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MARYLAND INSURANCE FRAUD UNIT

1994 ANNUAL REPORT

DEPARTMENT OF MARYLAND STATE POLICE

NCJRS

JUN 14 1995

ACQUISITION



154832

Colonel David B. Mitchell
Superintendent

**MARYLAND INSURANCE FRAUD UNIT
1994 ANNUAL REPORT**

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EXECUTIVE SUMMARY

The Maryland Insurance Fraud Unit was established in compliance with Executive Order 01.01.1992.24 and 01.01.1994.16. The Unit is a cooperative organization administered by the Maryland State Police in conjunction with the Maryland Insurance Administration and the Office of the Attorney General. The Insurance Fraud Unit is responsible for enforcement of Article 48A, §233, Title 9 of the Labor and Employment Article, and Article 27 as it relates to theft and related crimes.

Insurance Fraud is a growing and costly problem that has a direct and detrimental effect on the insurance industry, consumers, organizations, the State corporate structure as well as the government of the State itself. Current nationwide insurance statistics reflect industry wide that 10% of all insurance claims can be attributable to fraud.

The Insurance Fraud Unit cooperates with insurers, consumers as well as law enforcement agencies in its investigations and prosecutions, operates an insurance fraud "Hot Line" for the reporting of insurance fraud, conducts public outreach and awareness programs on the cost of insurance fraud and maintains data and statistics relating to insurance fraud. The Unit investigates complaints and where appropriate, prosecutes suits and actions concerning fraudulent insurance acts. During the year 1994 the Unit received a total of 409 complaints relating to the crime of insurance fraud with a total monetary figure of \$ 3.6 million dollars in alleged fraud. Included in these 409 complaints were 119 complaints received by the telephone Hot Line initiated for such reporting (1-800-846-4069). Two hundred and four criminal investigations were initiated as a result of these reports.

The largest number of fraud complaints received were for property fraud (17%). The second largest area of complaint was for workers compensation fraud, and auto accident (property) fraud each representing 16% of the total complaints received.

Where once, only the probability of denial for a fraudulent claim existed, little or no apprehension or fear was perceived by the perpetrator. Now with the trepidation of being arrested, criminally prosecuted and possibly incarcerated for committing insurance fraud, individuals inclined to this crime will face the somber realities of their activities.

The unit continues to conduct Statewide Public Outreach and Awareness Programs to highlight the severity of the insurance fraud problem to consumers and industry alike. A total of 50 talks, radio presentations and newspaper interviews were conducted by members of the Unit in 1994.

BACKGROUND

In February 1992, Governor William Donald Schaefer empaneled a special advisory Committee under the auspices of his Executive Advisory Council to study the problem of insurance fraud and its impact on the citizens of Maryland. The Committee issued its final report in February 1993. Among its recommendations were that the legislature should revise the existing fraud provisions in the insurance code by clearly defining fraudulent acts, increase criminal penalties and create civil remedies to deter illegal behavior. Many of these goals were accomplished in recent legislative sessions and by Executive Order.

The General Assembly addressed the issue of insurance fraud during the 1991 and 1992 legislative sessions, when two bills of significance were passed and signed into law. The legislature passed a comprehensive statute that created a list of activities that constitute criminal fraudulent insurance acts (Article 48A, §233). Also passed was a law requiring insurance companies to develop anti-fraud plans and to report suspected insurance fraud to appropriate law enforcement agencies (Article 48A, §233B).

Executive Order 01.01.1992.24 (Appendix A) dated November 13, 1992 the Governor created an Insurance Fraud Unit within the Department of Licensing & Regulation. The Executive Order was based upon the recognition that insurance fraud is a growing and costly problem in this State and throughout the nation and that fraudulent insurance acts have contributed to the spiraling increase in insurance premiums paid by both businesses and individuals. The Unit's mandate is to investigate complaints of fraudulent insurance acts and, where appropriate, initiate the prosecution of those committing such acts. The Order gave the Attorney General standing authority to commence civil or criminal action against those committing fraudulent insurance acts. The Order also created an Insurance Fraud Advisory Council, that advises the Governor on matters relating to insurance fraud and recommends changes to the Insurance Fraud Unit.

During the 1993 and 1994 legislative sessions the Maryland General Assembly was extremely interested in the activities of the Insurance Fraud Unit and the impact of the crime on the State of Maryland.

The Insurance Fraud Advisory Council which was appointed by Executive Order 01.01.1992.24 has been legislated by the 1994 Maryland Senate under Senate Bill 290 (Appendix B) "to conduct a study to determine the appropriate unit of State Government in which the Insurance Fraud Unit should be located" on or before December 31, 1995.

The 1994 legislative session passed into law many comprehensive Insurance Fraud Statutes which were enacted October 1, 1994. Article 48A §233 refines the definition of insurance fraud and makes an insurance fraud act over \$300 a felony carrying a 15 year penalty. It also provides that fines for each such violation shall not exceed three times the value of the claim or act that is subject to the fraud or \$ 10,000 whichever is greater. The law also prescribes a mandatory minimum fine of \$500.

STAFFING

STAFFING

The Unit is a combined cooperative effort with employees from the Maryland State Police, Maryland Insurance Administration, Office of the Attorney General. There is a total staff of 8 State of Maryland employees.

ADMINISTRATOR

A Maryland State Police Commissioned Officer has been appointed and serves as Administrator for the Insurance Fraud Unit. The role of the Administrator is to oversee the day to day operations of the Unit, establish procedures as well as act as liaison between the Unit and all other governmental and related agencies.

INVESTIGATORS

During the year 1994 the number of investigators assigned to the Unit ranged from 2 to 5. There are 3 Maryland State Police Investigators assigned to the Unit in addition to the Administrator which clearly demonstrates the conviction of the Maryland State Police towards this initiative. Two retired police officers who have extensive investigative and insurance related backgrounds have been hired as investigators during the last quarter of 1994 on a contractual basis.

ASSISTANT ATTORNEY GENERAL

An Assistant Attorney General represents the legal section of the Unit's staff. The Assistant Attorney General is responsible for prosecuting selected cases that are investigated by the Unit. Additional duties include advising the Unit on legal issues of investigations being conducted that will be prosecuted by local States Attorney's.

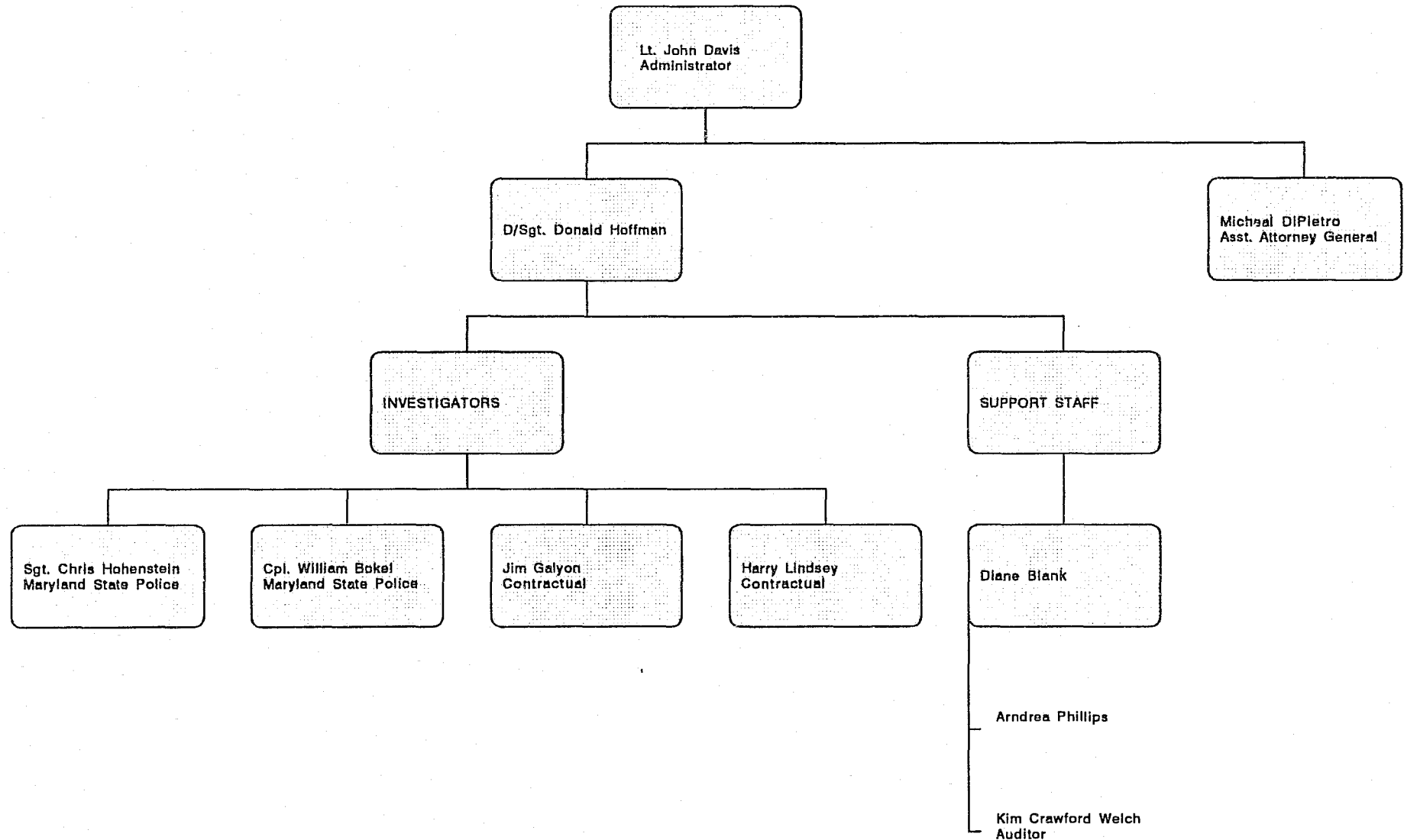
AUDITOR

In November of 1994 an Auditor was hired to the staff of the Unit to assist in providing financial analysis of the criminal investigations that are ongoing.

SUPPORT STAFF

The Unit has a support staff of 2 secretaries who are employees of the Maryland Insurance Administration.

MARYLAND INSURANCE FRAUD UNIT



MARYLAND INSURANCE FRAUD UNIT 1994 BUDGET

The Maryland Insurance Fraud Unit had a budget of \$317,122.00 during the 1994 calendar year (See Chart A-1). The 1994 calendar year budget does not reflect the total budget needed to operate the unit at 100% capacity. The Unit relies on other agencies funding of key positions and equipment expenditures. Following are highlights of 1994 expenditures.

