

# SENATE BILL No. 397

April 19, 2005, Introduced by Senators SANBORN and BISHOP and referred to the Committee on Banking and Financial Institutions.

A bill to amend 1956 PA 218, entitled  
"The insurance code of 1956,"  
by amending sections 4501 and 4503 (MCL 500.4501 and 500.4503), as  
added by 1995 PA 276.

## THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1       Sec. 4501. As used in this chapter:

2       (a) "Authorized agency" means the department of state police;  
3       a city, village, or township police department; a county sheriff's  
4       department; a United States criminal investigative department or  
5       agency; the prosecuting authority of a city, village, township,  
6       county, or state or of the United States; the ~~insurance bureau~~  
7       **OFFICE OF FINANCIAL AND INSURANCE SERVICES**; or the department of  
8       state.

1 (b) "Financial loss" includes, but is not limited to, loss of  
2 earnings, out-of-pocket and other expenses, repair and replacement  
3 costs, investigative costs, and claims payments.

4 (c) "Insurance policy" or "policy" means an insurance policy,  
5 health maintenance organization contract, nonprofit dental care  
6 corporation certificate, or health care corporation certificate.

7 (d) "Insurer" means a property-casualty insurer, life insurer,  
8 third party administrator, self-funded plan, health insurer, health  
9 maintenance organization, nonprofit dental care corporation, health  
10 care corporation, reinsurer, or any other entity regulated by the  
11 insurance laws of this state and providing any form of insurance.

12 (e) "Organization" means an organization or internal  
13 department of an insurer established to detect and prevent  
14 insurance fraud.

15 (f) "Person" includes an individual, insurer, company,  
16 association, organization, Lloyds, society, reciprocal or inter-  
17 insurance exchange, partnership, syndicate, business trust,  
18 corporation, and any other legal entity.

19 (g) "Practitioner" means a licensee of this state authorized  
20 to practice medicine and surgery, psychology, chiropractic, or law,  
21 or any other licensee of the state whose services are compensated,  
22 directly or indirectly, by insurance proceeds, or a licensee  
23 similarly licensed in other states and nations, or the practitioner  
24 of any nonmedical treatment rendered in accordance with a  
25 recognized religious method of healing.

26 (H) "RUNNER", "CAPPER", OR "STEERER" MEANS A PERSON WHO  
27 RECEIVES A PECUNIARY BENEFIT FROM A PRACTITIONER, WHETHER DIRECTLY

1 OR INDIRECTLY, FOR PROCURING OR ATTEMPTING TO PROCURE A CLIENT,  
2 PATIENT, OR CUSTOMER AT THE DIRECTION OR REQUEST OF, OR IN  
3 COOPERATION WITH, A PRACTITIONER WHOSE INTENT IS TO OBTAIN BENEFITS  
4 UNDER A CONTRACT OF INSURANCE OR TO ASSERT A CLAIM AGAINST AN  
5 INSURED OR AN INSURER FOR PROVIDING SERVICES TO THE CLIENT,  
6 PATIENT, OR CUSTOMER. RUNNER, CAPPER, OR STEERER DOES NOT INCLUDE A  
7 PRACTITIONER WHO PROCURES CLIENTS, PATIENTS, OR CUSTOMERS THROUGH  
8 THE USE OF PUBLIC MEDIA.

9 (I) ~~—(h)—~~ "Statement" includes, but is not limited to, any  
10 notice statement, proof of loss, bill of lading, receipt for  
11 payment, invoice, account, estimate of property damages, bill for  
12 services, claim form, diagnosis, prescription, hospital or doctor  
13 record, X-rays, test result, or other evidence of loss, injury, or  
14 expense.

15 Sec. 4503. A fraudulent insurance act includes, but is not  
16 limited to, acts or omissions committed by any person who  
17 knowingly, and with an intent to injure, defraud, or deceive:

18 (a) Presents, causes to be presented, or prepares with  
19 knowledge or belief that it will be presented to or by an insurer  
20 or any agent of an insurer, or any agent of an insurer, reinsurer,  
21 or broker any oral or written statement knowing that the statement  
22 contains any false information concerning any fact material to an  
23 application for the issuance of an insurance policy.

24 (b) Prepares or assists, abets, solicits, or conspires with  
25 another to prepare or make an oral or written statement that is  
26 intended to be presented to or by any insurer in connection with,  
27 or in support of, any application for the issuance of an insurance

1 policy, knowing that the statement contains any false information  
2 concerning any fact or thing material to the application.

3 (c) Presents or causes to be presented to or by any insurer,  
4 any oral or written statement including computer-generated  
5 information as part of, or in support of, a claim for payment or  
6 other benefit pursuant to an insurance policy, knowing that the  
7 statement contains false information concerning any fact or thing  
8 material to the claim.

9 (d) Assists, abets, solicits, or conspires with another to  
10 prepare or make any oral or written statement including computer-  
11 generated documents that is intended to be presented to or by any  
12 insurer in connection with, or in support of, any claim for payment  
13 or other benefit pursuant to an insurance policy, knowing that the  
14 statement contains any false information concerning any fact or  
15 thing material to the claim.

16 (e) Solicits or accepts new or renewal insurance risks by or  
17 for an insolvent insurer.

18 (f) Removes or attempts to remove the assets or records of  
19 assets, transactions, and affairs, or a material part of the assets  
20 or records, from the home office or other place of business of the  
21 insurer or from the place of safekeeping of the insurer, or who  
22 conceals or attempts to conceal the assets or record of assets,  
23 transactions, and affairs, or a material part of the assets or  
24 records, from the commissioner.

25 (g) Diverts, attempts to divert, or conspires to divert funds  
26 of an insurer or of other persons in connection with any of the  
27 following:

1 (i) The transaction of insurance or reinsurance.

2 (ii) The conduct of business activities by an insurer.

3 (iii) The formation, acquisition, or dissolution of an insurer.

4 (H) EMPLOYS, USES, OR ACTS AS A RUNNER, CAPPER, OR STEERER  
5 WITH THE INTENT TO FALSELY OR FRAUDULENTLY OBTAIN BENEFITS UNDER A  
6 CONTRACT OF INSURANCE OR TO FALSELY OR FRAUDULENTLY ASSERT A CLAIM  
7 AGAINST AN INSURED OR AN INSURER FOR PROVIDING SERVICES TO THE  
8 CLIENT, PATIENT, OR CUSTOMER.

9 (I) ~~—(h)—~~ Knowingly and willfully assists, conspires with, or  
10 urges any person to fraudulently violate this act, or any person  
11 who due to that assistance, conspiracy, or urging knowingly and  
12 willfully benefits from the proceeds derived from the fraud.