

April 16, 2024

Chair Matt Klein and Members of the Committee
Committee on Commerce and Consumer Protection
Minnesota Senate

RE: Senate File 5301 – Commerce Fraud Bureau – Support

Dear Chair Klein and Members of the Committee:

The National Insurance Crime Bureau (NICB) is a national, century-old, not-for-profit organization supported by approximately 1,200 property and casualty insurance companies, including many who write business in Minnesota. Working hand-in-hand with our member companies and Minnesota law enforcement, we help to detect, prevent, and deter insurance crimes. While NICB provides value to our member companies, we also serve a significant public benefit by helping to stem the estimated billions of dollars in economic harm that insurance crime causes to individual policyholders across the country every year.

Insurance fraud is not a victimless crime. The FBI estimates that over a 10-year period, insurance fraud costs the average U.S. family between \$4,000 and \$7,000 in increased premiums. Beyond financial losses, innocent victims sometimes also suffer physical injuries when criminals engage in more violent schemes such as arson, staged accidents, carjackings, and vehicle thefts.

To combat insurance fraud, most states, including Minnesota, have formed fraud bureaus to investigate suspected insurance fraud. All state fraud bureaus are staffed with highly skilled, professional personnel eager to fight insurance fraud, but their enforcement capabilities are capped by their available resources.

When funding is boosted though, more cases are investigated, and more insurance fraud perpetrators are brought to justice. Such was the case in North Carolina, where despite being the first state in the nation to establish a criminal investigations division within a department of insurance, it fell behind in adequately funding the unit.

That changed in 2017 when the North Carolina General Assembly appropriated \$2.4 million to hire additional agents. Comparing year 2016 to 2018, North Carolina's Department of Insurance (DOI) Criminal Investigations Division (CID) nearly doubled the number of investigations for suspected insurance fraud, and increased their geographic range, investigating suspects in 93% of North Carolina's counties, up from just 57% in 2016.

Senate File 5301 increases the insurance fraud prevention assessment, which has not increased in 20 years. The increased funding provides the Commerce Fraud Bureau with additional resources to help keep pace with rising inflation.

Accordingly, we strongly ask for your strong support in favor of Senate File 5301.

We thank you for scheduling a hearing and for considering our views as you deliberate the merits of the bill. If you have any questions or need additional information, please contact me at csepich@nicb.org or (847) 772-7667.

Sincerely,

Craig Sepich

Craig Sepich
Director
Office of Strategy, Policy, & Government Affairs
National Insurance Crime Bureau