SALARIES AND FRINGE BENEFITS

During the 1994 calendar year the unit expended \$180,202.37 in salaries and fringe benefits. The following unit personnel was included in this amount:

- (1) 50% of Administrator's salary (Lt. John Davis)
- (1) Assistant Attorney General
- (1) Det/Sgt from Maryland State Police
(July - December 1994)
- (1) Accountant/Auditor III
(November - December)

The remaining personnel was compensated by their respective agency. These agencies and personnel are as follows:

Maryland Insurance Administration

100% of Salary and Benefits

- (2) Secretaries
- (1) Investigator (January - April)

Maryland State Police

100% of Salary and Benefits

- (1) Sergeant
- (1) Corporal

50% of Salary and Benefits

- (1) Lieutenant

TRAINING

During the calendar year 1994 Maryland State Police paid for the training of all troopers assigned to the unit. This training included:

- 40 hours of mandated inservice training
- Non lethal restraint training
- Fire arms training

CONTRACTUAL

In addition to Maryland State Police the unit employs contract investigators. During the 1994 calendar year \$6,922.71 was expended for investigators.

(2) Contract investigators
(November - December)

MAJOR PURCHASES

During the 1994 calendar year major purchases for equipment, furniture, and computers were expended through budget codes J10, J17, J30, K02, N15, R15, R19, R99, S01, and S02. Following is a partial listing of items purchased during this time period. Items were purchased at various times during the calendar year from several vendors.

<u>Quantity</u>	<u>Description</u>	<u>Amount</u>
7	Laptop computers	\$22,025.00
3	Computers with pre-installed software	8,601.18
2	Laser printers	4,104.00
2	Typewriters	599.00
1	Tape back up system	405.00
1	CODY Intelligences software package	9,386.75
**	Various software packages including licenses	2,683.00
3	Binoculars	119.97
1	Camcorder	969.00
6	Cameras	899.73
1	Unitel Scrambler	5,750.00
2	Microphone Attenuator	90.00
1	3 De Gain Magnetic Base Antenna	97.00
1	Disguised Cellular Mag. Antenna	125.00
1	Prewired Holster (Left)	269.50
1	Skin Antenna	45.00
1	Groin Antenna	52.00
1	Quater Watt Test Lamp	44.00
1	BXR-2202 Repeater w/Scrambler	4,320.00
1	Disguised Cellular Magnetic Antenna	125.00
1	Tissue Box Antenna	135.00
1	TX-788 Pager Transmitter	1,950.00
1	Scout Eagle Gen. Night Vision System	2,995.00
15	File Cabinets	2,310.00
**	Office Furniture & Equipment	4,296.57
8	Bookcases	<u>2,083.52</u>
	Total	<u>\$74,480.22</u>

ADDITIONAL EQUIPMENT AND MAINTENANCE

There are currently 3 vehicles assigned to unit personnel. All vehicles expenses including insurance, maintenance, and gas are paid by the Maryland State Police.

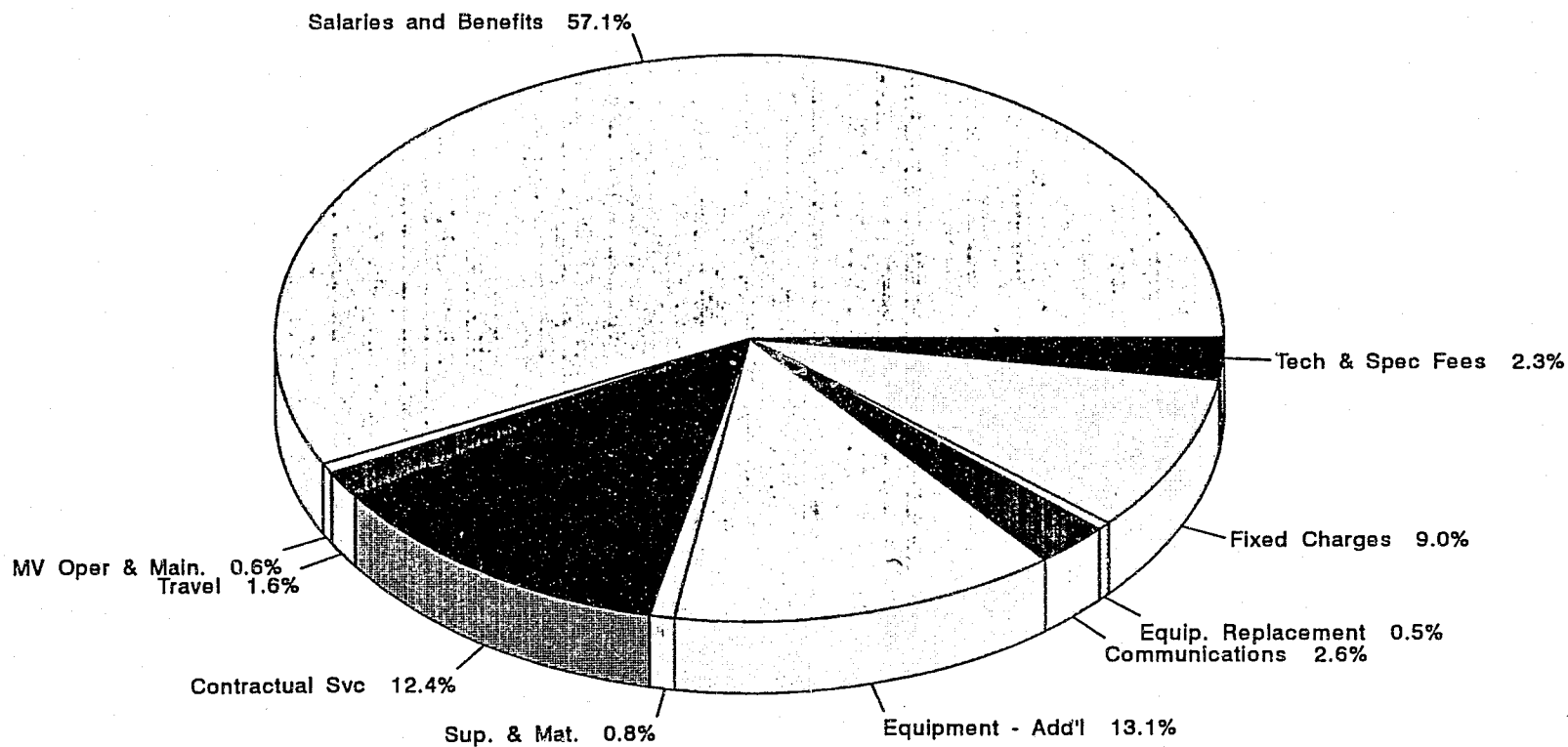
FLAND INSURANCE FRAUD UNIT
 1994 BUDGET AND EXPENDITURES
 JANUARY 1 - DECEMBER 31, 1994

UDGET CCT #		1994 BUDGET	1994 EXPENDITURES	1994 ENCUMBERANCES	1994 TOTAL EXPENDITURES	VARIANCE
01	REGULAR EARNINGS	\$59,053.00	\$73,605.11	\$51,554.46	\$125,159.57	(\$66,106.57)
51	SOC SEC CONTRIB	\$5,033.00	\$5,384.56	\$17,106.16	\$22,490.72	(\$17,457.72)
52	HEALTH INS	\$6,331.00	\$5,514.65	\$0.00	\$5,514.65	\$816.35
54	HEALTH INS - RET	\$1,326.00	\$1,029.98	\$0.00	\$1,029.98	\$296.02
61	EMPLOY RET SYS	\$12,257.00	\$21,249.62	\$0.00	\$21,249.62	(\$8,992.62)
62	EMPLOY PEN SYS	\$0.00	\$275.25	\$4,268.05	\$4,543.30	(\$4,543.30)
74	UNEMPLOY COMP	\$29.00	\$15.53	\$0.00	\$15.53	\$13.47
A75	WORKER'S COMP	\$0.00	\$74.00	\$0.00	\$74.00	(\$74.00)
A76	WORKER' COMP RESERV	\$0.00	\$125.00	\$0.00	\$125.00	(\$125.00)
A89	TURNOVER		\$0.00		\$0.00	\$0.00
TOTAL	SAL./FRINGE BENE.	\$84,029.00	\$107,273.70	\$72,928.67	\$180,202.37	(\$96,173.37)
B04	LEGAL SUPPORT SVC	\$0.00	\$186.93	\$0.00	\$186.93	(\$186.93)
B09	ADMIN/MGMT SVC	\$6,000.00	\$0.00	\$0.00	\$0.00	\$6,000.00
B13	SOC SEC CONTRIB	\$3,217.50	\$349.58	\$161.67	\$511.25	\$2,706.25
B14	UNEMPLOY COMP	\$46.00	\$5.94	\$2.75	\$8.69	\$37.31
B20	SPEC PYMTS PYRL	\$32,703.50	\$4,569.67	\$2,113.22	\$6,682.89	\$26,020.61
TOTAL	TECH AND SPEC FEES	\$41,967.00	\$5,112.12	\$2,277.64	\$7,389.76	\$34,577.24
C01	POSTAGE	\$875.00	\$492.00	\$0.00	\$492.00	\$383.00
C02	TELEPHONE	\$4,800.00	\$2,481.36	\$59.13	\$2,540.49	\$2,259.51
C03	TELECOMMUNICATIONS	\$3,225.00	\$3,782.84	\$971.82	\$4,754.66	(\$1,529.66)
C04	MISC TELECOM.	\$0.00	\$310.97	\$45.66	\$356.63	(\$356.63)
TOTAL	COMMUNICATIONS	\$8,900.00	\$7,067.17	\$1,076.61	\$8,143.78	\$756.22
D01	IN STATE/ROUT. OPER.	\$6,500.00	\$2,553.31	\$73.66	\$2,626.97	\$3,873.03
D02	IN STATE/ CONF/SEM	\$1,750.00	\$13.75	\$0.00	\$13.75	\$1,736.25
D03	OUT OF ST/ROUT. OPER.	\$4,000.00	\$762.42	\$27.28	\$789.70	\$3,210.30
D04	OUT OF ST/CONF/SEM	\$0.00	\$1,514.90	\$0.00	\$1,514.90	(\$1,514.90)
TOTAL	TRAVEL	\$12,250.00	\$4,844.38	\$100.94	\$4,845.32	\$7,304.68
G01	PURCHASE/LEASE	\$7,013.00	\$0.00	\$0.00	\$0.00	\$7,013.00
G02	GAS & OIL	(\$1,574.00)	\$0.00	\$0.00	\$0.00	(\$1,574.00)
G03	MAIN & REPAIRS	\$430.00	\$0.00	\$0.00	\$0.00	\$430.00
G04	INSURANCE	\$55.00	\$0.00	\$0.00	\$0.00	\$55.00
G05	GARAGE	\$1,950.00	\$1,952.50	\$0.00	\$1,952.50	(\$2.50)
TOTAL	MV OPER & MAIN	\$7,874.00	\$1,952.50	\$0.00	\$1,952.50	\$5,921.50
H01	ADVER & LEGAL	\$250.00	\$1,274.79	\$0.00	\$1,274.79	(\$1,024.79)
H04	PRINTING/PUB	\$2,500.00	\$3,724.36	\$0.00	\$3,724.36	(\$1,224.36)
H08	EQUIP RENTAL	\$400.00	\$545.00	\$109.00	\$654.00	(\$254.00)
H09	EQUIP RENT./MAIN	\$9,295.50	\$0.00	\$0.00	\$0.00	\$9,295.50
H29	FISCAL SERVICE	\$5,000.00	\$551.25	\$0.00	\$551.25	\$4,448.75
H99	OTHER CONTR. SVC	\$101,648.00	\$201.50	\$0.00	\$201.50	\$101,446.50
J10	PERIPHER. EQUIP.	\$0.00	\$4,509.00	\$0.00	\$4,509.00	(\$4,509.00)
J17	OTHER D/P HARDWARE	\$0.00	\$13,100.00	\$0.00	\$13,100.00	(\$13,100.00)
J18	SOFTWARE LICENSES	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
J30	ACQUIS. APPLIC. SFTWR	\$1,500.00	\$12,069.75	\$0.00	\$12,069.75	(\$10,569.75)
J43	O/S SVC D/P TRAINING	\$600.00	\$195.00	\$0.00	\$195.00	\$405.00
J47	O/S SVC CONSULTING	\$2,500.00	\$2,875.00	\$0.00	\$2,875.00	(\$375.00)
J63	IN STATE SVC D/P TRAIN	\$195.00	\$0.00	\$0.00	\$0.00	\$195.00
TOTAL	CONTRACTUAL SVC	\$123,888.50	\$39,045.65	\$109.00	\$39,154.65	\$84,733.85
K02	OFFICE SUPPLIES	\$887.50	\$2,141.35	\$272.95	\$2,414.30	(\$1,526.80)
K99	OTH SUP & MATERIALS	\$500.00	\$115.00	\$0.00	\$115.00	\$385.00
M99	D/P - OTHER MAT.	\$1,360.50	\$110.50	\$0.00	\$110.50	\$1,250.00
TOTAL	SUPPLIES & MATERIAL	\$2,748.00	\$2,366.85	\$272.95	\$2,639.80	\$108.20
	EQUIP REPLACEMENT	\$0.00	\$1,501.16	\$0.00	\$1,501.16	(\$1,501.16)
TOTAL	EQUIPMENT - REPLACEMENT	\$0.00	\$1,501.16	\$0.00	\$1,501.16	(\$1,501.16)
R15	OFFICE EQUIPMENT	\$1,750.00	\$21,499.23	\$0.00	\$21,499.23	(\$19,749.23)
R19	RADIOS & ELEC. EQUIP	\$0.00	\$1,003.95	\$0.00	\$1,003.95	(\$1,003.95)
R99	OTHER EQUIP	\$0.00	\$336.97	\$0.00	\$336.97	(\$336.97)
S01	D/P EQUIP - MAIN	\$16,895.00	\$9,650.66	\$0.00	\$9,650.66	\$7,244.34
S02	D/P EQUIP - MINI	\$0.00	\$8,601.18	\$0.00	\$8,601.18	(\$8,601.18)
S06	D/P EQUIP - PERI	\$0.00	\$116.00	\$0.00	\$116.00	(\$116.00)
TOTAL	EQUIPMENT - ADD'L	\$18,645.00	\$41,207.99	\$0.00	\$41,207.99	(\$22,562.99)
W01	RENT	\$15,058.00	\$26,679.89	\$0.00	\$26,679.89	(\$11,621.89)
W04	SUBSCRIPTIONS	\$625.00	\$710.91	\$0.00	\$710.91	(\$85.91)
W05	ASSOC DUES	\$1,137.50	\$1,059.49	\$0.00	\$1,059.49	\$78.01
TOTAL	FIXED CHARGES	\$16,820.50	\$28,450.29	\$0.00	\$28,450.29	(\$11,629.79)
	MIFU - 1994	\$317,122.00	\$238,821.81	\$76,765.81	\$315,587.62	\$1,534.38

