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BULLETIN NO. 2012-03

TO: All Insurers Licensed in Alabama

FROM: Jim L. Ridling
Commissioner of Insurance *JLR*

DATE: June 29, 2012

RE: Insurance Fraud Investigation Unit and Crime Prevention Act
Ala. Act No. 2012-429

EFFECTIVE: Immediate

All insurers licensed in this State are informed of the enactment of the Insurance Fraud Investigation Unit and Crime Prevention Act, which becomes effective August 1, 2012. Most of the Act will be codified as §§ 27-12A-1 through 27-12A-42 of the Alabama Code. Insurers are requested to familiarize themselves with this law and to inform their staff and agents of its implications. A copy of the new law is accessible from the Department's website at the following link:

<http://www.aldoi.gov/PDF/Legal/HB0323%20ACT12-0429.pdf>

In particular, attention is drawn to the following items:

1. **Criminal offenses:** The Act defines "insurance fraud" [new § 27-12A-2] and creates three criminal offenses: insurance fraud in the first degree (class B felony); insurance fraud in the second degree (class C felony); and transacting insurance without a license (class A misdemeanor) [new Ala. Code §§ 27-12A-3, 27-12A-4, 27-12A-25].

2. **Fraud Unit Assessments:** The Act imposes a **\$200.00** annual assessment on all insurers. In accordance with new § 27-12A-41, the 2012 assessment is hereby declared due on **August 1, 2012**, and payment will be considered paid on time if received not later than **August 15, 2012**. Assessments unpaid after August 15 accrue interest at six percent (6%) per annum. Failure to pay the assessment may result in the suspension or revocation of an insurer's certificate of authority. Checks should be made payable to "Alabama Commissioner of Insurance" in the amount of \$200.00, with the notation "Fraud Assessment" and the insurer's NAIC company code. Insurer groups can combine their assessments in one check, but must include a cover letter clearly

identifying all the companies and NAIC company codes. Checks may be mailed to Commissioner of Insurance, Fraud Assessment, P. O. Box 303351, Montgomery, AL 36130-3351. If delivered by hand or commercial courier, the address is RSA Tower Suite 502, 201 Monroe Street, Montgomery, AL 36104 (telephone: 334-269-3550).

3. *Fraud Warning:* The Act [new § 27-12A-20] imposes a requirement on insurers to include a fraud warning on at least one of the following: Claim release forms, applications, reinstatements for insurance, participation agreements, declaration pages, and claim documents. The warning should be substantially similar to this statement:

Any person who knowingly presents a false or fraudulent claim for payment of a loss or benefit or who knowingly presents false information in an application for insurance is guilty of a crime and may be subject to restitution fines or confinement in prison, or any combination thereof.

Insurers are required to comply with this new requirement not later than **February 1, 2013**. If the warning must be added on a form that is required to be approved, insurers shall follow the normal filing protocol through SERFF. An insurer may contact the Department's Rates and Forms Division to determine if existing fraud language in approved forms complies with the Act's requirement.

4. *Mandatory Reporting Requirements:* The Act [new § 27-12A-21] requires all "insurers" as defined in new § 27-12A-1(5) with knowledge or a reasonable belief that insurance fraud is being, will be, or has been committed, to file a report to the Department. The reporting requirement can be satisfied by filing a Uniform Suspected Insurance Fraud Report, directed to Alabama, through the NAIC On-Line Fraud Reporting System (OFRS), which is available on the NAIC website (www.naic.org).

JLR/RN/ct