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(FORM UPDATED: 08/11/2010)

WISCONSIN STATE LEGISLATURE ... PUBLIC HEARING - COMMITTEE RECORDS

1995-96

(session year)

Assembly

(Assembly, Senate or Joint)

Committee on Insurance, Securities and Corporate Policy...

COMMITTEE NOTICES ...

- Committee Reports ... **CR**
- Executive Sessions ... **ES**
- Public Hearings ... **PH**

INFORMATION COLLECTED BY COMMITTEE FOR AND AGAINST PROPOSAL

- Appointments ... **Appt** (w/Record of Comm. Proceedings)
- Clearinghouse Rules ... **CRule** (w/Record of Comm. Proceedings)
- Hearing Records ... bills and resolutions (w/Record of Comm. Proceedings)
 - (**ab** = Assembly Bill) (**ar** = Assembly Resolution) (**ajr** = Assembly Joint Resolution)
 - (**sb** = Senate Bill) (**sr** = Senate Resolution) (**sjr** = Senate Joint Resolution)
- Miscellaneous ... **Misc**

Assembly

Senate Bill 361

November 21, 1995

November 30, 1995

Record of Committee Proceedings

AN ACT relating to immunity for persons who report insurance fraud. Introduced by Senators Schultz, Rosenzweig, Huelsman, Buettner, Darling, Fitzgerald, Welch, Zien and Breske; cosponsored by Representatives Albers, Freese, Silbaugh, Ourada, Seratti, Powers, Otte, Ainsworth, Lorge, Ladwig, Hahn, Dobyns, Kreibich, Johnsrud, Lehman, Ryba, Hanson and Cullen.

Referred to committee on Insurance, Securities & Corporate Policy.

PUBLIC HEARING HELD

Present: (12) Representatives Albers, Lorge, Lasee, Kreibich, Lazich, Hoven, Green, Baldus, Robson, Cullen, and Ziegelbauer

Absent: (2) Underheim and Notestein

Appearances For the Bill

► Senator Dale Schultz

Appearances Against the Bill

None

Appearances for Information Only

None

Registrations For the Bill

- Randy Alt-Blue Cross & Blue Shield United of Wisconsin
- Senator Robert Welch
- Todd Nejedlo-Blue Cross & Blue Shield United of Wisconsin
- Taisha Weber-Blue Cross & Blue Shield United of Wisconsin
- Jerry Mueller-Wisconsin Association of Mutuals Insurance Companies
- Robert Feinen, Jr.-Sentry Insurance
- Lee Fanshaw-Sentry Insurance
- James Tenuta-Wisconsin Association of Life & Health Insurers
- James E. Hough-Civil Trial Counsel of Wisconsin
- Owen Schwerdtfeger-American Family Insurance
- Amy Steinmetz-Civil Trial Counsel of Wisconsin
- Chet Gerlach-State Farm Insurance
- Michael Vaughan-American Insurance Association

- ▶ Ruth Ann Nelson-Wisconsin Federation of Cooperatives
- ▶ R.J. Wilkinson-National Insurance Crime Bureau, 10330 Roberts Road, Palos Hills, IL 60465
- ▶ Bill Schroeder-Alliance of American Insurers, 1501 Woodfield Road Ste. 400W, Schaumburg, IL 60173
- ▶ Don Schultz-American Family

Registrations Against the Bill
None

December 14, 1995

EXECUTIVE SESSION HELD

Present: (12) Representatives Albers, Lasee, Underheim, Kreibich, Lazich, Hoven, Green Baldus, Notestein, Robson, Cullen, and Ziegelbauer

Absent: (1) Lorge.

Moved by Representative Underheim, seconded by Representative Lazich that Senate Bill 361 be recommended for concurrence.

Ayes: (12) Representatives Albers, Lasee, Underheim, Kreibich, Lazich, Hoven, Green, Baldus, Notestein, Robson, Cullen, and Ziegelbauer

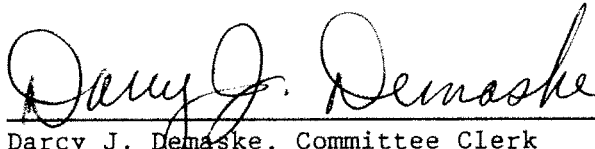
Noes: (0) None.

