

Department of Legislative Services
Maryland General Assembly
2012 Session

FISCAL AND POLICY NOTE
Revised

House Bill 301

(Chair, Economic Matters Committee)(By Request -
Departmental - Insurance Administration, Maryland)

Economic Matters

Finance

Insurance Fraud - Applications for Insurance and Claim Forms - Required
Disclosure Statement

This departmental bill makes the fraud disclosure statement required to be included on all claim and application forms consistent with the description of a fraudulent insurance act.

The bill takes effect January 1, 2013.

Fiscal Summary

State Effect: Minimal increase in special fund revenues for the Maryland Insurance Administration (MIA) in FY 2013 from the \$125 rate and form filing fee. Review of forms can be handled by existing MIA staff.

Local Effect: None.

Small Business Effect: MIA has determined that this bill has minimal or no impact on small business (attached). Legislative Services concurs with this assessment. (The attached assessment does not reflect amendments to the bill.)

Analysis

Current Law/Background: Chapter 271 of 2008 requires insurers to include a fraud disclosure statement on all claim and application forms that informs the consumer that it is a crime to commit insurance fraud. The following (or a substantially similar) statement is required: “Any person who knowingly *and* willfully presents a false or fraudulent claim for payment of a loss or benefit or who knowingly *and* willfully presents false

information in an application for insurance is guilty of a crime and may be subject to fines and confinement in prison” (emphasis added). Conversely, § 27-406 of the Insurance Article states that “it is a fraudulent insurance act for a person to knowingly *or* willfully make a false or fraudulent statement or representation in or with reference to an application for insurance” (emphasis added). The bill is intended to conform the required disclosure statement to the statutory description of a fraudulent insurance act.

Providing advance written notice of what constitutes criminal activity helps strengthen prosecution of individuals who commit the specified crimes, because prosecutors are then able to demonstrate that a perpetrator had knowledge that an activity was criminal when it was committed. In insurance fraud cases, prosecutions are strengthened by the ability to show that a person was already aware of what constitutes insurance fraud, as well as the possible penalties, when that person completed the insurance application, filed claim forms, and endorsed the claim payment instrument.

Additional Comments: According to the Judiciary, the bill may result in an increase in insurance fraud cases; however, it is not anticipated that the numbers will have a significant fiscal or operational impact on the trial courts.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Department of Health and Mental Hygiene, Maryland Insurance Administration, Judiciary (Administrative Office of the Courts), Department of Legislative Services

Fiscal Note History: First Reader - February 7, 2012
mc/mwc Revised - House Third Reader - March 21, 2012

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ANALYSIS OF ECONOMIC IMPACT ON SMALL BUSINESSES

TITLE OF BILL: Insurance Fraud – Applications for Insurance and Claim Forms – Required Disclosure Statements

BILL NUMBER: HB 301

PREPARED BY: Maryland Insurance Administration

PART A. ECONOMIC IMPACT RATING

This agency estimates that the proposed bill:

 X WILL HAVE MINIMAL OR NO ECONOMIC IMPACT ON MARYLAND SMALL BUSINESS

OR

 WILL HAVE MEANINGFUL ECONOMIC IMPACT ON MARYLAND SMALL BUSINESSES

PART B. ECONOMIC IMPACT ANALYSIS

The proposed legislation will have no impact on small business in Maryland.