

HOUSE BILL No. 5837

May 29, 1990, Introduced by Reps. Stallworth, Brown, Clack, Pitoniak, Rocca, Bartnik and Bennett and referred to the Committee on Insurance.

A bill to amend Act No. 218 of the Public Acts of 1956, entitled as amended

"The insurance code of 1956,"

as amended, being sections 500.100 to 500.8302 of the Michigan Compiled Laws, by adding section 3120.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1 Section 1. Act No. 218 of the Public Acts of 1956, as
2 amended, being sections 500.100 to 500.8302 of the Michigan
3 Compiled Laws, is amended by adding section 3120 to read as
4 follows:

5 SEC. 3120. (1) EACH INSURER TRANSACTING AUTOMOBILE INSUR-
6 ANCE IN THIS STATE SHALL ESTABLISH AND MAINTAIN A MOTOR VEHICLE
7 INSURANCE ANTIFRAUD PLAN. THE ANTIFRAUD PLAN OF INSURERS
8 AUTHORIZED TO DO BUSINESS IN THIS STATE ON THE EFFECTIVE DATE OF
9 THIS SECTION SHALL BE FILED WITH THE COMMISSIONER ON OR BEFORE

1 JANUARY 1, 1991. AN AUTOMOBILE INSURER WHO IS AUTHORIZED TO DO
2 BUSINESS AFTER THE EFFECTIVE DATE OF THIS SECTION SHALL FILE AN
3 ANTIFRAUD PLAN WITHIN 6 MONTHS AFTER AUTHORIZATION. A MODIFICA-
4 TION TO THE ANTIFRAUD PLAN SHALL BE FILED WITH THE COMMISSIONER
5 WITHIN 30 DAYS AFTER THE PLAN HAS BEEN MODIFIED.

6 (2) EACH ANTIFRAUD PLAN ESTABLISHED UNDER SUBSECTION (1)
7 SHALL CONTAIN ALL OF THE FOLLOWING:

8 (A) SPECIFIC PROCEDURES TO PREVENT INSURANCE FRAUD, INCLUD-
9 ING INTERNAL FRAUD INVOLVING EMPLOYEES OR COMPANY REPRESENTA-
10 TIVES, FRAUD RESULTING FROM MISREPRESENTATION ON APPLICATIONS FOR
11 INSURANCE COVERAGE, AND CLAIMS FRAUD.

12 (B) SPECIFIC PROCEDURES TO REVIEW CLAIMS IN ORDER TO DETECT
13 EVIDENCE OF POSSIBLE INSURANCE FRAUD AND TO INVESTIGATE CLAIMS
14 WHERE FRAUD IS SUSPECTED.

15 (C) A REQUIREMENT TO REPORT FRAUD TO THE APPROPRIATE LAW
16 ENFORCEMENT AGENCIES, AND TO COOPERATE WITH THOSE AGENCIES IN
17 THEIR PROSECUTION OF FRAUD CASES.

18 (D) A REQUIREMENT TO UNDERTAKE CIVIL ACTIONS AGAINST PERSONS
19 WHO HAVE ENGAGED IN FRAUDULENT ACTIVITIES.

20 (E) A REQUIREMENT TO REPORT ANNUALLY TO THE COMMISSIONER THE
21 NUMBER OF CASES OF FRAUD REPORTED OR FILED UNDER SUBDIVISIONS (C)
22 AND (D).

23 (2) EACH INSURER TRANSACTING AUTOMOBILE INSURANCE IN THIS
24 STATE SHALL PROVIDE ANNUALLY TO THE COMMISSIONER A REPORT ON
25 ACTIONS TAKEN UNDER THE INSURER'S ANTIFRAUD PLAN TO PREVENT AND
26 COMBAT INSURANCE FRAUD.

1 (3) AN ANTIFRAUD PLAN OR REPORT FILED WITH THE COMMISSIONER
2 UNDER THIS SECTION AND ANY REPORTS OR MATERIALS RELATED TO SUCH A
3 PLAN OR REPORT ARE NOT PUBLIC REPORTS AND ARE NOT SUBJECT TO
4 PUBLIC INSPECTION.

5 (4) BY JANUARY 1, 1991 EACH INSURER TRANSACTING AUTOMOBILE
6 INSURANCE IN THIS STATE SHALL FILE BASE RATES FOR AUTOMOBILE
7 INSURANCE THAT ARE REDUCED TO THE BASE RATES IN EFFECT IN THIS
8 STATE FOR THAT INSURER ON JUNE 1, 1990 FOR PHYSICAL DAMAGE COVER-
9 AGES PLUS AN ADDITIONAL REDUCTION OF NOT LESS THAN 10% OF THE
10 BASE RATE FOR PHYSICAL DAMAGE COVERAGES IN EFFECT ON JUNE 1,
11 1990. THIS REDUCTION REPRESENTS ANTICIPATED SAVINGS FROM THE
12 ESTABLISHMENT AND MAINTENANCE OF AN ANTIFRAUD PLAN UNDER THIS
13 SECTION. ASSESSMENTS FOR THE MICHIGAN CATASTROPHIC CLAIMS ASSO-
14 CIATION, AUTOMOBILE THEFT PREVENTION AUTHORITY, AND THE MICHIGAN
15 AUTOMOBILE INSURANCE PLACEMENT FACILITY SHALL NOT BE CONSIDERED
16 IN ACHIEVING THE REDUCTION REQUIRED BY THIS SUBSECTION.

17 Section 2. This amendatory act shall not take effect unless
18 House Bill No. ____ or Senate Bill No. 5842 (request
19 no. 05839'90) of the 85th Legislature is enacted into law.