CHART A-1

Maryland Insurance Fraud Unit

1994 Expenditures



January 1 - December 31, 1994

Chart does not reflect funds expensed from other agencies on behalf of the unit.

INSURANCE FRAUD COMPLAINTS

1994 Investigations Initiated

Insurance fraud complaints can be divided into the following categories: auto accident (bodily injury), auto accident (property), agent/broker, doctor/provider, life insurance, health insurance, adjuster/employee, application, property losses, workers' compensation (employer and employee), property, insurer fraud, false auto theft and slip and fall. All remaining complaints are categorized as other (Table A and Chart B).

Auto Accident Fraud - Bodily Injury (ACBI) - 23 cases investigated involved auto accident fraud with bodily injury (11% of the Unit's 94 open caseload). This category of fraud includes reports of phony or staged motor vehicle accidents in which the participants seek a benefit under an insurance policy (medical bills, lost wages and pain & suffering). The category is characterized by the fact that the accident claimed did not occur or if it did, the damages alleged (whether bodily injury or lost wages) were inflated by the claimant.

Auto Accident Fraud - Property (ACPD) - 32 cases investigated involved auto accident fraud - with property damage (16% of the Unit's 94 open caseload). This category of fraud includes reports of phony or staged motor vehicle accidents in which the participants seek a benefit under an insurance policy for vehicle damage. The category is characterized by the fact that the accident claimed did not occur or if it did, the damages alleged were inflated by the claimant.

Agent/Broker Fraud (AGBR) - 17 cases involved agent or adjuster fraud. Agent fraud included the theft or misappropriation of premium dollars by an insurance agent (8% of the Unit's 1994 open caseload). It also includes other unethical practices used by an agent to deceive the consumer by artificially inflating premiums. Adjuster fraud involves complaints of insurance adjusters who have conspired with claimants to inflate or fabricate a claim filed with an insurance company.

Doctor/Provider Fraud (Initiator) (DFDF) - 14 cases involved fraud by a healthcare provider. Doctor provider fraud cases involve the submission of fraudulent invoices to an insurance carrier by a healthcare provider (7% of the Unit's 1994 open caseload). This includes bills for services not rendered or inflated bills.

Life Insurance Fraud (LFLF) - 4 cases involved life insurance fraud. These complaints involve the filing of life insurance claims where fraudulent information is provided on an application or where a fictitious death is reported to support a claim (2% of the Unit's 1994 open caseload).

Health Insurance Fraud (HLFD) - 7 cases involved medical insurance fraud. This category of cases involves the submission of false information to a medical insurer by an insured party seeking reimbursement for money the insured party claims to have paid a medical care provider (3 % of the Unit's 1994 caseload).

Property Fraud - Non Auto (PRPR) - 34 cases involved property loss fraud. This category involves the filing of false or inflated claims for property damage or theft under homeowners, business or auto (non-bodily injury) policies (17% of the Unit's 1994 open caseload). Cases often involve property damage that existed prior to the effective date of coverage or was caused by means not covered by the policy.

Workers Compensation Fraud - Employee (WCWC) - 31 cases involved workers compensation fraud by an employee (16% of the Units 1994 open caseload). This category includes all false claims for benefits under a workers' compensation insurance policy. These cases include actual injuries that did not occur on the job, false statements as to the nature and extent of injury and cases of "double dipping" where a claimant is receiving benefits for total disability (temporary or permanent) and is subsequently employed at a more strenuous job.

Workers Compensation Fraud - Employer (WCER) - 3 cases involved workers compensation fraud by an employer (1% of the Units 1994 open caseload). This category included employers who do not carry a workers compensation policy on their employees or passes the cost of the policy to their employees. Both incidents are illegal.

Adjuster/Employee Fraud (AFAF) - 2 cases involved adjuster/employee fraud. This category of cases involve internal theft by insurance carriers employees (1% of the Units 1994 open caseload). Usually in this type of fraud the adjuster fraudulently inflates claims to benefit monetarily.

Application Fraud (APPL) - 14 cases involved application fraud. Application fraud involves a claimant providing false information on an automobile policy in order to receive lower premiums (7% of the Units 1994 open caseload). False information includes but is not limited to drivers record, insurance history and address.

False Auto Theft (FATR) - 12 cases involved false auto theft. A claimant files a false claim alleging theft of their vehicle (6% of the Unit's 1994 open caseload). The claimant is trying to cover up vehicle damage or inability to meet financial obligation.

Insurer Fraud - Companies (INSU) - 2 cases involved insurer fraud. The category of these cases involve medical laboratories overbilling insurance carriers (1% of the Unit's 1994 open caseload).

Slip & Fall Fraud (SLSL) - 3 cases involved slip & fall fraud. This category involves all false claims of bodily injury (medical bills and lost wages included) resulting from a fictitious accident (excluding motor vehicle accidents). This represents 1% of the Units 1994 open caseload.

Other types of Fraud (IQIQ) - 6 cases involved all other types of insurance fraud. This represented 3% of the Unit's open 1994 caseload.

Maryland Insurance Fraud Unit

Types of Insurance Fraud

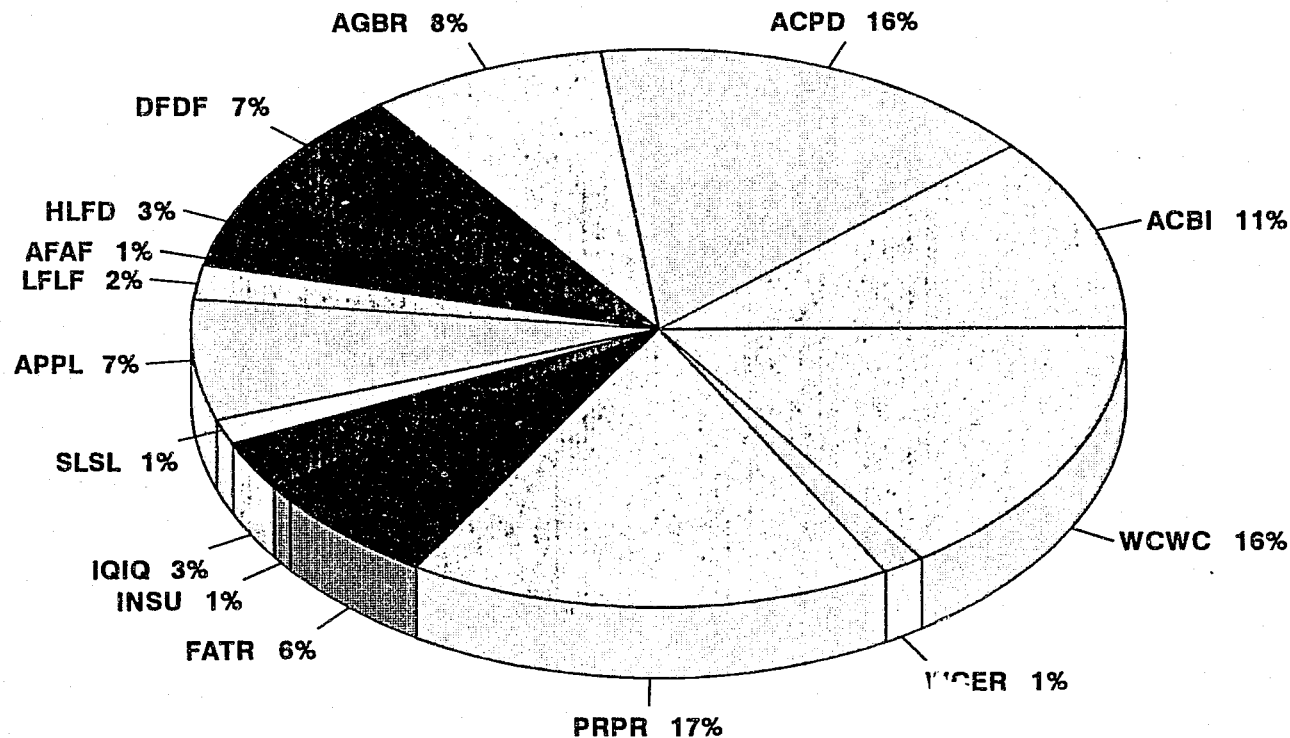
Legend

Type Code	Description
ACBI	Auto Accident - Bodily Injury
ACPD	Auto Accident - Property
AFAF	Adjuster/Employee Fraud
AGBR	Agent/Broker Fraud
APPL	Application Fraud
DEDF	Doctor/Provider Fraud (Initiator)
FATR	False Auto Theft
HLFD	Health Insurance Fraud (Claimant)
INSU	Insurer Fraud - Companies
IQIQ	All Other Insurance Fraud
LELF	Life Insurance Fraud
PRPR	Property Fraud (Non Auto)
SLSL	Slip & Fall Fraud
WCER	Workers Compensation Fraud - Employer
WCWC	Workers Compensation Fraud - Employee

