

Department of Legislative Services
Maryland General Assembly
2012 Session

FISCAL AND POLICY NOTE
Revised

House Bill 1097
Economic Matters

(Delegate Rudolph)

Finance

Insurance - Suspected Fraud - Liability for Reporting or for Furnishing or Receiving Information

This bill expands the scope of circumstances in which a person may receive civil immunity for a cause of action related to suspected insurance fraud by (1) adding specified entities to which the person may report the insurance fraud; and (2) extending civil immunity if the person has merely furnished or received information relating to suspected, anticipated, or completed fraudulent insurance acts.

Fiscal Summary

State Effect: The bill's changes can be handled with existing budgeted resources. However, if the number of reports of suspected fraud received by MIA increases significantly, it may be necessary to hire additional personnel. No impact on revenues.

Local Effect: None.

Small Business Effect: Minimal.

Analysis

Bill Summary: The bill establishes that a person has civil immunity for a cause of action by virtue of reporting suspected insurance fraud, or furnishing or receiving information relating to suspected, anticipated, or completed fraudulent acts, if the report was made, or the information was furnished to or received from:

- the Commissioner, Fraud Division, or an appropriate federal, State, or local law enforcement authority;

- the National Association of Insurance Commissioners (NAIC) or its agent, employee, or designee;
- a not-for-profit organization established to detect and prevent fraudulent insurance acts or its agent, employee, or designee;
- a person that contracts to provide special investigative unit services to an insurer; or
- a provider of a recognized comprehensive database system that the Commissioner approves to monitor activities involving insurance fraud or an employee of the provider.

The bill requires that the person must have furnished or received the information in good faith.

Current Law: The following persons must report suspected insurance fraud in writing to the Commissioner, the Fraud Division, or the appropriate federal, State, or local law enforcement authorities, if the person has cause to believe in good faith that insurance fraud has been or is being committed:

- an authorized insurer and its employees;
- fund producers;
- insurance producers; and
- viatical settlement providers and brokers.

Additionally, an independent insurance producer and a registered premium finance company must report suspected fraud in writing to the Fraud Division.

Any information reported regarding suspected insurance fraud is not subject to public inspection for as long as the Commissioner, Fraud Division, or law enforcement authority considers necessary in order to complete an investigation or protect the person investigated from unwarranted injury.

A person is not subject to civil liability for a cause of action by virtue of reporting suspected insurance fraud if the report was made to the Commissioner, Fraud Division, or an appropriate federal, State, or local law enforcement authority and the person that reported the suspected insurance fraud acted in good faith when making the report.

Background: NAIC is a regulatory support organization created and governed by state insurance regulators in the 50 states and the District of Columbia. NAIC establishes standards and best practices, conducts peer review, and coordinates their regulatory oversight.

Additional Information

Prior Introductions: None.

Cross File: SB 812 (Senator Astle) - Finance.

Information Source(s): Department of State Police, Maryland Insurance Administration, National Association of Insurance Commissioners, Department of Legislative Services

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