to \$50 per inmate depending upon the jurisdiction.

Local Revenues: Revenues could increase under the bill's monetary penalty provision for those cases heard in the circuit courts, depending upon the number of convictions and fines imposed.

Local Expenditures: Expenditures could increase as a result of the bill's incarceration penalty depending upon the number of convictions and sentences imposed. Counties pay the full cost of incarceration for people in their facilities for the first 90 days of the sentence plus part of the per diem cost after 90 days. Per diem operating costs of local detention facilities are expected to range from \$22 to \$108 per inmate in fiscal 1997.

Information Source(s): Maryland Insurance Administration, Department of Health and Mental Hygiene, Department of Fiscal Services

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