



February 9, 1996
BULLETIN #754

INSURANCE FRAUD (NOT CLAIMS FRAUD) - FEDERAL STATUTE FOR ENFORCEMENT AND PROSECUTION

Federal statutes addressing insurance fraud have been supplemented and strengthened by the passage of the "Violent Crime Control and Law Enforcement Act of 1994," PL 103-322 (1994). Included in that statute are two sections (18 USC 1033 and 1034) that specifically address insurance fraud. Attached is an excerpt (published with permission) from the December 1, 1995 issue of the Federation of Regulatory Counsel's ("FORC") Quarterly Journal of Insurance Law and Regulation (Vol VII, Edition 4) which explains this new statute in some detail and with which we request all of our members become familiar.

Basically, some severe criminal penalties now exist (fine of not more than \$50,000 and imprisonment for up to ten years, which can be increased in some cases to fifteen years) for:

- * falsifying statement(s) or overvaluation of assets;
- * embezzlement, etc. of insurer's assets;
- * falsifying material facts regarding financial condition or solvency of an insurer;
- * threatening, etc. to influence, impede, etc. proceedings before insurance regulatory officials.

In addition, felons convicted of dishonesty or breach of trust are also subject to the same criminal sanctions if they engage in the business of insurance without prior written approval of the appropriate regulatory official.

The Department of Justice has established the Insurance Fraud Working Group ("IFWG"). This is a nationwide group including United States Attorneys and the Federal Bureau of Investigation, Security and Exchange Commission, Department of Labor, Internal Revenue Service, US Postal Service, US Customs, and the Department of Treasury. The IFWG has furnished us with a seven page "Examples of Insurance Fraud Schemes," and a "Criminal Referral Form" which are also attached and should be reviewed by all of our members.

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The Surplus Line Association of California and other surplus line associations and stamping offices are working together with the Department of Justice and the Federal Bureau of Investigation to proactively assist under this statute, as well as under appropriate state statutes and regulations.

We urge our members to contact us if they have any information about such fraud so that we may furnish it to the appropriate state and federal officials. To quote from FORC's paper, "...the pertinent statutory provisions will significantly supplement - if not go far beyond - existing state regulatory penalties for offenses of this nature."

Please address any information, questions or comments directly to me.

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Executive Director

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Attachments