

# MONTANA STATE AUDITOR

JOHN MORRISON  
STATE AUDITOR



COMMISSIONER OF INSURANCE  
COMMISSIONER OF SECURITIES

SENATE FINANCE AND CLAIMS

EXHIBIT NO. 4

DATE 3-10-05

FILE NO. SB 238

## Memorandum of Support for SB 238

**To:** Members of the Senate Finance and Claims Committee  
**From:** Montana State Auditor John Morrison  
**Date:** March 10, 2005  
**Re:** Support of SB 238 – Consumer Education Fund

The Montana State Auditor's office supports SB 238, carried by Senator Mike Wheat.

SB 238 creates a consumer education fund, funded through a portion of premium tax, and would be available to the department to provide insurance consumers with education on insurance fraud matters, such as fake health insurance. Also the education will provide information on how to determine if insurance agents are legitimate and appropriately licensed, and other insurance issues.

### Assisting Insurance Consumers

After attending an outreach consumer seminar, one senior called our office to inquire about an agent selling Medicare supplement policies. The agent, it turned out, was selling fraudulent policies. Several seniors had actually dropped their valid Medicare supplement policies for his 'fake' policy.

*"It is so great to know that people like you are looking out for the welfare of the senior citizens. I wish I could be more poetic in thanking you ..."*

*Consumer comment from senior*

Because of the tip from the senior who had attended the seminar, we were able to get folks back onto their original insurance coverage. Because of quick action by the State Auditor's Office, we were able to investigate and criminally prosecute the agent. The senior told us that he wouldn't have known to contact our office to check out this agent without having attended the seminar.

Thankfully this senior was able to get help, however, there are thousands of Montanans who don't know what to look for or where to turn when a fraudulent offer comes to their door. Sadly, by the time we get many of these cases, the money and the fraudster are long gone. Fraud prevention is the only solution to preventing the action before it occurs.

### Consumer Education Needs

In 2002, AARP Montana conducted consumer fraud surveys. Thirty-nine percent of respondents believed they were a victim of consumer swindle or fraud – double that of a national survey. Only 14% reported the possible scam to a state agency. This is because consumers do not know who to contact when they are victimized.

Unfortunately, fraudulent scams, particularly those aimed at seniors, have increased significantly in the last few years. SB 238 will provide the State Auditor's Office with the funds needed to educate

Phone: 1-800-332-6148 / (406) 444-2040 / Fax: (406) 444-3497

840 Helena Avenue Helena, MT 59601 Website: [www.discoveringmontana.com/sao](http://www.discoveringmontana.com/sao) E-Mail: [stateauditor@state.mt.us](mailto:stateauditor@state.mt.us)



consumers before they become victims. Also, training will be provided to local law enforcement. Law enforcement needs to be aware of current insurance scams in their communities and provided information on how to prevent future fraudulent scams. Some topics covered in the education will include:

- Identity theft
- Medicare fraud
- Medical discount card fraud
- How to spot fake insurance scams
- How to check to make sure you have a licensed and legitimate insurance agent

*Bill Dove, Bozeman Police Department, "Last year the State Auditor's Office came to Bozeman and put on training for law enforcement in the area, it was very helpful for us and a great assistance to us."*

**Proponents of SB 238**

SB 238 has received strong support from both consumer groups and law enforcement.

Proponents include:

- Montana Medical Association
- American Association of Retired People (AARP)
- Montana Senior Citizens' Association
- Montana Sheriffs and Peace Officers
- Montana County Attorneys Association
- Montana Police Protective Association.

The benefit of conducting consumer education seminars became very clear last year when we were able to work with AARP and MSCA to sponsor limited consumer education/fraud seminars. In five weeks we reached over 1875 seniors in 23 communities and educated them on fraud aimed at seniors. We also trained local law enforcement on scam recognition and prevention.

We have been asked to return to many locations. However, limited resources make outreach difficult. We urge your support for SB 238 so that Montana's consumers can become well informed and knowledgeable -- our most powerful tool in preventing fraud.

**The Funding of SB 238**

The State Auditor's Office will collect approximately \$54.8 million in premium tax from the insurance industry this year. About 99% of this money goes to the general fund. Under SB 238, a small portion of these monies, \$100,000, would be diverted to the consumer education fund, for the sole purpose of directed Montana consumer education. There is no increase in premium taxes.

**Department budget in comparison to revenues generated for Montana general fund**

