

February 11, 2025

Chair Tim O’Driscoll and Members of the Committee
Committee on Commerce, Finance, & Policy
Minnesota House of Representatives

RE: Exec. Order 25-01 – Establishing the Financial Crimes & Fraud Section

Dear Chair O’Driscoll and Members of the Committee:

The National Insurance Crime Bureau (NICB) is a national, century-old, not-for-profit organization supported by approximately 1,200 property and casualty insurance companies, including many who write business in Minnesota. Working hand-in-hand with our member companies and Minnesota law enforcement, we help to detect, prevent, and deter insurance crimes. While NICB provides value to our member companies, we also serve a significant public benefit by helping to stem the estimated billions of dollars in economic harm that insurance crime causes to individual policyholders across the country every year.

Insurance fraud is not a victimless crime. A joint industry study conducted in 2022 estimated the total cost of insurance fraud in the United States, excluding health and life, to be \$306 billion per year. Separately, the FBI estimates that over a 10-year period, insurance fraud costs the average U.S. family between \$4,000 and \$7,000 in increased premiums. Consumers throughout the country, including those in Minnesota, are directly impacted by the harms created by fraudsters committing these crimes.

To combat insurance fraud, most states, including Minnesota, have formed fraud bureaus to investigate suspected insurance fraud. All state fraud bureaus are staffed with highly skilled, professional personnel eager to fight insurance fraud, but their enforcement capabilities are capped by their available resources.

In 2022, H.F. 3255 was enacted expanding the Commerce Fraud Bureau’s investigatory powers from offenses related to insurance fraud to offenses with a nexus to insurance related crime or financial crimes. To ensure that Commerce Fraud Bureau’s primary focus would remain on insurance fraud, a requirement was included mandating the Bureau allocate at least 70% of its work to insurance fraud. The Commerce Fraud Bureau is solely funded through a special insurance industry assessment.

In 2024, H.F. 4757 increased the Commerce Fraud Bureau’s funding assessment by 100% with support from the insurance industry. This was the first assessment increase in 20-years and ensured the long-term viability of the Bureau to keep pace with rising costs.

Beyond traditional police powers, insurance fraud bureaus that report up to state insurance regulating agencies, such as Minnesota’s Department of Commerce, are provided a wide array of investigation tools including subpoena authority. The use of subpoenas for insurance crime investigations is commonplace and provides efficiencies and safeguards, both for regulated insurance providers and for state investigators.

Following Executive Order 25-01, NICB’s expectation is that the Department of Public Safety’s Bureau of Criminal Apprehension will respect and carry forward the same commitment to the prioritization of insurance fraud with at least 70% of operational resources allocated to combatting insurance fraud, as currently provided in Minnesota Statute section 45.0135. We are concerned that if the allocation

requirement were not statutorily tethered to BCA's new authorities, the strong incentive to prioritize and vigorously investigate insurance fraud would disappear – thereby negatively impacting insurance fraud investigations to the ultimate detriment to Minnesota consumers. Moreover, the Bureau of Criminal Apprehension should be employing all available tools in its arsenal, including subpoenas to aid investigations, just as the Commerce Fraud Bureau successfully has done to date.

NICB remains committed to working alongside the Department of Commerce, the Bureau of Criminal Apprehension, and all Minnesota law enforcement agencies to combat insurance fraud and other insurance crimes, in order to protect Minnesotans.

We thank you for scheduling a hearing to discuss Executive Order 25-01. If you have any questions or need additional information, please contact me at csepich@nicb.org or (847) 772-7667.

Sincerely,

Craig Sepich

Craig Sepich
Director
Office of Strategy, Policy, & Government Affairs
National Insurance Crime Bureau