Absent: (1) Lorge.

Motion carried: concurrence recommended.

Concurrence:

Ayes 12, Noes 0, Absent 1.



Darcy J. Demaske, Committee Clerk

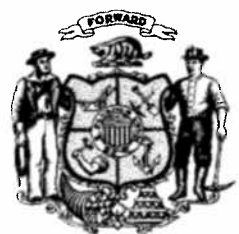
Assembly Committee on Insurance, Securities, and Corporate Policy

DATE 12-14-95 *Concurrence*
 Moved by Underheim Seconded by Lazich
 AB _____ SB 361 Clearinghouse Rule _____
 AJR _____ SJR _____ Appointment _____
 A _____ SR _____ Other _____
 A/S Amdt _____
 A/S Amdt _____ to A/S Amdt _____
 A/S Sub Amdt _____
 A/S Amdt _____ to A/S Sub Amdt _____
 A/S Amdt _____ to A/S Amdt _____ to A/S Sub Amdt _____

- Be recommended for:
- Passage
 - Introduction
 - Adoption
 - Rejection
 - Indefinite Postponement
 - Tabling
 - Concurrence
 - Nonconcurrence
 - Confirmation

	Committee Member	Aye	No	Absent	Not Voting
1.	Rep. Sheryl Albers, Chair	X			
2.	Rep. William Lorge, Vice-Chair			X	
3.	Rep. Gregg Underheim	X			
4.	Rep. Robin Kreibich	X			
5.	Rep. Mary Lazich	X			
6.	Rep. Tim Hoven	X			
7.	Rep. Frank Lasee	X			
8.	Rep. Mark Green	X			
9.	Rep. Al Baldus	X			
10.	Rep. Barbara Notestein	X			
11.	Rep. Judy Robson	X			
12.	Rep. David Cullen	X			
13.	Rep. Robert Ziegelbauer	X			
14.					
15.					
16.					
17.					
18.					
Totals		12	0	1	0

MOTION CARRIED MOTION FAILED





DALE W. SCHULTZ
Wisconsin State Senator

TESTIMONY IN SUPPORT OF SENATE BILL 361 AND 362
Assembly Committee on Insurance, Securities and Corporate Policy
Thursday, November 30, 1995

Thank you Chair Albers and committee members.

Insurance fraud is a serious crime that drives up the cost of insurance for everyone. Whether committed by claimants, providers, employees, or insurers, it is expensive. Its cost to consumers, the insurance industry and the government in 1992 was estimated to be \$67.7 billion. Direct and indirect costs attributable to insurance fraud amounted to more than \$830 per American family.

Insurance fraud increases premiums, decreases consumer capital for other goods and services, and overall, lowers our nation's standard of living.

When the Senate Insurance Committee held a public hearing in Milwaukee to investigate the cost of urban auto insurance, we heard testimony from not only the insurance industry, but those outside the industry indicating that insurance fraud was one of the components that causes urban auto insurance to be so expensive.

I'm here today in support of SB 361 and 362, two bills which seek to provide society with additional weapons to combat insurance fraud. There are others who will follow me who know more about these bills, so I'll keep my testimony brief.

SB 361 provides immunity for persons who report insurance fraud. Simply stated, there's a paranoia in society about "being sued". That paranoia extends to people who have information that suggests insurance fraud. SB 361 is a bill which encourages individuals to report possible insurance fraud by granting them immunity from civil litigation unless they act in a malicious way.

SB 362 is another insurance fraud bill. Under current Wisconsin law, as interpreted by our Wisconsin Supreme Court, property and casualty insurers cannot rescind an insurance contract where an insured makes a misrepresentation as a way of securing insurance coverage. This is not the case for life and health insurance policies... only for property and casualty insurance policies. It appears that there is no rational reason for this disparity, and SB 362 only provides to property and casualty insurers the right to rescind their policies where an insured makes a material misrepresentation as a way of getting insurance. In drafting this bill, we have attempted to be cognizant of issues of proof that might arise when an insurance company tries to rescind one of their contracts. The bill specifically requires that in order for the rescission to take place the information misrepresented must be placed in the policy, a signed written application, or a written communication.

