

Legislative Analysis



INSURANCE FRAUD

Phone: (517) 373-8080
<http://www.house.mi.gov/hfa>

House Bill 4713 as introduced
Sponsor: Rep. Ron Robinson

Analysis available at
<http://www.legislature.mi.gov>

House Bill 4714 as introduced
Sponsor: Rep. Mike Harris

House Bill 4716 as introduced
Sponsor: Rep. Mike McFall

House Bill 4717 (proposed substitute H-1)
Sponsor: Rep. Sarah Lightner

House Bill 4718 (proposed substitute H-1)
Sponsor: Rep. Joseph Tate

House Bill 4715 as introduced
Sponsor: Rep. Brenda Carter

House Bill 4719 as introduced
Sponsor: Rep. Joseph A. Aragona

Committee: Insurance
Complete to 9-3-25

SUMMARY:

House Bills 4713 to 4719 would amend the Insurance Code and related statutes to restructure penalties for acts of fraud. The bills would also make changes regarding insurance fraud reporting, enforcement, and information sharing.

House Bill 4716 would amend the Insurance Code to replace the current single penalty for fraudulent insurance acts with a tiered penalty structure based on the number of fraudulent claims, the total dollar amount involved, conspiracy participation, and prior convictions.

Under current law, a person who commits a fraudulent insurance act as described in section 4503 of the code, or conspires to do so, is guilty of a felony punishable by up to four years in prison, a fine of up to \$50,000, or both, and must pay restitution. The penalty is the same regardless of the scope or severity of the fraudulent act.

This bill would create graduated misdemeanor and felony penalties for fraudulent insurance acts involving a fraudulent claim (see table below). Penalties would range from a misdemeanor (up to one year of imprisonment) for the smaller offenses to a felony punishable by up to 20 years of imprisonment for the largest. The bill would allow the combination of claims within a 12-month period to determine penalties, provide enhanced sentences for conspiracy, and increase penalties for offenders with prior convictions. Restitution would remain mandatory.

Fraudulent Claim Offense Conditions	Penalty Level	Maximum Imprisonment	Maximum Fine
Claims total less than \$1,000 OR fewer than 5 fraudulent claims	Misdemeanor	1 year	The greater of \$2,000 or 3 times the fraudulent claim amount
Claims total \$1,000 or more but less than \$20,000 OR 5 to 19 fraudulent claims	Felony	5 years	The greater of \$10,000 or 3 times the fraudulent claim amount
Claims total \$20,000 or more but less than \$50,000 OR 20 to 49 fraudulent claims	Felony	10 years	The greater of \$15,000 or 3 times the fraudulent claim amount
Claims total \$50,000 or more but less than \$100,000 OR 50 to 99 fraudulent claims	Felony	15 years	The greater of \$25,000 or 3 times the fraudulent claim amount
Claims total over \$100,000 OR 100+ fraudulent claims	Felony	20 years	The greater of \$50,000 or 3 times the fraudulent claim amount

The penalty imposed would be the most severe based on the conditions of offense. For example, a person whose fraud involved fewer than five claims for a total amount of more than \$1,000 would face the punishments applicable to claims of more than \$1,000, rather than those applicable to fewer than five claims.

If a person enters into an agreement or conspiracy to commit fraudulent acts when they commit fraud meeting one of the above conditions, they would face penalties that align with the next higher offense category. For example, if a person enters into a conspiracy to commit fraud with claims totaling \$50,000 or more but less than \$100,000 and involving 50 to 99 fraudulent claims, they would face up to 20 years in prison and a fine of \$50,000 or three times the amount of the claims, whichever is greater, or both imprisonment and a fine.

Prior convictions of committing or attempting to commit fraud, with proper documentation of such a conviction, would similarly result in an increase in penalties as follows:

- A person whose violation meets the criteria of the first offense category who has one or more such prior convictions would face penalties that align with the second offense category.
- A person whose violation meets the criteria of the first or second offense category who has two or more such prior convictions would face penalties that align with the third offense category.

