

Public Hearing on Fraud
Opening Statement
Representative Robert Godshall
January 28, 2010

Good morning, and welcome to our end of the Commonwealth. I appreciate the Committee coming here and continuing its leadership in addressing the problem of insurance fraud. It is a problem we've all been trying to solve for years, and I realize it is an ongoing battle.

Insurance fraud is a crime: it is not a victimless crime! In fact, it is a very serious crime that affects all of us, especially when one considers the cost insurance fraud has on the premiums.

Insurance fraud costs everyone. The insurance industry estimates more than \$96.8 **B**illion dollars a year.

According to the Pennsylvania insurance fraud prevention authority, the most recent estimation for fraud costs

- \$30 billion for property and casualty insurance;
- Approximately \$68 billion for health insurance fraud;

I've introduced a package of bills that I think can help:

- House Bill 1736 amends the Public Adjuster Act.
- House Bill 1737 will give the forfeited funds to the Pennsylvania Insurance Fraud Prevention Authority and require health facilities to display a poster offering a reward for reporting fraud.
- House Bill 1739 will require all lines of insurers to file anti-fraud plans with the Insurance Department and report suspect fraud to law enforcement, similar to current requirements on auto insurers. And
- House Bill 1740 will provide asset forfeiture of people convicted of insurance fraud.

In addition to these bills, Chairmen DeLuca and Micozzie have introduced HB 2154, which provides insurers immunity when working together to fight fraud, and Rep. Barbin has introduced House Bill 1750, which would expand fraud plan filing and reporting requirements.

Hearings like this give us a chance to have a discussion with the real experts – the people who see and fight fraud every day – on what will really work, whether it is any of the bills we’ve already introduced or something else.

You can see from the bills that we have real bi-partisan support for getting tough on insurance fraud. Especially in these hard economic times, it is important to make sure that the hard-earned premiums consumers pay to insurers go to pay legitimate claims, not fraudulent ones. Insurers can’t pass off fraud as just a “cost of doing business” – and we need to make sure that law enforcement and insurers have the proper means to identify, prevent and prosecute this fraud.

We also need to make sure government is doing all it can to avoid being a victim of fraud, because that means higher taxes. I’m happy the Auditor General will be with us today to talk about that.

And we need to continue public awareness of the cost of fraud, and to make sure that consumers understand it really isn’t ripping off an insurance company, it is ripping off your neighbor – because it really is all of us who pay for this fraud. I’ve seen some good programs run by the Insurance Fraud Prevention Authority, and I hope its Executive Director, Ralph Burnham, will be able to talk about that and maybe how we as lawmakers can help.

I’m not looking for legislation for the sake of legislation. I am looking for ways in which the public and private sectors can work together in a meaningful and efficient way to combat fraud. This is our third hearing on this issue, and we’ve heard some good ideas from the people in the trenches on this. I look forward to working with all the interested parties in getting those ideas enacted as practical and meaningful ways to help in this effort.

Thank you!

I appreciate this opportunity to address the members of the committee on several insurance fraud bills, which I introduced to help fight insurance fraud in Pennsylvania:

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- 2) House Bill 1737 will give the forfeited funds to the Pennsylvania Insurance Fraud Prevention Authority

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In addition to the Insurance
Fraud bills I introduced... Rep.
DeLuca introduced HB 2154,
which provides Immunity from
Liability, and Rep. Barbin
introduced House Bill 1750, as it
relates to reforming the insurance
fraud statutes by amending Title
18 (Crimes & Offenses) and Title
40 (Insurance).

It is important to note that it is not just consumers who commit insurance fraud. Fraud may also be committed by: health care providers, attorneys, auto repair shops, insurers, insurance producers, etc.

Fraud causes higher insurance rates, but it also raises our taxes and inflates prices for consumer goods.

The goal is to combat fraud in a meaningful and efficient way. I urge each individual to look how they can help STOP insurance fraud.

I look forward working with you, members of the House Insurance Committee, and our law enforcement agencies to make any necessary changes to the legislation.

Thank you!