TABLE A

INSURANCE FRAUD UNIT

1994 Investigations Initiated



January 1 - December 31, 1994
204 Investigations

CHART B

INVESTIGATIONS

A confirmed act of insurance fraud is one where the Unit is able to determine to a reasonable degree of certainty that the behavior undertaken was an intentional and deliberate act to defraud an insurance carrier, consumer or other entity and these actions meet the statutory definition of insurance fraud. They include all cases in which the Unit has sought criminal prosecution regardless of the outcome in court.

Confirmed acts of insurance fraud also include those reports in which prosecution is not sought due to some legal or evidentiary problem (e.g. statute of limitations has expired, reluctance of a critical witness to testify, inability to obtain the necessary documentation to a successful prosecution, etc.). These cases can either be closed with no further action expected or suspended where future information may cause the investigation to be revitalized to a proper closure.

Additionally, for the purposes of this report the term "arrested" shall include those individuals charged as well as those who are physically taken into custody for the purposes of prosecuting them for a criminal offense.

From January 1 through December 31, 1994 the Unit received 409 complaints of suspected fraudulent insurance acts from various sources. These sources include insurance carriers, citizens, law enforcement agencies, The Maryland Insurance Administration, The Office of the Attorney General, and other State of Maryland Agencies.

Insurance carriers and other persons regulated by the Maryland Insurance Administration represented the largest percentage of complaints (45%). Citizen complaints was second with 39.4 % of complaints. Citizen complaints includes the 119 calls reported on the "Fraud Hot Line". There were 45 complaints received from the Maryland Insurance Administration from information they had received or developed in their administrative investigations. An analysis of complaints is compiled in chart C.

When complaints are referred to the Unit a screening process occurs to determine which cases will be investigated. Due to the limited resources it is necessary to prioritize these investigations.

Of the 409 complaints received in 1994, 204 were considered viable for further review and criminal investigative reports were initiated. Seventy five complaints received in 1994 have been carried over into 1995 in order to substantiate the complaint for legal sufficiency to investigate.

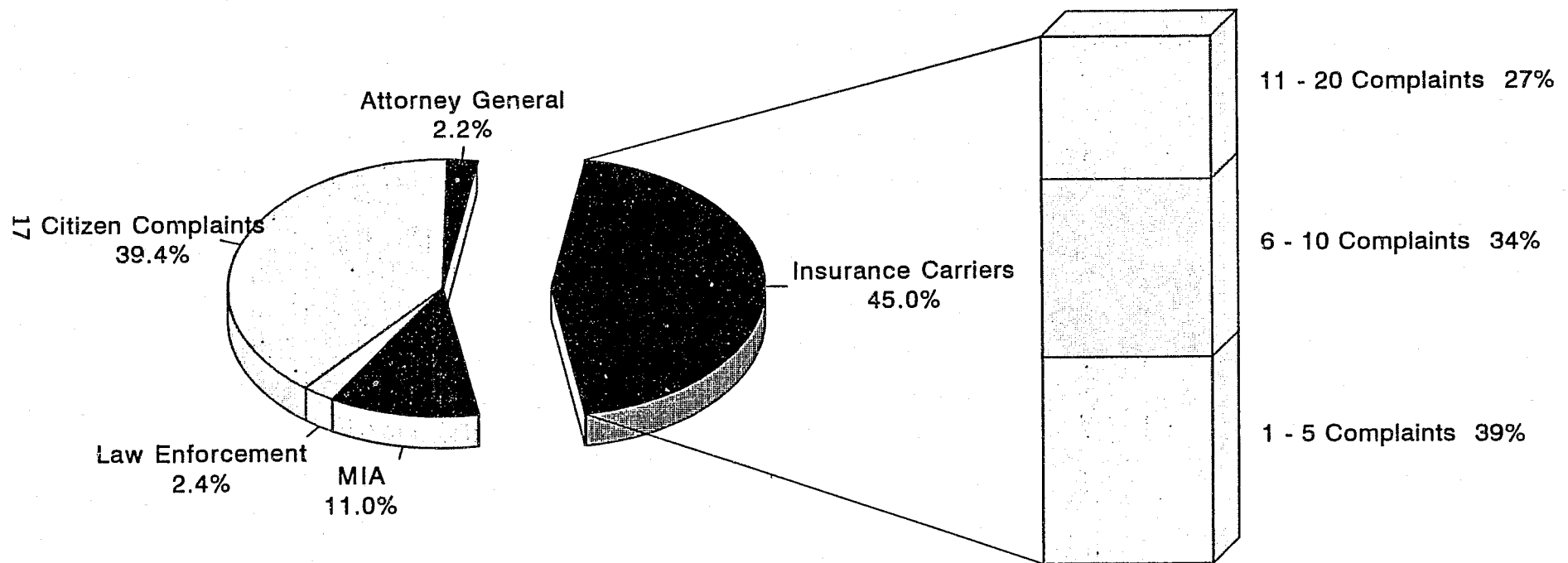
The Insurance Fraud Hot Line (1-800-846-4069) as mentioned above resulted in 119 citizen complaints. Forty percent of these complaints were referred to the particular carrier or government agency involved in order that they might substantiate the allegation. The Unit will receive the complaint back after confirmation of the alleged act with additional information to aid in the investigation.

Sixty percent of the telephone complaints were found to be unsubstantiated complaints due to a lack of sufficient information. Manpower constraints prohibit additional investigation into those complaints that lack the basic necessary information that cannot be attained through other investigative avenues. These files are maintained within the Unit and when supplemental information becomes available an investigation may be initiated if warranted.

Insurance Fraud Unit

Complaints Received During 1994

409 Complaints



See Table for listing of Insurance Carriers by reporting group.

Complaints Received by Insurance Carrier

January 1 - December 31, 1994

18

Insurance Carriers Reporting 1 - 5 Complaints		Insurance Carriers Reporting 1 - 5 Complaints		Insurance Carriers Reporting 6 - 10 Complaints		Insurance Carriers Reporting 11 - 20 Complaints	
Travelers	1	Keystone	1	Agency	7	Geico	18
Pay Board	1	Reliance Ins.	2	Selective	8	IWIF	16
Erie	4	USF&G	1	Colonial	7	MAIF	16
Met Life	1	Home Ins.	1	Progressive	8		
ITT Hartford	1	Great American	3	Royal	6		
Continental	4	Safeco	1	Metropolitan	8		
State Farm	4	National Indemnity	1	Allstate	6		
PriAmerica	2	Colonial Penn	1	MTA	6		
NAIC	1	PFL Life Ins.	1	CNA	6		
AETNA	4	Federated Mutual	1				
Mutual of N.Y.	1	Paramount	1				
American States	3	Interstate Auto	2				
BC/BS	2	Physicians Mutual	2				
MVA	2	A/G Claim Svc	2				
Commercial Union	3	Celtic Life	1				
Donegal	1	Tokio Marine	1				
Guardian	1	Penn National	1				
Midwest National	1	Md Ins. Group	1				
Orange	3	Nationwide	1				
Liberty Mutual	2	North Amer.	1				
Unisured Ins. Fund	1						
Gen'l Insurance	2						
Ohio Casualty	1						

Documented complaints excluding complaints received from Telephone Hotline

TABLE B

CLOSURE AND PROSECUTION

CLOSURE

As mentioned above, in 1994 the Unit initiated criminal investigations into 204 of the 409 complaints received. Of these 204 open investigations 91 confirmed acts of insurance fraud were substantiated. The remaining 113 criminal investigations that were initiated have been closed as unfounded accusations.

In the 91 cases as mentioned above, charges were filed in 16 of the cases and 16 individuals were arrested or charged by criminal information. Of the remaining 75 investigations, 23 were closed by exception (lacked legal sufficiency to prosecute, statute of limitations had expired, or some other evidentiary problem), 12 cases were referred to Maryland State Police Installations for further investigation, 13 were suspended (suspended cases reflect those cases that are presently inactive but the prospect of reopening the case exist) and the remaining 27 cases are still under active investigation (See Table C and Charts D & E).

In 1994 there were 25 individuals arrested from 19 investigations initiated in 1993. There have also been 16 arrests from 1994 complaints for a total of 41 individuals charged for the crime of insurance fraud and related criminal activity.

PROSECUTION

Insurance Fraud in a multi-jurisdictional crime that is not concentrated in any geographical area. It is an offense that occurs in all jurisdictions of this state whether in Baltimore City, the Eastern Shore or Western Maryland. The Unit has statewide jurisdiction to investigate insurance fraud due to their Maryland State Police investigative authority as well as through the Executive Order.

The Maryland Insurance Fraud Unit has had an excellent working relationship with County State's Attorney and courts throughout the State. The Unit members prepare completed investigations for a final review by prosecutors and often present the entire case to the local Grand Jury for their evaluation and determination of suitability for prosecution.

The Unit also has an Assistant Attorney General assigned who selects particular investigations that will be prosecuted through the office of the Attorney General. The Assistant Attorney General also is a legal counsel for ongoing investigations.

In 1994 local State's Attorney prosecuted 14 cases prepared by the Insurance Fraud Unit. Of these prosecutions 9 or 65% were found guilty, 3 or 24% were found not guilty and 2 or 11 % of the cases were dismissed.

The Assistant Attorney General assigned to the Unit prosecuted 3 cases in the year 1994. Of these three cases 2 or 67% were found guilty, and 1 or 33% was found not guilty.

Twelve of 1994 closed investigations are scheduled for trial in 1995 along with 7 of the 1993 closed investigations.

