

GOOD MORNING, MY NAME IS PETER
KUHNMUENCH AND I AM THE EXECUTIVE
DIRECTOR OF THE INSURANCE INSTITUTE OF
MICHIGAN.

AS YOU ARE AWARE, IIM IS A STATEWIDE
PROPERTY/CASUALTY TRADE ASSOCIATION
REPRESENTATING MORE THAN 90 INSURANCE
AND RELATED ORGANIZATIONS IN MICHIGAN. IIM
MEMBER COMPANIES PROVIDE INSURANCE TO
APPROXIMATELY 74 PERCENT OF THE
AUTOMOBILE AND 65 PERCENT OF THE

HOMEOWNERS MARKETS IN MICHIGAN. IIM'S PURPOSE IS TO BE A FOCAL POINT FOR EDUCATIONAL, MEDIA, LEGISLATIVE AND PUBLIC INFORMATION ON INSURANCE ISSUES.

IIM, ALONG WITH ITS PARTNERS:

THE NATIONAL INSURANCE CRIME BUREAU,
THE MICHIGAN CHAPTER OF THE INTERNATIONAL ASSOCIATION OF SPECIAL INVESTIGATIVE UNITS,
AND THE COALITION AGAINST INSURANCE FRAUD,
ALL SUPPORT HOUSE BILL 5701 WHICH WOULD ADDRESS THE INCREASE IN AUTO INSURANCE MEDICAL FRAUD THAT WILL BE DISCUSSED LATER BY AN INSURANCE INDUSTRY EXPERT.

WE SUPPORT HOUSE BILL 5701 BECAUSE IT WOULD MAKE AVAILABLE AN ADDITIONAL \$14 MILLION IN RESOURCES TO HELP COORDINATE ANTI-FRAUD EFFORTS THROUGH:

OUR LOCAL LAW ENFORCEMENT AGENCIES, THE MICHIGAN STATE POLICE, PROSECUTORS OFFICES, AND THE ATTORNEY GENERAL'S OFFICE TO PURSUE THOSE WHO DRIVE UP THE COST OF INSURANCE FOR EVERYONE ELSE —INDIVIDUALS AND ORGANIZED RINGS THAT ARE COMMITTING INSURANCE FRAUD.

IF YOU ARE WONDERING IF THERE IS AN INSURANCE FRAUD PROBLEM IN MICHIGAN, THE ANSWER IS YES.

RECENTLY, FOUR INDIVIDUALS IN SAGINAW WERE SENTENCED FOR INSURANCE FRAUD AND FILING A FALSE TAX RETURN. THE INDIVIDUALS SUBMITTED \$70,000 IN FRAUDULENT CLAIMS TO PROGRESSIVE INSURANCE THAT FABRICATED THE HOURS WORKED AND THE SERVICES PROVIDED FOR HOME HEALTH CARE SERVICES FOR SOMEONE INJURED IN AN AUTO ACCIDENT. THEY ALSO FILED TAX RETURNS BASED ON THE SAME FRAUDULENT INFORMATION.

IT IS ESTIMATED THAT 10 PERCENT OF ALL CLAIMS ARE FRAUDULENT AND WE ALL KNOW WHO IS PAYING FOR THAT.

ONE IMMEDIATE BENEFIT PROVIDED BY THE LEGISLATION IS A MANDATE THAT INSURANCE

COMPANIES REPORT FRAUDULENT ACTIVITY TO A CENTRAL COLLECTION POINT. THIS WILL HELP DOCUMENT THE FRAUDULENT ACTIVITIES IN MICHIGAN ACROSS THE ENTIRE INDUSTRY AND ALLOW ENFORCEMENT RESOURCES TO BE TARGETED WHERE THEY ARE NEEDED THE MOST.

BASED ON THE DATA COLLECTED, FUNDS WILL BE AWARDED BY A BOARD OF DIRECTORS THAT INCLUDES FRAUD EXPERTS, THE STATE ATTORNEY GENERAL, THE INSURANCE COMMISSIONER AND LAW ENFORCEMENT OFFICIALS.

WILL THIS PROGRAM BE SUCCESSFUL? THE EFFORTS OF A SIMILAR FRAUD AUTHORITY IN PENNSYLVANIA OBTAINED 263 CONVICTIONS IN

2011 AND DEFENDANTS WERE ORDERED TO PAY \$40,866 IN FINES AND PENALTIES TO THE STATE AND \$9 MILLION TO VICTIMS OF INSURANCE FRAUD.

WE BELIEVE THAT CONTROLLING FRAUD IN THE NO-FAULT ACT WILL BENEFIT POLICYHOLDERS. THAT IS WHY WE SUPPORT THIS BILL, AS WELL AS LEGISLATION ALREADY ENACTED THAT SETS PENALTIES FOR RUNNERS, CAPPERS AND STEERERS AND WOULD LIKE TO SEE THE LEGISLATURE ADOPT LEGISLATION TO LIMIT THE TIME FRAME FOR MEDICAL BILLS TO BE SUBMITTED TO INSURANCE CARRIERS.

IN THE PAST, DISCUSSION ABOUT AUTO INSURANCE IN MICHIGAN HAS BEEN SOMEWHAT

CONTROVERSIAL, BUT WE ARE NOT GOING TO GIVE UP ON SUPPORTING CHANGES THAT WILL HELP CONTROL COSTS AND HAVE A POSITIVE IMPACT ON PREMIUMS PAID BY POLICYHOLDERS.

IN THE MEANTIME, WHY NOT MOVE AHEAD ON LEGISLATION THAT WE CAN ALL AGREE ON. WHO IS AGAINST GREATER EFFORTS TO COMBAT INSURANCE FRAUD? LET'S JOIN TOGETHER AND BEGIN TO REIN IN INSURANCE FRAUD.

THANK YOU AND I WOULD BE HAPPY TO TRY AND ANSWER ANY QUESTIONS.