

Insurance Fraud III – Opening Statement

January 28, 2010

Blue Bell, PA

Good morning and welcome to the House Insurance Committee's third public hearing on the subject of insurance fraud. Previously, the Committee met in Harrisburg -the central part of the state - and in Pittsburgh - the western part of the state. Today we take testimony and obtain information from companies and associations with an eastern Pennsylvania perspective.

I am Dan Frankel from Allegheny County, and I am the Vice-Chairman of the Committee. Unfortunately, Chairman Tony DeLuca could not be here today due to pressing business that arose unexpectedly in his district. He sends his regrets, but wants all to know that his interest in this issue is at a very high level and he intends to move a legislative package in the near future.

We have a full agenda today including state officials - from Auditor General Jack Wagner to the Department of State; representatives of the insurance industry – both large companies and smaller entities; industry representatives on the front lines of detecting and fighting insurance fraud; medical practitioners; and the authority specifically charged with

monitoring the market, financing the fight against fraud and educating the public of the significant harm that insurance fraud can produce.

The Committee has pending before it a number of bills that address the major issues identified to date – educating the public; balancing the needs of law enforcement and consumers in terms of what level of immunity to assign those reporting suspected fraud; structuring the Commonwealth's resources to fighting and prosecuting fraud; and what remedies – criminal and civil – are appropriate.

Before we get to our agenda, I do want to try and lay out size of the problem that we are tackling through the Committee's legislation. The Coalition Against Insurance Fraud estimates that nationally insurance fraud costs at least \$80 billion, or approximately \$950 per family per year. The National Insurance Crime Bureau estimates that ten cents of every premium dollar is used to pay a fraudulent or padded claim. For Pennsylvania specifically, the Insurance Fraud Prevention Authority (IFPA) – an independent public corporation created by Act 166 of 1994 – reports that allegations of fraud reaching law enforcement indicate an increasing Pennsylvania insurance fraud problem. The authority is here today and they offer specific numbers on the size of the problem later today. Unfortunately the Office of Attorney General will not be here today, but we are informed

that the number of suspected fraud referrals to the Insurance Fraud Bureau increased from 1,649 to 2,233 in the past year.

Before getting to our first witness, I would like to recognize and acknowledge Representative Godshall, the prime sponsor of some of the legislation, who I believe would like to make some remarks. Representative Godshall?

Thank you Representative.

Also, I'd like to recognize Representative Bryan Barbin – the prime sponsor of HB 1750 – which is a comprehensive bill on the issues we face today. Representative Barbin?

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Thank you – with that let's turn to our first witness.

CLOSING:

On behalf of the committee, I do want to thank our host Aetna for the use of their facilities, and specifically Greg Martino who was critical in putting this together – so my thanks and that of the Committee.

Also, I do want to take this opportunity to thank everyone for their attendance here today. This has been a very productive and informative meeting, and we will be reporting this back to the Chairman. I know he is anxious to finalize a package of bills and move them to the House floor in the near future.

Safe travels and have a good evening.