Maryland Insurance Fraud Unit

Case Disposition Legend

Case Disposition Code	Description
-----------------------	-------------

OPEN	Open Investigation
------	--------------------

OPAR	Open - Arrest Warrant Issued
------	------------------------------

CLUN	Closed as Unfounded
------	---------------------

CLEX	Closed by Exception
------	---------------------

CLRF	Closed - Referred to Other Agency
------	-----------------------------------

CLCH	Closed with Charges
------	---------------------

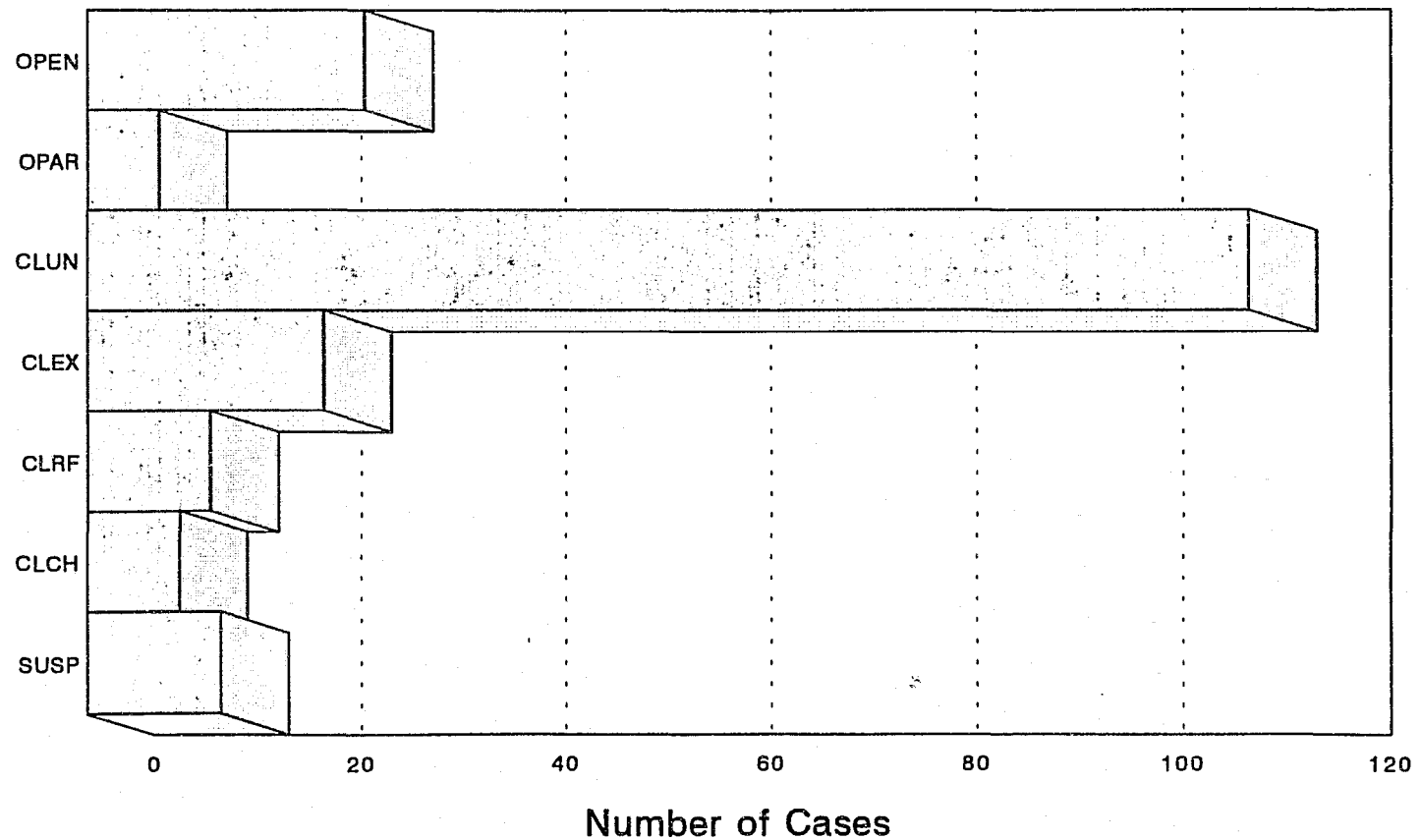
SUSP	Suspended Investigation
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TABLE C

INSURANCE FRAUD UNIT

Disposition of 1994 Investigations Initiated

Type of Disposition



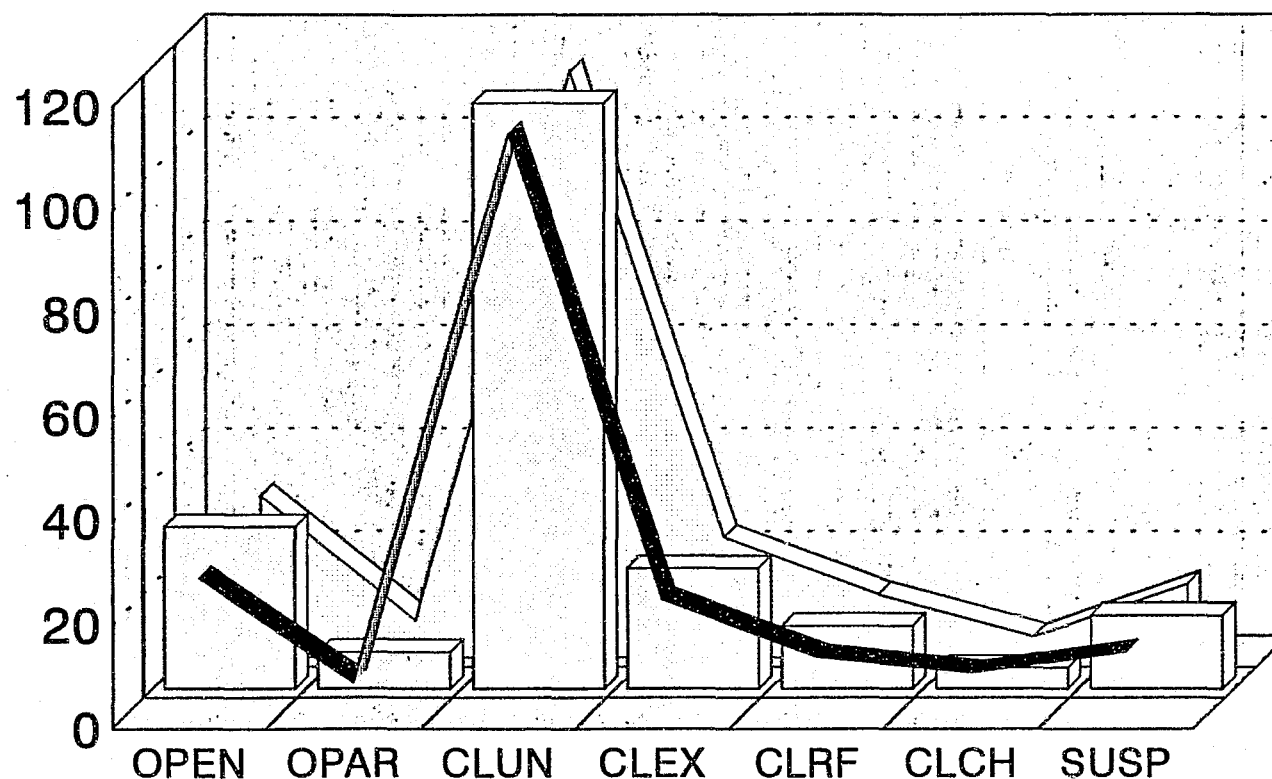
Number of Cases	27	7	113	23	12	9	13
-----------------	----	---	-----	----	----	---	----

January 1, 1994 - December 31, 1994
204 Cases

CHART D

MARYLAND INSURANCE FRAUD UNIT

Disposition of Cases 1994 Investigations



Number of Cases

27

7

113

23

12

9

13

January 1 - December 31, 1994
204 Investigations

CHART E

COOPERATION AND COORDINATION

Due to the limited resources of the Insurance Fraud Unit there is a need to rely on other law enforcement agencies and insurance company investigators for assistance in the proper investigation of insurance fraud cases.

Forty five percent of all complaints are received directly from the insurance industry and generally involve an alleged false claim for a benefit under an insurance policy. In the cases that come directly from an insurance company investigation unit, much information has been developed but far less than is necessary for a court presentation and possible prosecution.

The goal of the Unit is to become a central source of information and investigation of insurance fraud activity in this State. This type of criminal investigation requires experience and resources not readily available to local law enforcement, and may not be of a high priority due to limited investigatory resources. To date the cooperation between the Unit, local law enforcement as well as federal investigation agencies has been excellent.

The Unit has been involved in several complex and long term investigations that traverse the United States. Information exchange and assistance requested in these cases has been enhanced through other state insurance fraud units as well as federal agencies contacted.

PUBLIC OUTREACH\ AWARENESS PROGRAMS

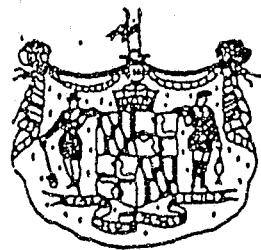
The Insurance Fraud Unit has continued efforts as mandated by law to educate the public sector through outreach programs and public appearances conducted by it's members during the year under review.

Members of the Unit are encouraged to participate in public speaking events concerning the impact of insurance fraud on the citizens of the State. These engagements were directed primarily to community groups and professional organizations and conducted throughout the State of Maryland. Literature prepared and supplied by the National Insurance Crime Bureau was distributed which emphasized the impact and costs of insurance related fraud both on the national and local levels. Maryland insurance fraud information gathered from the Maryland Insurance Administration and other sources was likewise presented to reiterate the local aspects of the problem. Members of the Unit conducted 50 such public speaking appearances during the course of the year. In addition, the unit participated in 12 speaking engagements directed towards insurance company personnel and private investigator firms.

On the professional level, unit members presented data and investigative information at 24 business meetings attended by personnel from insurance company special investigation units as well as federal, State and local law enforcement agencies. These meetings were established to increase the cooperation and communication between the insurance industry and law enforcement. In addition, unit members have identified enforcement problems encountered while investigating complaints and addressed these problems with various regulatory agencies and insurance carriers. Most notable were amendments made to worker compensation forms currently in use in Maryland. Through a cooperative effort of the unit and Chairman Krysiak, Workers Compensation Commission, Commission forms have been amended to include language more conducive to anti-fraud detection.

Insurance fraud has received a significant amount of attention during the past year from the print and electronic media. The unit has maintained a good relationship with local media sources and have conducted 27 interviews with media representatives throughout the year. When such contacts have resulted in the broadcast of information regarding insurance fraud, a sharp surge in citizen complaints reporting fraudulent activity to the unit has been noted. At these times, demand for investigative services greatly exceeds the capacities of the unit to respond. It is felt that additional investigative resources combined with heightened media awareness may lead to a reduction in fraudulent claims and ultimately reduce the financial burden of these activities on Maryland consumers.

