

SESSION OF 2012

SUPPLEMENTAL NOTE ON HOUSE BILL NO. 2485

As Amended by House Committee on Insurance

Brief*

HB 2485 would amend provisions in the Insurance Code to clarify the term, "fraudulent insurance act" and to update a requirement for the submission of anti-fraud plans.

The bill would update the definition of "fraudulent insurance act" to include statements made in an electronic or recorded manner (current law only includes written statements) that are part of an application for issuance or rating of an insurance policy or a claim for payment or other benefit.

The bill also would delete the requirement that insurance companies maintain anti-fraud initiatives and, instead, require insurance companies admitted to do business in Kansas to submit an anti-fraud plan that is reasonably calculated to detect fraudulent insurance acts. The plan would be required to be submitted to the Insurance Commissioner by January 1, 2014, or six months after the insurer has been admitted.

Background

The bill was introduced at the request of the Kansas Insurance Department whose representative indicated the update of the definition of "fraudulent insurance act" is necessary because many transactions in the insurance industry are done by recording and electronically. Claims can be reported to insurance carriers *via* voicemail or through a webpage link, and some companies now accept applications

*Supplemental notes are prepared by the Legislative Research Department and do not express legislative intent. The supplemental note and fiscal note for this bill may be accessed on the Internet at <http://www.kslegislature.org>

for coverage completed online and by e-mail; this definition change allows these types of communications to be included in the prosecution of insurance fraud. The use of anti-fraud plans, the representative stated, provides clarity to company anti-fraud prevention efforts; the use of "fraud initiatives" had raised questions about what information would be required to be submitted to the Department. The representative noted that the basic purpose of the fraud warnings is to give notice to applicants and claimants as to the consequences of insurance fraud in an effort to deter insurance fraud, and 28 states currently require companies to issue fraud warning of some kind. Written testimony in support of the bill was submitted by the Coalition Against Insurance Fraud; the testimony indicated the legislation will help Kansas in the fight against insurance fraud and insurance consumers would be the key beneficiaries of that effort. Prior to working the bill, the House Committee received written testimony in support of the bill from the National Insurance Crime Bureau.

There were no opponents to the bill at the time of the House Committee hearing.

The House Committee on Insurance amendments deleted provisions that would have required insurance companies to provide a fraud warning statement on all insurance applications and written and electronic forms. The Committee also amended a deadline for the filing of anti-fraud plans with the Insurance Commissioner from January 1, 2013, to January 1, 2014.

The fiscal note prepared by the Division of the Budget on the original bill states the Kansas Insurance Department indicates enactment of the bill would have no fiscal effect on the agency. Any costs associated with the warning regarding insurance fraud on written insurance claims and applications would be borne by insurance companies (the House Committee amendments delete the fraud warning notification requirement).