

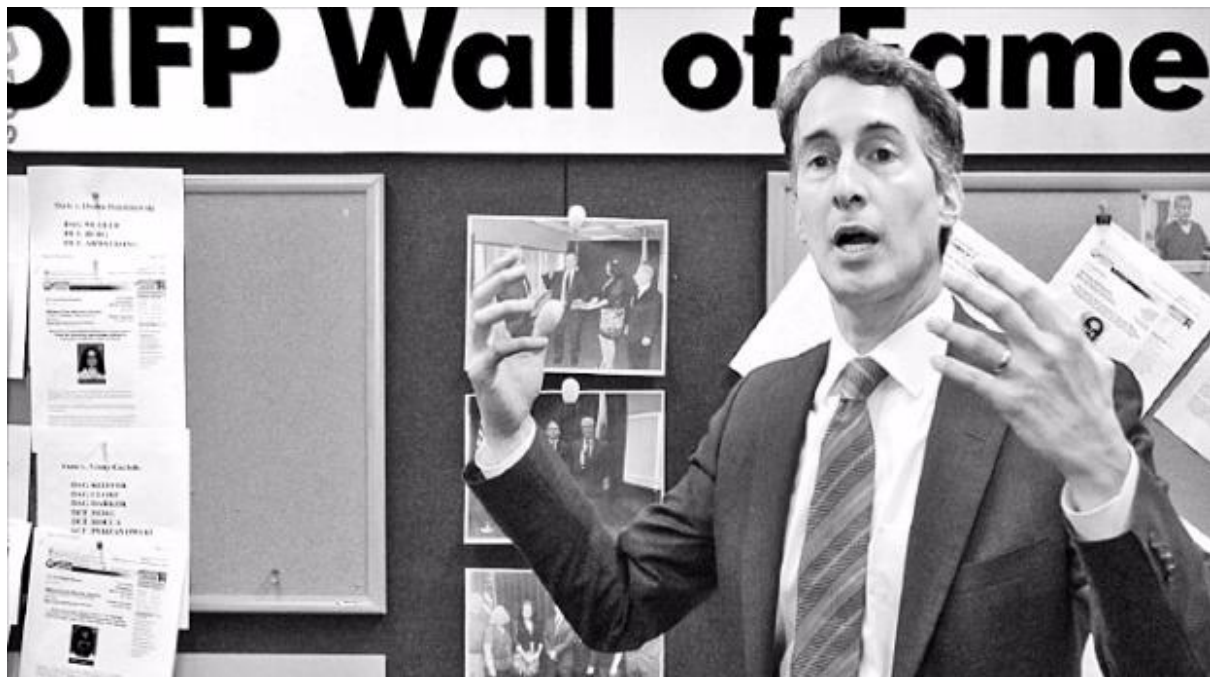
1. War on insurance frauds in the US, punishment by special law in 48 states

The Korea Economic Daily, 6.18.14

Insurance frauds are subject to maximum 20 years behind the bars as felony.

In Korea, meanwhile, the number of cases where insurance scams face fine is twice that of imprisonment; such slap on the wrist does not reduce crimes.

Corresponding special law is pending at the national assembly.



Insurance Fraud Prosecutor Ronald Chillemi, Assistant Attorney General and Division Director in the State of New Jersey, said on 8th, "Insurance frauds should be treated felony so as to curtail potential criminals." - Journalist Ryu Sihun

On a highway from New York to Trenton, the capital city of New Jersey, there is an easily noticeable billboard with a huge phrase of "Insurance Fraud in NJ=PRISON." It means, if you commit insurance crime in New Jersey, you will be sent to prison.

The US is now waging a war on insurance frauds. It is reeling from a rising number of insurance crimes, just like Korea; however, it applies a lot tougher countermeasures. In Korea, the frauds are punished as a general crime of fraud. On the other hand, the US has set up investigation task forces exclusive for insurance frauds in the District Attorney's Office in 40 states and sometimes indicts insurance criminals as the class A felony.

Insurance frauds are felony, up to 20 years in prison in the US

Assistant Attorney General Ronald Chillemi, met at the Office of Insurance Fraud Prosecutor of New Jersey mentioned, “The war on insurance frauds are crucial because it suppresses potential crimes, and we are recently achieving many outcomes.”