Insurance fraud laws are essential to combat the increasing effects of fraud on the cost of insurance. We are hopeful that the enactment of SB 361 and SB 362 will be a positive step in combatting this insidious and costly crime.

Speakers who are registered to follow my testimony in support of the bill have greater technical competence. If you have general questions I'll be happy to respond, otherwise your technical questions might be better answered by them.

Member: Joint Committee on Finance



Chet Gerlach

GOVERNMENT CONSULTING SERVICES

TO: Assembly Insurance Committee
FROM: State Farm Insurance
RE: SB 361 and SB 362
DATE: November 30, 1995

One of the ways insurers can help keep premiums low is by reducing fraud. Arson or theft for profit is fraudulent by definition. However, insurance fraud takes on many other forms.

Insurance fraud exists in every state and in all lines of insurance. No one knows the real cost of insurance fraud, but all experts agree that a significant portion of claim dollars go to persons who have not sustained a loss. In part, the problem may be that a disturbing high percentage of the public condones insurance fraud.

Insurers estimate insurance fraud costs the insurance buying public upwards of \$100 billion a year.

The Insurance research Council in 1993 reports that 22% of the people surveyed said it is alright to increase a claim payment to make up for the application of a deductible. 19% say it is acceptable to "pad" a claim to make up for previous premiums. 9% say it is acceptable to continue medical treatment after an injury is healed. 6% say allowing a doctor or lawyer to submit medical bills for treatment not received also is acceptable. Finally, 13% of the public said an insurer should pay the valid part of a claim even when the claimant is involved with an organized ring which files false claims.

State Farm was one of the first insurers to establish its own anti-fraud program which included the formation of special investigative units. State Farm, over the years, has worked closely with law enforcement officials and encourages them in their efforts to fight insurance fraud.

memo\10002

44 East Mifflin Street, Suite 301
Madison, Wisconsin 53703
(608) 255-9337

State Farm supports the passage of Senate Bill 361 in its present form. The bill would enable insurers to provide information to law enforcement as they work together to combat insurance fraud.

Senate Bill 362 also is supported by State Farm. Passage of this bill would enable us to rescind policies which were obtained via misrepresentation or fraud. Why should an insurer be required to pay a claim when in fact there was no car to insure?





TO: MEMBERS OF THE WISCONSIN ASSEMBLY INSURANCE,
SECURITIES AND CORPORATE POLICY COMMITTEE

FROM: NATIONAL INSURANCE CRIME BUREAU

DATE: NOVEMBER 30, 1995

RE: SENATE BILL 361

The National Insurance Crime Bureau (NICB) is a national, not-for-profit organization supported by approximately 1,000 property and casualty insurance companies. Working with our member companies and law enforcement, we investigate cases of insurance fraud and vehicle theft.

Because of our strong interest in insurance crime issues, we want to express our support for Senate Bill 361. The bill provides immunity from civil liability for persons who report or furnish information relating to insurance fraud to certain designated entities.

Our referral records from member companies indicate that substantial questionable activity exists in certain lines of business, especially workers' compensation, automobile bodily injury and property related losses.

Since insurance fraud is an economic drain on the insurance industry, businesses and consumers, enacting S.B. 361 would allow the insurance industry and the state of Wisconsin to take a more active role in combating insurance fraud and in protecting honest Wisconsin policy holders.

Wisconsin is one of the few states without a reporting immunity statute. Enactment of this legislation will provide a strong foundation which to build upon for future fraud fighting initiatives.

We urge the state of Wisconsin to enact this very important insurance fraud legislation. Thank you for your time and consideration of this matter.

Best Regards,

R.J. Wilkinson
Legislative Analyst
Government Affairs



Testimony in Support of S.B. 361
Wisconsin Assembly Insurance Committee

November 30, 1995

by

William R. Schroeder
Alliance of American Insurers

Mr. Chairman and Members of the Committee, my name is Bill Schroeder and I am the Vice-President - Claims at the Alliance of American Insurers. The Alliance is a national trade association with 250 member companies, many of whom write property/casualty insurance in Wisconsin. Alliance member companies write well over \$438 million worth of property/casualty insurance in Wisconsin each year.