APPENDIX



The State of Maryland

Executive Department

EXECUTIVE ORDER

01.01.1992.24

Insurance Fraud Unit

HEREAS, Insurance fraud is a growing and costly problem, with nationwide estimates of insurance fraud ranging from 5% to 25% of all claims made; and

HEREAS, A fraud rate of only 5% in automobile insurance claims alone means that over \$50 million is paid out in Maryland in fraudulent claims; and

HEREAS, Independent studies have found that in a single state, Florida, over \$350 million was paid out in a single year for fraudulent claims; and

HEREAS, The General Accounting Office has found that unscrupulous health care providers cheat health insurance companies and programs out of billions of dollars annually; and

HEREAS, Insurance fraud is a crime, and payments made for fraudulent claims contribute unnecessarily to increasing insurance premiums for all citizens; and

HEREAS, Chapter 265 of the Acts of 1991, requires insurers to implement an insurance antifraud plan with procedures for preventing insurance fraud and for reporting insurance fraud and fraud-related data to appropriate authorities; and

HEREAS, An Insurance Fraud Unit can assist insurers in their efforts to implement Chapter 265 of the Acts of 1991, and can supplement and complement the efforts of special investigative units currently operated by many insurers; and

HEREAS, It is intended that persons providing information concerning insurance fraud to law enforcement officials, the Insurance Division, and the Insurance Fraud Unit should be entitled to any immunities from liability that currently exist in law;

W, THEREFORE, I, WILLIAM DONALD SCHAEFER, GOVERNOR OF THE STATE OF MARYLAND, BY VIRTUE OF THE AUTHORITY VESTED IN ME BY THE CONSTITUTION AND LAWS OF MARYLAND, HEREBY PROCLAIM THE FOLLOWING EXECUTIVE ORDER, EFFECTIVE IMMEDIATELY:

A. Insurance Fraud Unit.

(1) There is established an Insurance Fraud Unit within the Department of Licensing and Regulation.

(2) The head of the Fraud Unit shall be the Administrator.

(3) The Administrator shall be appointed by the Governor, shall serve at the pleasure of the Governor, and shall be directly responsible to the Governor.

(4) The Insurance Fraud Unit shall be staffed by personnel from the Insurance Division, the Maryland State Police, and the Maryland Attorney General's Office.

(5) The Insurance Fraud Unit may accept funds, grants and services from public and private sources to carry out its duties and powers.

B. Responsibilities. The Insurance Fraud Unit shall:

(1) Investigate complaints, and where appropriate, prosecute suits and actions concerning fraudulent insurance acts, as defined in Article 48A of the Code and any other applicable provisions of law;

(2) Cooperate with and assist insurers, the Insurance Division, the Maryland State Police, the Attorney General's Office, the State's Attorney, the Federal Bureau of Investigation and other appropriate law enforcement authorities in the investigation and prosecution of fraudulent insurance acts;

(3) Operate a toll-free telephone number for the reporting of fraudulent insurance acts;

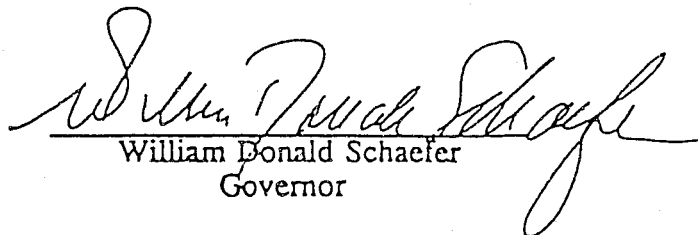
(4) Conduct public outreach and awareness programs on the costs of insurance fraud to the public;

(5) Maintain data and statistics relating to insurance fraud; and

(6) Report to the Governor by November 1 of each year on the work of the Fraud Unit and its progress in enforcing the provisions of this Executive Order and all relevant fraud related laws.

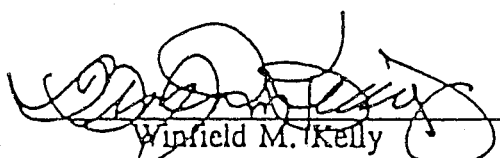
C. Prosecution. Pursuant to Article V, Section 3(a)(2) of the Maryland Constitution, the Attorney General is directed to investigate, commence and prosecute suits and actions involving fraudulent insurance acts, whether criminally or civilly, on the part

GIVEN Under My Hand and the Great Seal of the State of
Maryland, in the City of Annapolis, this 13th day of
November, 1992.



William Donald Schaefer
Governor

ATTEST:



Winfield M. Kelly
Secretary of State



of the State of Maryland or in which the State may be interested. In such actions or suits, the Attorney General shall seek whatever civil damages or other relief are allowed by law.

D. Insurance Fraud Advisory Council.

(1) There is an Insurance Fraud Advisory Council.

(2) The Advisory Council shall consist of the following 9 members, appointed by the Governor:

(a) A representative of the Attorney General's Office, recommended by the Attorney General;

(b) A representative of the Maryland State Police, recommended by the Superintendent of State Police;

(c) A representative of the Insurance Division, recommended by the Insurance Commissioner;

(d) Three representatives of insurance companies doing business in Maryland, including both domestic and foreign insurers;

(e) A representative of professional insurance agents in Maryland; and

(f) Two representatives of the general public.

(3) The Governor shall appoint a chair for the Advisory Council from among its members.

(4) The term of a member is 3 years. A member may be reappointed at the end of a term. The terms of the members shall be staggered, so that one-third of the members will be appointed each year. All members serve at the pleasure of the Governor.

(5) The members of the Advisory Council may not receive any compensation for their services.

(6) The Advisory Council shall:

(a) advise and assist the Insurance Fraud Unit in implementing the provisions of this Executive Order;

(b) advise the Governor on matters relating to insurance fraud; and

(c) recommend to the Governor, on an annual basis, any changes to the operation of the Fraud Unit.

EXECUTIVE ORDER 01.01.1992.24

EXECUTIVE ORDER 01.01.1994.16

EXECUTIVE ORDER 01.01.1994.16

Insurance Fraud Unit Advisory Council
(Amends Executive Order 01.01.1992.24)

WHEREAS, Executive Order 01.01.1992.24 provided for the establishment of an Insurance Fraud Advisory Council;

WHEREAS, Chapter 538 of the Laws of Maryland of 1993 provided statutory authority for the Advisory Council and set forth the structure and terms of the membership in the transitioning process from executive order authority;

WHEREAS, Chapter 105 of the Laws of Maryland of 1994 further modifies the membership structure of the Advisory Council as established under statute and extends the authority of Executive Order 01.01.1992.24 until January 1, 1997, at which time the statute will take effect.

WHEREAS, Certain inconsistencies exist between the provisions of Executive Order 01.01.1992.24 and the statute that could be reconciled to provide for an orderly transition of the Advisory Council from executive order to statutory authority.

NOW, THEREFORE, I, WILLIAM DONALD SCHIAFER, GOVERNOR OF THE STATE OF MARYLAND, BY VIRTUE OF THE AUTHORITY VESTED IN ME BY THE CONSTITUTION AND LAWS OF MARYLAND, HEREBY PROCLAIM THE FOLLOWING EXECUTIVE ORDER, AMENDING EXECUTIVE ORDER 01.01.1992.24, EFFECTIVE IMMEDIATELY:

A. Insurance Fraud Unit.

(1) There is established an Insurance Fraud Unit within [Department of Licensing and Regulation] Office of the Governor.

(2) The head of the Fraud Unit shall be the Administrator.

(3) The Administrator shall be appointed by the Governor, shall serve at the pleasure of the Governor, and shall be directly responsible to the Governor.

(4) The Insurance Fraud Unit shall be staffed by personnel from the Insurance [Division] Administration, the Maryland State Police, and the Maryland Attorney General's Office.

(5) The Insurance Fraud Unit may accept funds, grants and services from public and private sources to carry out its duties and powers.

B. Responsibilities. The Insurance Fraud Unit shall:

(1) Investigate complaints, and where appropriate, prosecute suits and actions concerning fraudulent insurance acts, as defined in Article 48A of the Code and any other applicable provisions of law;

(2) Cooperate with and assist insurers, the Insurance [Division] Administration, the Maryland State Police, the Attorney General's Office, the State's Attorney, the Federal Bureau of Investigation and other appropriate law enforcement authorities in the investigation and prosecution of fraudulent insurance acts;

(3) Operate a toll-free telephone number for the reporting of fraudulent insurance acts;

(4) Conduct public outreach and awareness programs on the costs of insurance fraud to the public;

(5) Maintain data and statistics relating to insurance fraud; and

(6) Report to the Governor by November 1 of each year on the work of the Fraud Unit and its progress in enforcing the

provisions of this Executive Order and all relevant fraud related laws.

C. Prosecution. Pursuant to Article V, Section 3(a)(2) of the Maryland Constitution, the Attorney General is directed to investigate, commence and prosecute suits and actions involving fraudulent insurance acts, whether criminally or civilly, on the part of the State of Maryland or in which the State may be interested. In such actions or suits, the Attorney General shall seek whatever civil damages or other relief are allowed by law.

D. Insurance Fraud Advisory Council.

(1) There is an Insurance Fraud Advisory Council.

(2) The Advisory Council shall consist of the following [9] 10 members, appointed by the Governor:

(a) A representative of the Attorney General's Office, recommended by the Attorney General;

(b) A representative of the Maryland State Police, recommended by the Superintendent of State Police;

(c) A representative of the Insurance [Division] Administration, recommended by the Insurance Commissioner;

(d) A representative of the State's attorneys in this State;

[(d)] (e) Three representatives of insurance companies doing business in Maryland, including both domestic and foreign insurers;

[(e)] (f) A representative of professional insurance agents in Maryland; and

[(f)] (g) Two representatives of the general public[,] who may not be employed by, have an interest in, receive compensation from, or otherwise be associated with an insurer, and who may not have had a financial interest in or received compensation from any insurer within 2 years prior to appointment.

(3) The Governor shall appoint a chair for the Advisory Council from among its members.

(4) The term of a member is 3 years. A member may be reappointed at the end of a term. The terms of the members shall be staggered, so that one-third of the members will be appointed each year. All members serve at the pleasure of the Governor. staggered, except that the following provisions shall apply to the members serving on the Advisory Council as of the effective date of this Executive Order:

(a) The representative of the Attorney General, the representative of the Maryland State Police, and one of the representatives of insurers shall, upon the expiration of their initial terms of office have their terms extended through June 30, 1996, subject to the provisions of §DX(4)(e);

(b) The representative of the State's attorneys, one of the members of the general public, and one of the representatives of insurers shall, upon the expiration of their initial terms of office have their terms extended through June 30, 1995, subject to the provisions of §DX(4)(e);

(c) The representatives of the Insurance Administration, one of the members of the public, one of the representatives of insurers, and the representative of insurance agents shall, upon the expiration of their initial terms of office have their terms extended through June 30, 1994, subject to the provisions of §DX(4)(e);

(d) A member may be reappointed at the end of a term; and

(e) All members serve at the pleasure of the Governor.

(5) The members of the Advisory Council may not receive any compensation for their services.

(6) The Advisory Council shall:

(a) Advise and assist the Insurance Fraud Unit in implementing the provisions of this Executive Order;

THE GOVERNOR

(b) Advise the Governor on matters relating to insurance fraud; and

(c) Recommend to the Governor, on an annual basis, any changes to the operation of the Fraud Unit.

GIVEN Under My Hand and the Great Seal of the State of Maryland; in the City of Annapolis, this 8th day of July, 1994.