MCL 500.4511

House Bill 4714 would make complementary changes to the Code of Criminal Procedure by adding the felony penalties for fraudulent insurance acts created in HB 4716 to the state's

sentencing guidelines. Under the guidelines, felonies assigned class levels that are used in determining a recommended minimum sentence. House Bill 4714 would classify the new offenses from HB 4716 as follows:

- Punishable by imprisonment for up to 5 years: Class E felony
- Punishable by imprisonment for up to 10 years: Class D felony
- Punishable by imprisonment for up to 15 years: Class C felony
- Punishable by imprisonment for up to 20 years: Class B felony

This bill cannot take effect unless HB 4716 is also enacted.

MCL 777.15a

House Bill 4717 would amend the Michigan Penal Code to add fraudulent insurance acts under section 4503 of the Insurance Code, as well as falsifying or forging a vehicle title under section 254 or 257 of the Michigan Vehicle Code, to the list of crimes that support a racketeering charge.

Under current law, racketeering includes committing, attempting, or conspiring to commit certain financial crimes. A person engaged in a pattern of racketeering is guilty of a felony punishable by up to 20 years in prison, a fine of up to \$100,000, or both, and may be subject to forfeiture proceedings.

The bill would include fraudulent insurance acts and specified vehicle code violations involving falsifying or forging a vehicle title or registration, allowing prosecutors to bring racketeering charges for patterns of insurance fraud or vehicle title fraud in addition to penalties for the underlying offenses.

This bill would take effect 90 days after its enactment.

MCL 750.159g

House Bill 4719 would amend the Insurance Code to authorize the department to assess civil fines specifically for fraudulent insurance acts under section 4503.

The Insurance Code authorizes civil fines of up to \$1,000 for violations, or \$5,000 if the person knew or reasonably should have known that they were violating the code, up to a maximum of \$50,000.

The bill would ensure that these fines could be levied in addition to the penalties already prescribed for violations of section 4503 (under House Bill 4516).

MCL 500.150

House Bill 4718 would amend the Insurance Code to require *insurers* that know or reasonably believe after completing a good-faith investigation that a fraudulent insurance act has occurred to report it to the Department of Insurance and Financial Services (DIFS).

Insurer would mean any of the following:

- An insurer as that term is defined in section 106 of the code.
- The Michigan Automobile Insurance Placement Facility (MAIPF) created under Chapter 33 of the code.
- A person designated to administer a claim for benefits through the assigned claims plan under sections 3171 to 3175 of the code on behalf of the MAIPF.

Insurers would be required to submit a report using a form prescribed by DIFS and provide any additional information the department requests. A report would not be required if the insurer's investigation determines that the act was not fraudulent or if there are no reasonable grounds to believe that fraud occurred. The bill would also require ***authorized agencies*** to provide information to DIFS upon request and to cooperate in investigations.

Authorized agency means the Department of State Police; a city, village, or township police department; a county sheriff's department; a federal criminal investigative department or agency; the prosecuting authority of a city, village, township, county, or state or of the United States; or the Department of State.

After investigation, the director of DIFS could report the suspected fraud to the insurer, the appropriate authorized agency, the applicable county prosecuting attorney, or the attorney general.

Required reports under these provisions would not relieve an insurer of its obligations to report suspected violations of law to an authorized agency.

Proposed MCL 500.4506

House Bill 4715 would amend the Insurance Code to expand protections for entities that share information on suspected or confirmed insurance fraud.

Current law allows insurers, authorized agencies, and certain organizations to exchange fraud-related information in good faith and without malice, without facing civil liability, unless they knowingly share false information.

This bill would add the National Insurance Crime Bureau (NICB) and its employees or agents to this list and provide that fraud-related information may be shared between insurers, the NICB, and other authorized agencies under the same liability protections.