Thank you for the opportunity to come here and testify in support of S.B. 361. This legislation would provide for fraud reporting immunity, similar to the arson reporting immunity that exists in Wisconsin and all other states.

Why Do We Need This Legislation?

Opinion polls indicate that your constituents are very concerned about what they perceive to be the rising tide of crime in America. While most of their concerns regard violent crime, insurance crime is robbing the insurance consumers of Wisconsin just as surely as any carjacking or armed robbery. While experts can debate the causes and motivations for most crimes, I believe that you will find the following statistics to be alarming:

- 32% of the population feels that it is perfectly acceptable to falsify some portion of their auto insurance policy application;
- 14% thought it personally acceptable to describe a car as stolen, and not found, and having a higher value or more equipment than it had;
- 22% said it is all right to increase an insurance claim to make up for the deductible;
- Roughly 1/4 indicated that they personally knew someone who chose to stay home and continue receiving disability insurance benefits after being injured or ill, even though they were able to work and had a job to return to;

How Big A Problem Is Insurance Crime?

Insurance industry research experts have struggled with this question and determined that the amount of insurance crime cannot be quantified. It is analogous to trying to determine how many people drive while intoxicated on a given evening; records would indicate the number of persons arrested, but it's impossible to determine how many impaired people successfully negotiated their journey. Needless to say, insurance crime is a cost driver in the system that is expensive for policyholders and insurers.

This type of conduct increases insurer costs and contributes to higher insurance premiums for Wisconsin consumers. This is more than an insurer problem, it is a societal problem!

What Is The Insurance Industry Doing Already?

The Alliance and the property/casualty insurance industry in general are committed to fighting insurance crime. Please note the following:

- Property/casualty insurers are spending a minimum of \$200 million per year on insurance crime detection and deterrence;
- 2/3 of the property/casualty insurance market is presently serviced by companies with special investigative units (SIU's), up from 50% in 1983.

Despite our commitment and efforts in this regard, we still need your help to effectively fight insurance crime in Wisconsin. That is why we urge you to approve this bill.

What Will Happen If We Pass This Bill?

Senate Bill 361 provides for insurance crime reporting immunity. This provision provides a "comfort zone" and "whistle-blower" protection for reporting suspected insurance crime. As an example of the impact of such a provision, prior to passage of a meaningful crime reporting immunity law in California, the California Crime Bureau received less than 100 reports of suspected insurance crime. In 1992 that same crime division examined over 14,000 cases of suspected insurance crime, representing approximately \$175 million in suspected losses. The numbers continue to rise! Senate Bill 361 contains language similar to that found in California and many other states.

In fact, only 12 states and the District of Columbia are without some form of immunity protection for reporting suspected insurance crime. Those states are:

- ▶ Alaska
- ▶ Alabama
- ▶ Hawaii
- ▶ Michigan (A comprehensive multi-line insurance crime bill has passed the Michigan House of Representatives and the Michigan Senate Financial Services Committee, awaiting a final vote in the Senate.)
- ▶ Mississippi
- ▶ Oklahoma
- ▶ Rhode Island
- ▶ Tennessee
- ▶ Vermont

- ▶ West Virginia
- ▶ Wyoming
- ▶ Wisconsin

This year alone, Washington, Iowa, Montana, Maryland, Delaware, and Nebraska enacted insurance crime reporting immunity laws. Florida and Georgia broadened their existing statutes.

Why Should I Vote For This Bill?

Senate Bill 361 makes major strides toward addressing the insurance crime question in Wisconsin. To make it perfectly clear, we are talking about organized rings, professionals who make their living traveling from state to state to defraud insurance companies and ultimately policyholders, your constituents, of their hard-earned dollars.

Once signed into law, the fact that the Wisconsin legislature has focused on the problem will in itself serve notice that the people of Wisconsin are tired of being ripped off by insurance criminals and aren't going to take it any more!

Thank you for this opportunity to speak in support of this bill. I will be happy to answer any questions that you may have regarding its contents.

claims/tstmywi2.wpd