

New Insurance Fraud Fighting Laws in Effect in Minnesota

By: Coalition Against Insurance Fraud

Minnesota now has two new laws that allow civil actions against those who commit insurance fraud, the Coalition Against Insurance Fraud announced.

The strong anti-fraud measures became law when Gov. Mark Dayton signed a larger omnibus bill containing the provisions into law on June 14.

Dayton vetoed the original bill recently, according to the Coalition. The legislature held a special session to resolve his differences over measures unrelated to fraud fighting. The result was a shorter bill that included the anti-fraud measures.

Insurance fraud has become a major problem in areas of Minnesota.

The coalition said organized rings have infiltrated the state, defrauding auto insurers with large claims for bogus treatment involving setup vehicle wrecks. The new anti-fraud powers were aimed in part at these operations.

Civil actions are potent anti-fraud measures. The state commerce department gains flexibility to take swift action without waiting for the often slow-moving criminal justice system to prosecute. Large civil fines also can bankrupt swindlers and deter others.

Kicking dishonest providers out of the insurance system can choke off their primary source of income. Many swindlers are out of business when deprived of the ability to lodge false insurance claims against insurers.

Fraud fighters have lobbied for two years to enact the crime-fighting provisions.

The Coalition had recommended them to legislators two years ago. They were drafted into proposals, and added this year to the large omnibus bill.

The Coalition also mounted a grassroots letter-writing campaign urging fraud fighters to have their legislators to support the bill.

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Michigan has no anti-fraud agency to serve as an essential enforcement and coordinating body. Varied scams against auto insurers are widespread; the state urgently needs an agency to add an important layer of defense.

Concerned legislators and fraud fighters in both states are championing bills that will both degrade the ability of swindlers to defraud insurers and deter would-be scammers.

The legislation will tackle diverse auto schemes. They range from complex rings to medical mills, to average everyday drivers who try to illicitly reduce high auto premiums by lying to their insurers that they garage and drive their vehicle in states with lower premiums.

Minnesota's surge of organized fraud rings is especially pronounced in urban areas such as Minneapolis/St. Paul. These gangs stage crashes and operate medical mills that impose on no-fault auto insurers large volumes of expensive claims for worthless and inflated injury treatment.

Many ring members are hardened operatives who've moved in from other states. They perceive that Minnesota lacks a strong law-enforcement infrastructure. Other rings are homegrown. They also view Minnesota as a source of large fraud profits with relatively little downside risk.

The legislature created a task force in 2013 to recommend new fraud laws giving Minnesota more enforcement teeth. Three measures the Coalition Against Insurance Fraud recommended during those talks now are proposed as companion bills in the Senate and House. They would:

Limit access to police crash reports. Fraud rings use the reports to identify crash victims. Recruiters typically hound the victims to get bogus treatment at shady clinics aligned with the rings.

Impose large civil fines. The state Department of Commerce would gain fining authority. The state thus would have agility to fine fraudsters without waiting for the uncertain and often lengthy criminal process to wind its course.

Large civil fines also could bankrupt ringleaders, collapse their operations and send a deterrent message to other would-be scammers. Kick fraudsters out of the insurance system. The commerce department could forbid dishonest medical providers to receive auto-insurance payouts. Many medical mills likely would fold, starved of ill-gotten income.

New York has booted nearly 20 dishonest medical providers from the state's no-fault system since passing a similar law.

There is strong momentum to enact these measures in Minnesota. Fraud fighters are working with the Insurance Federation of Minnesota to push for passage.

The fraud bills still must slide past well-mobilized special interest groups, however. Chiropractors say the state chiro board should have ultimate fining authority. The trial bar contends that limiting access to crash reports for 30 days would impel victims to settle their insurance claim before they can hire an attorney to negotiate settlements.

Fraud fighters have enough statehouse support to potentially place opposing lobbies on the defensive throughout the debates.

Several hundred miles east lies Michigan. The state also is a natural magnet for medical mills and other automobile scammers. Fraud fighters generally agree that scamming is widespread, especially in urban areas such as Detroit.

Yet Michigan has no anti-fraud agency tasked with hunting down swindlers. The vast majority of states do have fraud bureaus; they grasp the many benefits an agency brings to combating fraud.

Michigan has America's most-generous no-fault auto insurance system. Injured drivers can receive unlimited lifetime payouts. That honeypot encourages swindlers to lodge inflated claims for lengthy treatment regimens. Often the treatments are on paper only, with forged medical documents and phony patients.

Michigan's large size invites heightened opportunity to defraud. The state has America's 8th largest population (nearly 9.9 million residents) and 8th largest number of licensed drivers (slightly more than 7 million). Importantly, Michigan also is the second-largest state without an anti-fraud infrastructure of any kind.

A properly funded state anti-fraud agency adds much-needed investigators to the enforcement mix. It's also a vital coordinating body. And the agency gathers actionable field intelligence that can inform fraud fighters about the size and impact of fraud trends. Fraud fighters thus can more accurately determine the resources they need. Prosecutors also will take on more fraud cases if there is a significant trend afoot.

The Massachusetts fraud bureau adroitly plays this role. No-fault rings have been rolled back in major urban areas. Auto premiums have fallen, saving drivers tens of millions of dollars.

Momentum is strong to create the auto fraud authority this year. The Insurance Institute of Michigan is playing a lead role.

A larger reform bill tackling spiraling no-fault medical costs, aside from fraud, is likely to be introduced. The auto-fraud authority may be rolled into that package.

The Coalition Against Insurance Fraud urges that the authority be a stand-alone bill because it stands a better chance of becoming law. Fighting

fraud is a white-hat, tough-on-crime issue. It can draw wide bipartisan and consumer support.

The reform package carries far more baggage. Medical providers, attorneys, auto insurers and other interest groups likely will have difficulty agreeing on reforms. The large bill could fizzle because of its size and complexity, thus drowning the auto authority like a passenger on the Titanic. Fraud fighters are working to decouple the fraud authority from the reform bill.

Shepherding these anti-fraud bills into law in Minnesota and Michigan will send a loud message that defrauding auto insurers is a dead-end street whose only exit ramp goes straight to jail.