WILLIAM DONALD SCHAEFER
Governor

ATTEST:

TYRAS S. ATHEY
Secretary of State

[94-16-16]

SENATE BILL 290

SENATE BILL 290

C4

(4lr1697)

ENROLLED BILL

— Finance/Economic Matters —

Introduced by The President (Administration)

Read and Examined by Proofreaders:

Proofreader.

Proofreader.

Sealed with the Great Seal and presented to the Governor, for his approval this

_____ day of _____ at _____ o'clock, _____ M.

President.

CHAPTER _____

1 AN ACT concerning

2 Insurance – Fraudulent Insurance Acts – Clarification and Modification

3 FOR the purpose of clarifying the definition of what constitutes a fraudulent insurance
4 act under the Insurance Code; deleting from the existing insurance fraud statute
5 certain unnecessary and duplicative language; altering certain penalties for the
6 commission of certain fraudulent insurance acts under the Insurance Code;
7 providing for the confidentiality of information reported to appropriate law
8 enforcement agencies; providing for certain one-party consent monitoring of
9 communications; correcting certain improper statutory references; altering the
10 effective date of certain provisions of law relating to the Insurance Fraud Unit; requiring
11 a certain study; increasing the membership of the Insurance Fraud Advisory Council;
12 and generally relating to the commission, detection, and prosecution of fraudulent
13 insurance acts.

14 BY repealing and reenacting, with amendments,

15 Article 48A – Insurance Code

16 Section 233 and 233B(a)

EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.

[Brackets] indicate matter deleted from existing law.

Underlining indicates amendments to bill.

~~Strike-out~~ indicates matter stricken from the bill by amendment or deleted from the law by amendment.

Italics indicate opposite chamber/conference committee amendments.



1 Annotated Code of Maryland
2 (1991 Replacement Volume and 1993 Supplement)

3 BY repealing and reenacting, with amendments,
4 Article -- Courts and Judicial Proceedings
5 Section 10-402(c)(2)
6 Annotated Code of Maryland
7 (1989 Replacement Volume and 1993 Supplement)

8 BY repealing and reenacting, with amendments,
9 Article -- State Government
10 Section 6-201 and 6-207(a), (b), and (c)
11 Annotated Code of Maryland
12 (1993 Replacement Volume and 1993 Supplement)
13 (As enacted by Chapter 538 of the Acts of 1993)

14 BY repealing and reenacting, with amendments,
15 Chapter 538 of the Acts of the General Assembly of 1993
16 Section 9, 12, and 13

17 SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF
18 MARYLAND, That the Laws of Maryland read as follows:

19 Article 48A -- Insurance Code

20 233.

21 (A) (I) IN THIS SECTION THE FOLLOWING WORDS HAVE THE MEANINGS
22 INDICATED.

23 (2) (I) "CLAIM" MEANS A DEMAND FOR PAYMENT OR BENEFIT
24 UNDER AN INSURANCE POLICY OR CONTRACT BY AN INSURED, A THIRD PARTY, OR
25 ANY REPRESENTATIVE OF THE INSURED OR THIRD PARTY.

26 (II) "CLAIM" INCLUDES A DEMAND FOR PAYMENT OR BENEFIT
27 MADE AGAINST THE STATE OF MARYLAND PURSUANT TO TITLE 12 OF THE STATE
28 GOVERNMENT ARTICLE, TITLE 8, SUBTITLE 1 OF THE STATE PERSONNEL AND
29 PENSIONS ARTICLE, OR TITLE 9 OF THE LABOR AND EMPLOYMENT ARTICLE, OR
30 AGAINST THE MASS TRANSIT ADMINISTRATION WHEN ACTING AS A SELF-INSURER
31 PURSUANT TO § 7-703 OF THE TRANSPORTATION ARTICLE.

32 (3) (I) "INSURER" HAS THE MEANING STATED IN § 3 OF THIS ARTICLE.

33 (II) "INSURER" INCLUDES:

34 1. A CORPORATION OPERATING A NONPROFIT HEALTH
35 SERVICE PLAN UNDER SUBTITLE 20 OF THIS ARTICLE;

36 2. A DENTAL PLAN ORGANIZATION AS DEFINED IN § 581(C)
37 OF THIS ARTICLE;

- 1 3. A SURPLUS LINE INSURER;
- 2 4. THE MARYLAND AUTOMOBILE INSURANCE FUND;
- 3 5. THE STATE OF MARYLAND WHEN A CLAIM HAS BEEN
4 FILED AGAINST THE STATE UNDER TITLE 12 OF THE STATE GOVERNMENT ARTICLE;
5 ~~AND~~
- 6 6. THE MASS TRANSIT ADMINISTRATION WHEN ACTING AS
7 A SELF-INSURER PURSUANT TO § 7-703 OF THE TRANSPORTATION ARTICLE;
- 8 7. THE INJURED WORKERS' INSURANCE FUND;
- 9 8. A HEALTH MAINTENANCE ORGANIZATION AS DEFINED
10 UNDER TITLE 19, SUBTITLE 7 OF THE HEALTH - GENERAL ARTICLE;
- 11 9. THE STATE OF MARYLAND WHEN A CLAIM HAS BEEN
12 FILED AGAINST THE STATE PURSUANT TO TITLE 8, SUBTITLE 1 OF THE STATE
13 PERSONNEL AND PENSIONS ARTICLE;
- 14 10. THE STATE OF MARYLAND WHEN A CLAIM HAS BEEN
15 FILED AGAINST THE STATE PURSUANT TO TITLE 9 OF THE LABOR AND
16 EMPLOYMENT ARTICLE; AND
- 17 11. A THIRD PARTY ADMINISTRATOR AS DEFINED UNDER
18 SUBTITLE 54 OF THIS ARTICLE.
- 19 (III) "INSURER" ALSO INCLUDES ANY AGENT, EMPLOYEE, OR
20 REPRESENTATIVE OF AN INSURER AS DEFINED IN SUBPARAGRAPHS (I) OR (II) OF
21 THIS PARAGRAPH.
- 22 [(a)] (B) It shall be a fraudulent insurance act for a person to:
- 23 [(1)] Present or aid in presenting to any insurer, or any agent of any insurer
24 for the purpose of obtaining any benefits, any claim that falsely alleges the theft of a
25 motor vehicle;]
- 26 [(2)] (1) Knowingly fail to return any moneys or premiums paid for an
27 insurance policy TO AN INSURED OR, THE DESIGNEE OF THE INSURED, OR OTHER
28 PERSONS ENTITLED TO THE MONEYS OR PREMIUMS if the insurance contracted for is
29 not ultimately provided;
- 30 [(3)] (2) [Knowingly present] PRESENT to an insurer, OR CAUSE TO BE
31 PRESENTED TO AN INSURER, DOCUMENTATION OR a written or oral statement [in
32 support of a claim for payment or other benefit under an insurance policy that]:
- 33 (I) THAT IS MADE IN SUPPORT OF A CLAIM, INCLUDING A CLAIM
34 ALLEGING THE THEFT OF A MOTOR VEHICLE; AND
- 35 (II) THAT IS MADE WITH KNOWLEDGE THAT THE
36 DOCUMENTATION OR STATEMENT contains false or misleading information concerning
37 a matter material to the claim;

1 [(4) Knowingly assist or conspire with another to prepare or make a written
2 or oral statement in support of a claim for a benefit under an insurance policy that
3 contains false or misleading information concerning a matter material to the claim;]

4 [(5)](3) Except for the prepayment of periodic payments or excess
5 contributions permitted under the terms of the policy, willfully collect as premium for
6 insurance a sum in excess of the premium applicable to the insurance under approved
7 classifications and rates or, in cases where classifications and rates are not subject to
8 approval, the premiums and charges applicable to the insurance as specified in the policy
9 and fixed by the insurer; [and]

10 [(6)](4) Misappropriate or unreasonably withhold funds received or held
11 where the funds represent premiums, ~~BENEFITS UNDER AN INSURANCE POLICY~~, or
12 return premiums; AND

13 (5) MISAPPROPRIATE BENEFITS UNDER AN INSURANCE POLICY.

14 (5) ~~NOTWITHSTANDING ANY OTHER PROVISION OF LAW, A PENALTY~~
15 ~~IMPOSED FOR A VIOLATION PURSUANT TO SUBSECTION (F) OF THIS SECTION SHALL~~
16 ~~BE MANDATORY AND NOT SUBJECT TO SUSPENSION.~~

17 [(b)](C) It shall be a fraudulent insurance act for an insurer doing business in this
18 State to knowingly write or place any policy or contract of insurance in this State through,
19 or pay a commission or other consideration to, a person who:

20 (1) Is required to have a certificate of qualification under this article; and

21 (2) Has not received a certificate of qualification under this article.

22 [(c)](D) (1) It shall be a fraudulent insurance act for a person to act as or hold
23 themselves out to be an insurance agent, broker, or adjuster in this State if the person has
24 not received the appropriate certificate of qualification under or otherwise complied with
25 § 167 of this article.

26 (2) It shall be a fraudulent insurance act for an agent or broker to:

27 (i) Solicit or take application for, procure, or place for others any
28 insurance for which the agent or broker has not received a certificate of qualification;

29 (ii) Knowingly violate the provisions of § 167(d) of this article; or

30 (iii) Intentionally fail to report to an insurer the exact amount of
31 consideration charged as premium for an insurance contract, if different from the policy
32 premium, and to fail to maintain records showing that information.

33 [(d)](E) It shall be a fraudulent insurance act for a person to:

34 (1) Knowingly or willfully make any false or fraudulent statement or
35 representation in or with reference to any application for insurance;

36 (2) Place insurance with an unauthorized insurer not regulated by the
37 Commissioner and refuse to obey an order by the Commissioner to produce for
38 examination all policies and other documents evidencing the insurance and the amount of
39 premiums paid or agreed to be paid for the insurance;

1 (3) Where a certificate of authority is required, operate an insurer or
2 conduct an insurance business without obtaining a certificate of authority issued by the
3 Commissioner;

4 (4) Make a false sworn statement that the person does not believe to be true
5 as to matter material to an examination, investigation, or hearing conducted by the
6 Commissioner; or

7 (5) With intent to deceive, knowingly exhibit a false account, document, or
8 advertisement, relative to the affairs of an insurer.

9 [(e) A person who violates this section is guilty of a misdemeanor and is subject to
10 a fine of up to \$10,000 or imprisonment for up to 3 years or both.]

11 (F) (1) (I) A PERSON CONVICTED OF VIOLATING ANY PROVISION OF THIS
12 SECTION WHERE THE CLAIM OR ACT THAT IS THE SUBJECT OF THE FRAUD HAS A
13 VALUE OF \$300 OR GREATER IS GUILTY OF A FELONY AND FOR EACH SUCH
14 VIOLATION SHALL RESTORE TO THE VICTIM THE PROPERTY TAKEN OR THE VALUE
15 OF THE PROPERTY TAKEN AND SHALL BE FINED AS DESCRIBED IN PARAGRAPH (2)
16 OF THIS SUBSECTION OR BE IMPRISONED FOR NOT MORE THAN 15 YEARS OR BOTH.