MCL 500.4509

House Bill 4713 would amend the Health Care False Claim Act to expand the definition of ***health care insurer*** by including auto insurers that provide PIP coverage under Chapter 31 of the Insurance Code.

Health care insurer now means any of the following:

- An insurance company authorized to provide health insurance in this state.
- An insurance company that provides personal protection insurance under Chapter 31 of the Insurance Code.

- A legal entity that is self-insured and providing health care benefits to its employees.

By expanding the definition, the bill would prohibit and prescribe penalties for acts involving fraudulent auto insurance claims.

MCL 752.1002

FISCAL IMPACT:

House Bills 4713, 4715, and 4718 would have no fiscal impact on any units of state or local government.

House Bill 4714 is a companion bill to House Bill 4716. The bill would amend the sentencing guidelines chapter of the Code of Criminal Procedure to include the proposed felonies included in HB 4716 as crimes against the public trust. Those punishable by a statutory maximum of five years would be Class E felonies; by a maximum of 10 years, Class D felonies; by a maximum of 15 years, Class C felonies; and by a statutory maximum of 20 years, Class B felonies. The bill would not have a direct fiscal impact on the state or on local units of government.

House Bill 4716 would have an indeterminate fiscal impact on the state and on local units of government. Under the bill, penalties for acts of insurance fraud would be increased. Violations could be either misdemeanors or felonies, depending on the circumstances. Misdemeanor convictions would increase costs related to county jails and/or local misdemeanor probation supervision. Costs of local incarceration in county jails and local misdemeanor probation supervision, and how those costs are financed, vary by jurisdiction. Felony convictions would result in increased costs related to state prisons and state probation supervision. In fiscal year 2024, the average cost of prison incarceration in a state facility was roughly \$46,200 per prisoner, a figure that includes various fixed administrative and operational costs. State costs for parole and felony probation supervision averaged about \$5,500 per supervised offender in the same year. Those costs are financed with state general fund/general purpose revenue. Any increase in penal fine revenue would increase funding for public and county law libraries, which are the constitutionally designated recipients of those revenues. The fiscal impact on local court systems would depend on how provisions of the bill affected court caseloads and related administrative costs. Because there is no practical way to determine the number of violations that would occur, an estimate of the amount of costs related to county jails and/or state prisons, penal fine revenue collections, or costs to local courts cannot be made.

House Bill 4717 would have an indeterminate fiscal impact on the state and on local units of government. Under the bill, a person committing an offense involving a fraudulent insurance act or vehicle title forgery or falsification would be guilty of racketeering, which is a felony punishable by imprisonment, fines, or both. The number of convictions that would result under provisions of the bill is not known. New felony convictions would result in increased costs related to state prisons and state probation supervision. In fiscal year 2024, the average cost of prison incarceration in a state facility was roughly \$46,200 per prisoner, a figure that includes various fixed administrative and operational costs. State costs for parole and felony probation supervision averaged about \$5,500 per supervised offender in the same year. Those costs are

financed with state general fund/general purpose revenue. Any increase in penal fine revenue would increase funding for public and county law libraries, which are the constitutionally designated recipients of those revenues. The fiscal impact on local court systems would depend on how provisions of the bill affected court caseloads and related administrative costs. Because there is no practical way to determine the number of violations that would occur under provisions of the bill, an estimate of the amount of costs related to state prisons, penal fine revenue collections, or costs to local courts cannot be made.

House Bill 4719 would have an indeterminate fiscal impact on the state and on local units of government. Under the bill, civil fines could be assessed in addition to penalties described in HB 4716. Civil fine payments under the Insurance Code are capped at \$50,000, and any revenue collected must be deposited to the state's general fund. Because there is no practical way to determine the number of violations that would occur, an estimate of civil fine revenue collections cannot be made.

Legislative Analyst: Leah R. Doemer
Fiscal Analysts: Una Jakupovic
Robin Risko

■ This analysis was prepared by nonpartisan House Fiscal Agency staff for use by House members in their deliberations and does not constitute an official statement of legislative intent.