

LC01311

IN GENERAL ASSEMBLY

RELATING TO INSURANCE - FRAUD PREVENTION

Referred To: Senate Corporations

(A) An application for the issuance or renewal of an insurance policy or reinsurance contract;

1 (B) The rating of an insurance policy or reinsurance contract;
2 (C) A claim for payment or benefit pursuant to an insurance policy or reinsurance
3 contract;
4 (D) Premiums paid on an insurance policy ore reinsurance contract;
5 (E) Payments made in accordance with the terms of an insurance policy or reinsurance
6 contract;
7 (F) A document filed with the commissioner or the chief insurance regulatory official of
8 another jurisdiction;
9 (G) The financial condition of an insurer or reinsurer;
10 (H) The formation, acquisition, merger, reconsolidation, dissolution or withdrawal from
11 one or more lines of insurance or reinsurance in all or part of this state by an insurer or reinsurer;
12 (I) The issuance of written evidence of insurance; or
13 (J) The reinstatement of an insurance policy;
14 (ii) Solicitation or acceptance of new or renewal insurance risks on behalf of an insurer,
15 reinsurer or other person engaged in the business of insurance by a person who knows or should
16 know that the insurer or other person responsible for the risk is insolvent at the time of the
17 transaction;
18 (iii) Removal, concealment, alteration or destruction of the assets or records of an insurer,
19 reinsurer or other person engaged in the business of insurance;
20 (iv) Willful embezzlement, abstracting, purloining or conversion of monies, funds,
21 premiums, credits or other property of an insurer, reinsurer or person engaged in the business of
22 insurance;
23 (v) Transaction of the business of insurance in violation of laws requiring a license,
24 certificate of authority or other legal authority for the transaction of the business of insurance; or
25 (vi) Attempt to commit, aiding or abetting in the commission of, or conspiracy to commit
26 the acts or missions specified in this subsection.
27 (4) "Insurance" means a contract or arrangement in which one undertakes to:
28 (i) Pay or indemnify another as to loss from certain contingencies called "risks,"
29 including through reinsurance;
30 (ii) Pay or grant a specified amount or determinable benefit to another in connection with
31 ascertainable risk contingencies;
32 (iii) Pay an annuity to another; or
33 (iv) Act as surety.
34 (5) "Insurer" means a person entering into arrangements or contracts of insurance or

1 reinsurance and who agrees to perform any of the acts set forth in paragraph (iv) of this section or
2 fraternal benefit societies, medical and hospital service corporations, dental service corporations
3 and/or health maintenance organizations. A person is an insurer regardless of whether the person
4 is acting in violation of laws requiring a certificate of authority or regardless of whether the
5 person denies being an insurer.

6 (6) "NAIC" means the National Association of Insurance Commissioners.

7 (7) "Person" means an individual, a corporation, a partnership, an association, a joint
8 stock company, a trust, an unincorporated organization, or any similar entity or any combination
9 of the foregoing.

10 (8) "Policy" means an individual or group policy, group certificate, contract or
11 arrangement of insurance or reinsurance affecting the rights of a resident of this state or bearing a
12 reasonable relation to this state, regardless of whether delivered or issued for delivery in this
13 state.

14 (9) "Reinsurance" means a contract, binder of coverage (including placement slip) or
15 arrangement under which an insurer procures insurance for itself in another insurer as to all or
16 part of an insurance risk of the originating insurer.

17 **27-54.1-2. Fraudulent insurance acts, interference and participation of convicted**
18 **felons prohibited. -- (a) A person shall not commit a fraudulent insurance act.**

19 (b) A person shall not knowingly or intentionally interfere with the enforcement of the
20 provisions of this act or investigations of suspected or actual violations of this chapter.

21 (c)(1) A person convicted of a felony involving dishonesty or breach of trust shall not
22 participate in the business of insurance without the written consent of the commissioner.

23 (2) A person in the business of insurance shall not knowingly or intentionally permit a
24 person convicted of a felony involving dishonesty or breach of trust to participate in the business
25 of insurance without the written consent of the commissioner.

26 **27-54.1-3. Fraud warning required. -- (a) Claim forms and applications for insurance,**
27 **regardless of the form of transmission, shall contain the following statement or a substantially**
28 **similar statement:**

29 "Any person who knowingly presents a false or fraudulent claim for payment of a loss or
30 benefit or knowingly presents false information in an application for insurance is guilty of a crime
31 and may be subject to fines and confinement in prison."

32 (b) The lack of a statement as required in subsection (a) of this section does not constitute
33 a defense in any prosecution for a fraudulent insurance act.

34 (c) The requirements of this section shall not apply to reinsurance claims forms or

1 [reinsurance applications.](#)

2 **27-54.1-4. Other law enforcement or regulatory authority.** -- [This chapter shall not:](#)

3 [\(1\) Preempt the authority or relieve the duty of other law enforcement or regulatory](#)

4 [agencies to investigate, examine and prosecute suspected violations of law;](#)

5 [\(2\) Prevent or prohibit a person from disclosing voluntarily information concerning](#)

6 [insurance fraud to a law enforcement or regulatory agency; or](#)

7 [\(3\) Limit the powers granted elsewhere by the laws of this state to investigate and](#)

8 [examine possible violations of law and to take appropriate action against wrongdoers.](#)

9 **27-54.1-5. Insurer antifraud initiatives.** -- [Insurers shall have antifraud initiatives](#)

10 [reasonably calculated to detect, prosecute and prevent fraudulent insurance acts. Antifraud](#)

11 [initiatives may include:](#)

12 [\(1\) Fraud investigators, who may be insurer employees or independent contractors; or](#)

13 [\(2\) An antifraud plan.](#)

14 **27-54.1-6. Penalties.** -- [A person who violates this chapter is subject to suspension or](#)

15 [revocation of license or certificate of authority or administrative penalties per Rhode Island](#)

16 [general laws section 42-14-16 or both. Suspension or revocation of license or certificate of](#)

17 [authority and imposition of administrative penalties shall be pursuant to an order of the](#)

18 [commissioner issued under the Rhode Island general laws sections 42-35-9 and/or 42-35-12. The](#)

19 [commissioner's order may require a person found to be in violation of this chapter to make](#)

20 [restitution to persons aggrieved by violations of this chapter.](#)

21 SECTION 2. This act shall take effect on January 1, 2010.

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EXPLANATION
BY THE LEGISLATIVE COUNCIL
OF
A N A C T
RELATING TO INSURANCE - FRAUD PREVENTION

1 This act would adopt portions of the National Association of Insurance Commissioners
2 Model Insurance Fraud Prevention Act that would strengthen insurance regulation. In addition to
3 codifying the illegality of insurance fraud, the act would require a warning on every insurance
4 application and claim forms to warn the applicant or claimant that making any claim for proceeds
5 of an insurance policy containing false, incomplete or misleading information would be subject to
6 prosecution and punishment for insurance fraud and require that all insurers have an antifraud
7 plan.

8 This act would take effect on January 1, 2010.

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