17 (II) A PERSON CONVICTED OF ANY OF THE PROVISIONS OF THIS
18 SECTION WHERE THE CLAIM OR ACT THAT IS THE SUBJECT OF THE FRAUD HAS A
19 VALUE OF UNDER \$300 IS GUILTY OF A MISDEMEANOR AND SHALL RESTORE TO THE
20 VICTIM THE PROPERTY TAKEN OR THE VALUE OF THE PROPERTY TAKEN AND
21 SHALL BE FINED AS DESCRIBED IN PARAGRAPH (2) OF THIS SUBSECTION OR BE
22 IMPRISONED FOR NOT MORE THAN 18 MONTHS OR BOTH.

23 (2) IN ADDITION TO THE PENALTIES PROVIDED IN PARAGRAPH (1) OF
24 THIS SUBSECTION:

25 (I) A PERSON CONVICTED OF VIOLATING ANY PROVISION OF
26 SUBSECTION (B) OF THIS SECTION SHALL FOR EACH SUCH VIOLATION BE SUBJECT
27 TO A FINE, THE MAXIMUM OF WHICH SHALL NOT EXCEED THREE TIMES THE VALUE
28 OF THE CLAIM OR ACT THAT IS THE SUBJECT OF THE FRAUD OR \$10,000, WHICHEVER
29 IS GREATER, AND THE MINIMUM OF WHICH SHALL BE \$500.

30 (II) A PERSON CONVICTED OF VIOLATING ANY PROVISION OF
31 SUBSECTION (C), (D), OR (E) OF THIS SECTION IS FOR EACH SUCH VIOLATION
32 SUBJECT TO A FINE NOT TO EXCEED \$10,000.

33 (3) THE PENALTIES IMPOSED UNDER THIS SECTION MAY BE IMPOSED
34 SEPARATE FROM AND CONSECUTIVE TO OR CONCURRENT WITH A SENTENCE FOR
35 ANY OTHER OFFENSE BASED UPON THE ACT OR ACTS ESTABLISHING A VIOLATION
36 OF THIS SECTION.

37 (G) NOTWITHSTANDING ANY OTHER PROVISION OF LAW, A PENALTY
38 IMPOSED FOR A VIOLATION PURSUANT TO SUBSECTION (F)(2) OF THIS SECTION
39 SHALL BE MANDATORY AND NOT SUBJECT TO SUSPENSION.

40 233B.

1 (a) (1) An authorized insurer, its employees, producers, as that term is defined
2 in § 243L of this article, or agents, who have probable cause to believe that insurance
3 fraud, including violations of [§§ 233 and 233A] § 233 of this subtitle, has been or is being
4 committed, shall report the suspected insurance fraud in writing to the appropriate
5 federal, State, or local law enforcement authorities.

6 (2) An agent as defined in § 166(b) of this article shall satisfy the agent's
7 obligation under this subsection by reporting the suspected insurance fraud in writing to
8 the Insurance Commissioner.

9 (3) IN ADDITION TO ANY PROTECTION AFFORDED UNDER § 10-618 OF
10 THE STATE GOVERNMENT ARTICLE, ANY INFORMATION, DOCUMENTATION, OR
11 OTHER EVIDENCE PROVIDED UNDER THIS SUBSECTION BY AN INSURER, ITS
12 EMPLOYEES, PRODUCERS, AND AGENTS TO THE COMMISSIONER, THE INSURANCE
13 FRAUD UNIT, OR TO ANY OTHER LAW ENFORCEMENT AGENCY IN CONNECTION
14 WITH ANY INVESTIGATION OF SUSPECTED INSURANCE FRAUD IS NOT SUBJECT TO
15 PUBLIC INSPECTION FOR SO LONG AS THE COMMISSIONER, INSURANCE FRAUD
16 UNIT, OR OTHER LAW ENFORCEMENT AGENCY DEEMS THE WITHHOLDING TO BE
17 NECESSARY TO COMPLETE AN INVESTIGATION OF THE SUSPECTED FRAUD OR TO
18 PROTECT THE PERSON OR ENTITY INVESTIGATED FROM UNWARRANTED INJURY.

19 Article - Courts and Judicial Proceedings

20 10-402.

21 (2) It is lawful under this subtitle for an investigative or law enforcement
22 officer acting in a criminal investigation or any other person acting at the prior direction
23 and under the supervision of an investigative or law enforcement officer to intercept a
24 wire, oral, or electronic communication in order to provide evidence of the commission of
25 the offenses of murder, kidnapping, rape, a sexual offense in the first or second degree,
26 child abuse, gambling, robbery, any felony punishable under the "Arson and Burning"
27 subheading of Article 27, bribery, extortion, or dealing in controlled dangerous
28 substances, including violations of Article 27, § 286B or § 287A, FRAUDULENT
29 INSURANCE ACTS, AS DEFINED IN ARTICLE 48A, § 233 or any conspiracy or solicitation
30 to commit any of these offenses, or where any person has created a barricade situation
31 and probable cause exists for the investigative or law enforcement officer to believe a
32 hostage or hostages may be involved, where the person is a party to the communication or
33 one of the parties to the communication has given prior consent to the interception.

34 SECTION 2. AND BE IT FURTHER ENACTED, That the Laws of Maryland
35 read as follows:

36 Article - State Government

37 6-201.

38 (a) In this subtitle the following words have the meanings indicated.

39 (b) "Fraud Division" means the Insurance Fraud Division.

40 (c) "Insurance fraud" means criminal activity involving:

- 1 (1) a violation of § 233 of [this article] ARTICLE 48A OF THE CODE;
2 (2) theft, as set out under Article 27, §§ 340 through 342 of the Code:
3 (i) from a person regulated under [this article] ARTICLE 48A OF THE
4 CODE; or
5 (ii) by any person regulated under [this article] ARTICLE 48A OF THE
6 CODE or by any officer, director, or employee of any person regulated under [this
7 article] ARTICLE 48A OF THE CODE; and
8 (3) any other applicable crime of fraud set out under Article 27 of the Code
9 that is committed by or against a person or entity regulated under [this article] ARTICLE
10 48A OF THE CODE.
11 6-207.

- 12 (a) There is an Insurance Fraud Advisory Council.
13 (b) The Council shall consist of [nine] 10 members.
14 (c) (1) Of the [nine] 10 members:
15 (i) one shall be a representative of the Maryland State Police;
16 (ii) one shall be a representative of the Office of the Attorney
17 General:
18 (iii) one shall be a representative of the Insurance Administration;
19 (iv) one shall be a representative of State's Attorneys in this State;
20 (v) three shall be representatives of insurers doing business in
21 Maryland, including both domestic and foreign insurers; [and]
22 (vi) two shall be members of the public[.]; AND
23 (VII) ONE SHALL BE A REPRESENTATIVE OF ~~THE PROFESSIONAL~~
24 ~~INSURANCE AGENTS DOING BUSINESS~~ IN MARYLAND.
25 (2) The public members of the Council may not:
26 (i) be employed by or otherwise associated with any insurer;
27 (ii) have a financial interest in or receive compensation from any
28 insurer; or
29 (iii) within 2 years before appointment, have had a financial interest in
30 or have received compensation from any insurer.

31 Chapter 538 of the Acts of 1993

32 SECTION 9. AND BE IT FURTHER ENACTED, That the Insurance Fraud Unit
33 established under Executive Order 01.01.1992.24 shall be transferred to the Office of the
34 Governor from the Department of Licensing and Regulation. The funds provided in the Fiscal

1 Year 1994 State Budget for the purpose of funding the Insurance Fraud Unit within the
2 Department of Licensing and Regulation shall be transferred to the Office of the Governor by
3 Budget Amendment. The provisions of Executive Order 01.01.1992.24 shall remain in effect
4 until January 1, [1995] 1997 and the Maryland State Police shall remain the head of the
5 Fraud Unit as provided in the Executive Order. To the extent practicable, the Insurance Fraud
6 Unit under Executive Order 01.01.1992.24 shall establish procedures to implement the
7 procedural requirements of §§ 6-203, 6-204(a)-(d), and 6-206 of Section 7 of this Act
8 applicable to the Insurance Fraud Division in [1994] 1996 in order to facilitate the transfer of
9 the Unit to the Attorney General's Office. NOTWITHSTANDING ANY OTHER PROVISION OF
10 LAW, THE INSURANCE FRAUD ADVISORY COUNCIL SHALL CONDUCT A STUDY TO
11 DETERMINE THE APPROPRIATE UNIT OF STATE GOVERNMENT IN WHICH THE
12 INSURANCE FRAUD UNIT SHOULD BE LOCATED. ON OR BEFORE DECEMBER 31, 1995, THE
13 ADVISORY COUNCIL SHALL SUBMIT TO THE GOVERNOR AND THE GENERAL ASSEMBLY A
14 REPORT THAT SUMMARIZES THE STUDY AND SHALL MAKE A RECOMMENDATION ON THE
15 LOCATION OF THE INSURANCE FRAUD UNIT.

16 SECTION 12. AND BE IT FURTHER ENACTED, That the creation of the
17 Insurance Fraud Division in the Office of the Attorney General in this Act supersedes the
18 creation of the Insurance Fraud Unit in the Department of Licensing and Regulation in
19 Executive Order 01.01.1992.24 and that:

20 (1) funds provided in the Fiscal Year [1995] 1997 State Budget Bill for the
21 purpose of funding the Insurance Fraud Unit, be transferred to the Insurance Fraud Division
22 within the Office of the Attorney General by budget amendment approved by the Board of
23 Public Works; and

24 (2) any personnel and resources provided for the use of the Insurance Fraud
25 Unit be transferred to the Insurance Fraud Division in the Office of the Attorney General by
26 budget amendment approved by the Board of Public Works in a manner that maximizes the
27 use of the personnel and resources of the Insurance Fraud Unit by the Insurance Fraud
28 Division.

29 SECTION 13. AND BE IT FURTHER ENACTED, That Sections 7 and 12 of this
30 Act shall take effect January 1, [1995] 1997.

31 SECTION 3. AND BE IT FURTHER ENACTED, That Section 2 of this Act
32 shall take effect January 1, 1995. Prior to January 1, 1995 1997, all references to the
33 "Insurance Fraud Unit" shall mean the Insurance Fraud Unit created by Executive Order
34 01.01.1992.24. Subsequent to January 1, 1995 On and after January 1, 1997, unless
35 otherwise provided by law, all references to the "Insurance Fraud Unit" shall mean the
36 Insurance Fraud Division of the Office of the Attorney General as created by Chapter
37 538, Section 7 of the Laws of Maryland of 1993.

38 SECTION 4. AND BE IT FURTHER ENACTED, That amendments to Article
39 48A, § 233 of the Code shall be construed in a manner consistent with the common law of
40 Maryland as it applies to the criminal culpability of accomplices and conspirators and
41 shall not be construed in a manner that in any way limits the culpability of an accomplice
42 or conspirator charged with violating Article 48A, § 233. of the Code.

43 SECTION 5. AND BE IT FURTHER ENACTED, That, except as provided in
44 Section 3 of this Act, this Act shall take effect October 1, 1994.