



Senate Fiscal Agency  
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## BILL ANALYSIS



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Senate Bill 298 (as introduced 3-24-11)  
Sponsor: Senator Virgil Smith  
Committee: Insurance

Date Completed: 10-4-11

**CONTENT**

**The bill would amend the Insurance Code to designate acting as or using a runner, capper, or steerer to commit insurance fraud as a "fraudulent insurance act" subject to a felony penalty.**

Under the Code, particular acts or omissions committed by any person knowingly, and with intent to injure, defraud, or deceive, are designated fraudulent insurance acts. A person who commits one of the specified acts is guilty of a felony punishable by imprisonment for up to four years and/or a fine of up to \$50,000. A person who enters into an agreement or conspiracy to commit a fraudulent insurance act is guilty of a felony, punishable by imprisonment for up to 10 years and/or a maximum fine of \$50,000. In either case, the person also must be ordered to pay restitution. In addition, if the court finds a practitioner or insurer responsible for or guilty of a fraudulent insurance act, the court must notify the appropriate State licensing authority.

The bill would include among fraudulent insurance acts employing, using, or acting as a runner, capper, or steerer with the intent to obtain benefits under an insurance contract falsely or fraudulently, or to assert a claim falsely or fraudulently against an insured or an insurer for providing services to the client, patient, or customer.

"Runner", "capper", or "steerer" would mean a person who receives a pecuniary benefit from a practitioner, whether directly or indirectly, for procuring or attempting to procure a client, patient, or customer at the direction or request of, or in cooperation with, a practitioner whose intent is to obtain benefits under an insurance contract or to assert a claim against an insured or an insurer for providing services to the client, patient, or customer. The terms would not include a practitioner who procures clients, patients, or customers through the use of public media.

(Under the Code, "practitioner" means a licensee of this State authorized to practice medicine and surgery, psychology, chiropractic, or law, or any other Michigan licensee whose services are compensated, directly or indirectly, by insurance proceeds, or a licensee similarly licensed in other states and nations, or the practitioner of any nonmedical treatment rendered in accordance with a recognized religious method of healing.)

MCL 500.4501 & 500.4503

Legislative Analyst: Julie Cassidy

## **FISCAL IMPACT**

The bill would have an indeterminate fiscal impact on State and local government. To the extent that the additional prohibition led to an increase in convictions related to violations of the Insurance Code, the State and local units of government could incur increased correctional costs. Local governments would incur the costs of incarceration in local facilities, which vary by county. The State would incur the cost of felony probation at an annual average cost of \$2,500, as well as the cost of incarceration in a State facility at an average annual cost of \$34,000. Additional penal fine revenue would benefit public libraries.

Fiscal Analyst: Matthew Grabowski

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This analysis was prepared by nonpartisan Senate staff for use by the Senate in its deliberations and does not constitute an official statement of legislative intent.