



Coalition Against
Insurance Fraud



SOUTH CAROLINA
INSURANCE ASSOCIATION



January 18, 2021

South Carolina House of Representatives
Labor, Commerce, and Industry Committee
Insurance Subcommittee

Subject: Support for House Bill 3586

Dear Chairman Hardee and Members of the Subcommittee:

Our four organizations would like to collectively ask for your support for **House Bill 3586** which seeks to restructure the manner in which South Carolina combats insurance fraud, under the direction of South Carolina Director of Insurance Ray Farmer.

We feel this proposed direction is a prudent course of action in line with how other states combat fraud, while continuing to utilize the assets at the South Carolina Attorney General's Office and State Law Enforcement Division to work in collaboration with the Department of Insurance to combat insurance fraud.

We believe enough evidence exists as to why this reorganization vital to the state and its ability to better protect its citizens from insurance fraud.

- **South Carolina ranks last nationally in the amount of funding spent at the state level to combat insurance fraud.**
- **Since the formation of the unit in 1994, the level of funding for the unit has remained flat while the number of referrals of suspected fraud received by the unit has increased by 400%**

Speaking of questionable claim referrals, information from the National Insurance Crime Bureau (NICB) indicates increased South Carolina activity in the areas of medical fraud; specifically, bodily injury abuses and staged auto accident schemes. Additional problem areas include collusion between fraudulent medical providers, lawyers and runners hired to funnel unsuspecting claimants.

- Questionable claim submissions received by the NICB from South Carolina have **doubled** since 2010 and rose nearly 20% from 2017-2019 to nearly 2,900 referrals received annually.
- In 2018, South Carolina ranked **10th nationally** in medical questionable claims.
- In 2018, South Carolina ranked **6th nationally** in staged accident questionable claims.
- Areas of the state that see the most fraud activity are Columbia, Florence and Sumter.

Most importantly, insurance fraud is costing every South Carolina citizen money and turning South Carolina into a state where criminals can succeed. According to the Insurance Information Institute and the FBI, non-medical insurance fraud costs us nationally \$30-40 billion, costing the average family \$400-\$700 per year. The Coalition Against Insurance Fraud conservatively estimates insurance fraud to cost American citizens \$80 billion each year. Insurance fraud is truly "the crime we all pay for."

South Carolina Attorney General Alan Wilson may have said it best an article in the *Sumter Item* in June of 2019

-”Fraud and crime travel the path of least resistance. South Carolina should not be a place where criminals are able to succeed. Insurance fraud drains our systems, wastes resources and raises premiums for all of our citizens.....”

The National Insurance Crime Bureau (NICB) is a national, not-for-profit organization supported by over 1,400 property/casualty insurance companies, including many who write business in South Carolina. Working with our member companies and law enforcement, we investigate organized criminal conspiracies dealing with insurance fraud and vehicle theft.

The Coalition Against Insurance Fraud is comprised of more than 200 member organizations bringing together consumer advocates, insurers, government, law enforcement agencies and strategic partners to fight all forms of insurance fraud.

The South Carolina Insurance Association represents many of the leading property/casualty insurance companies in the state, serving its member companies and associates on legislative, regulatory, media and consumer issues.

The International Association of Special Investigation Unit – South Carolina Chapter is a non-profit organization comprised of insurance company special investigation unit personnel who work with law enforcement to combat insurance fraud via education, awareness, training and legislative advocacy.

We urge the committee’s support to House Bill 3586 and appreciate your attention to this matter.

If you have any questions, please contact NICB Sr. Director of Government Affairs Tim Lynch at tlynch@nicb.org.

Sincerely,



Tim Lynch – Senior Director, Government Affairs – NICB



Matthew Smith – Executive Director, Coalition Against Insurance Fraud



Russ Dubisky – Executive Director, South Carolina Insurance Association



Margaret Fleming – International Association of Special Investigative Units, South Carolina Chapter