Mr. Ronald said, “Due to insurance frauds, the family of four with insurance policy in New Jersey pays additional premiums of around 1,300 dollars, and “Insurance frauds are felony placing harm on many innocent policyholders.” He added, “1,300 dollars are a conservative estimate, some analyze the burden reaching 5,000 dollars.”

The Office of Insurance Fraud Prosecutor of New Jersey is performing well with many outcomes through the reform of its own starting in 2012. Previously, it had never indicted insurance criminals as the Class A felony whose verdict can be up to 20 years in prison. Over the three years however, it sent three suspects to the court as felony. Recently, it rounded up and arraigned 27 executives of MRI service company and doctors, because the company bribed the doctors to receive patients.

Insurance frauds raise premiums.

The US has well-organized law and system upon which it can effectively respond to insurance crimes that reach an annual estimate of around 80 billion dollars. It also has special laws in regard to insurance frauds in 48 states. The Council Against Insurance Fraud (CAIF) played a pivotal role for its legislation. The CAIF is a nationwide council with about 130 organizations comprising insurance consumers, regulators, insurance executives. Among its various activities are the prevention of insurance frauds, education, legislation, proposal, and DB establishment.

The legislation activities on the prevention of insurance frauds in the US peaked around 2008 when the financial crisis burst. Howard Goldblatt, CAIF Director of Government Affairs, said “People who could not pay house mortgage and motor loans set fire on their house and car and made claims to insurance companies.” “And it led to a significant rise in premiums, so politicians actively worked on legislation to prevent insurance frauds.” He explained.

In Korea too, prosecutors, police, the Financial Supervisory Service are extensively cracking down on insurance frauds. But it is not contributing to crime reduction. Many point out weak punishment. As of 2012, the rate of insurance criminals facing fine penalty stands at 51.1%, which is double compared to that for general crimes of fraud. However, imprisonment is 22.6%, which is half the rate for the general crime of frauds.

Chairman & CEO Nam-Sik Chang of General Insurance Association of Korea said, “A rise in insurance frauds deteriorates the management of insurers and leads to an increase in insurance premiums, damaging many other innocent policyholders,” “we need to refer to

legislation of other countries that are categorizing insurance frauds separately and reinforcing punishment.” The special law on the prevention of insurance frauds proposed by lawmaker Park Daedong of the Grand National Party is pending at the National Policy Committee of the Parliament.

Trenton, Baltimore Journalist Ryu Sihun

2. US Response to Insurance Frauds – from exclusive investigation task force to special law

Munhwa Broadcasting Corporation, 6.18.14

<Anchor>

Insurance frauds are serious these days. Last year, insurance crimes worth as much as 600 billion won were detected and around 80,000 suspects were arraigned

This is the biggest in history, but the industry estimate that it could surpass three trillion won if we include those not detected as well.

We need strong counteractions to prevent damage on innocent policyholders. Journalist Jung Jaeyong has a report on the case of advanced nation of insurance, the US.

<Report>

West New York Mayor Felix Roque of New Jersey was indicted last week.

Before becoming a mayor, he was a doctor. At that time, He prescribed MRI even to patients with slight conditions after receiving 250 thousand dollars or 280 million won.

Insurers paid excessive claims and the loss was passed on to ordinary policyholders.

General crimes of fraud usually end up in fine however, the mayor indicted by insurance frauds will face up to 10 years in prison.

[Ronald Chillemi / Insurance Fraud Prosecutor of New Jersey]

"We pay premium to insurers; insurance criminals are stealing that money so they are taking our money away."

The case was treated at The Office of Insurance Fraud Prosecutor of New Jersey.

Prosecutors and police professionally handle only insurance frauds by collaborating with insurers.

Most states in the US have adopted special laws for stronger punishment and established specialized investigation task forces to uproot insurance frauds reaching 89 trillion won a year.

[Dennis Jay – Executive Director of The Council Against Insurance Fraud]

“We are explaining the problem of insurance frauds to lawmakers and making efforts to address it by legislation.”

Since the number of insurance frauds rises significantly every year, there is a growing voice in Korea that we need to create special law and investigation task force like the US to strongly address the crime.

MBC News Journalist Jung Jaeyong from New Jersey, the US.