



Senate Fiscal Agency
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BILL ANALYSIS



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Senate Bill 355 (as introduced 3-15-07)
Sponsor: Senator Alan Sanborn
Committee: Economic Development and Regulatory Reform

Date Completed: 5-29-08

CONTENT

The bill would amend the Insurance Code to include in the Code's list of fraudulent insurance acts employing, using, or acting as a "runner", "capper", or "steerer" with the intent to obtain insurance benefits or assert a claim against an insured or an insurer falsely or fraudulently.

The Code lists as fraudulent insurance acts various acts or omissions committed by any person knowingly, and with an intent to injure, defraud, or deceive. The bill would include in that list employing, using, or acting as a runner, capper, or steerer with the intent falsely or fraudulently to obtain benefits under a contract of insurance or falsely or fraudulently to assert a claim against an insured or an insurer for providing services to the client, patient, or customer.

Under the bill, "runner", "capper", or "steerer" would mean a person who receives pecuniary benefit from a practitioner, whether directly or indirectly, for procuring or attempting to procure a client, patient, or customer at the direction or request of, or in cooperation with, a practitioner whose intent is to obtain benefits under a contract of insurance or to assert a claim against an insured or an insurer for providing services to the client, patient, or customer. The terms would not include a practitioner who procures clients, patients, or customers through the use of public media.

The Code defines "practitioner" as a Michigan licensee authorized to practice medicine and surgery, psychology, chiropractic, or law; any other Michigan licensee whose services are compensated, directly or indirectly, by insurance proceeds; a licensee similarly licensed in other states and nations; or the practitioner of any nonmedical treatment rendered in accordance with a recognized religious method of healing.

Under the Code, a person who commits a fraudulent insurance act is guilty of a felony punishable by imprisonment for up to four years and/or a maximum fine of \$50,000. A person who enters into an agreement or conspiracy to commit a fraudulent insurance act is guilty of a felony punishable by imprisonment for up to 10 years and/or a maximum fine of \$50,000. In either case, the offender must be ordered to pay restitution.

MCL 500.4501 & 500.4503

Legislative Analyst: Patrick Affholter

FISCAL IMPACT

The bill would have an indeterminate fiscal impact on State and local government. There are no data to indicate how many offenders would be convicted of employing, using, or acting as a "runner", "capper", or "steerer" with the intent to obtain insurance benefits or assert a claim against an insured or an insurer falsely or fraudulently. In 2005, 73 offenders were convicted of committing a fraudulent insurance act, and in 2004, 98 offenders were convicted. Sentencing information for 2005 is in the table below. To the extent that the bill would increase convictions, local governments would incur the costs of incarceration in local facilities, which vary by county. The State would incur the cost of felony probation at an annual average cost of \$2,000, as well as the cost of incarceration in a State facility at an average annual cost of \$33,000. Additional penal fine revenue would benefit public libraries.

Sentences for Offenders Convicted of Fraudulent Insurance Acts

	Total	Prison	Probation	Jail	Other
Violation	61	10	39	9	3
Attempt to violate	6		6		
Conspiracy to violate	5		2	1	2
Attempt to conspire to violate	1				1
Total	73	10	47	10	6

Fiscal Analyst: Lindsay Hollander

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This analysis was prepared by nonpartisan Senate staff for use by the Senate in its deliberations and does not constitute an official statement of legislative intent.