

**Local Government Mandate Statement
Kentucky Legislative Research Commission
2025 Regular Session**

Part I: Measure Information

Bill Request #:	425	Bill #:	SB 24 SCS 1
Document ID #:	3585	Sponsor:	Senator Rick Girdler
Bill Title:	An Act relating to insurance fraud		

Unit of Government: City County Urban-County
 Charter County Consolidated Local Unified Local

Office(s) Impacted: Jails

Requirement: Mandatory Optional

Effect on Powers & Duties: Modifies Existing Adds New Eliminates Existing

Other Fiscal Statement(s) that may exist: Actuarial Analysis Corrections Impact
 Health Benefit Mandate State Employee Health Plan

Part II: Bill Provisions and the Estimated Fiscal Impact Relating to Local Government

SB 24 SCS 1 **Section 1** would amend KRS 303.47-010 to add to the definition of “statement” for purposes of determining insurance fraud any notice, statement, proof of loss, etc. in support of a claim for “casualty damages” as well as in support of a claim for property damages. Casualty insurance is a broad category of insurance coverage for individuals, employers, and businesses against loss of property, damage, or other liabilities, and includes vehicle, liability and theft insurance. **Section 1** would also expand the definition of “insurer”.

Section 2 would amend KRS 304.47-020 to clarify that “fraudulent insurance act” includes a statement, knowingly made and with the intent to defraud, presented in support of a claim, including a workers compensation claim, that misrepresents the scope of damages associated with a property, casualty, or property and casualty insurance claim. This provision in Section 2 would not apply to negotiations by legal counsel representing a party in a disputed claim involving bodily injury.

A person convicted of a fraudulent insurance act is guilty of a Class A misdemeanor unless the fraud involves the following sums:

- (a) \$500-\$9,999, a Class D felony;
- (b) \$10,000-\$999,999, a Class C felony; or
- (c) \$1,000,000 or more, a Class B felony.
- (d) Establishing, maintaining, or facilitating a criminal syndicate, a Class B felony.

SB 24 SCS 1 would have little or no fiscal impact on local governments. SCS 1 does not change the fiscal impact of the bill.

The Kentucky Association of Counties (KACo) provides workers' compensation insurance, which is a type of casualty insurance, to 115 counties, and property and casualty insurance to 116 counties. KACo does not believe the provisions of SB 24 would impact the cost of these insurance programs. Kentucky League of Cities believes SB 24 SCS 1 would have no or minimal impact on worker compensation premiums paid by cities.

It is possible but unlikely that amending the definition of "statement" and of "fraudulent insurance act" could increase the number of people charged and convicted of related crimes. From 2019 through 2024 there were approximately 44 individuals convicted of a misdemeanor fraudulent insurance act and approximately 36 individuals convicted of a felony fraudulent insurance act, only one of which involved an amount of \$1,000,000 or more, a Class B felony. It is unknown how many of those convicted spent time in jail; however, a person convicted of a **Class A misdemeanor** may be incarcerated for up to twelve months. Misdemeanants are housed in one of Kentucky's 74 full-service jails or three life safety jails. While the expense of housing inmates varies by jail, this estimated impact will be based on an average cost to incarcerate of \$47.43 per day. While the majority of misdemeanor defendants are granted bail, those who do not will also cost local jails an average of \$47.43 per day.

When a court denies bail to a Class B, Class C or Class D felony defendant, the local government is responsible for incarcerating the defendant until disposition of the case in one of Kentucky's 74 full service jails or three life safety jails. While the expense of housing inmates varies by jail, each additional inmate increases facility costs by an average of \$47.43, which includes the \$35.34 per diem and medical expenses that the Department of Corrections (DOC) pays jails to house felony offenders. Upon sentencing, a Class D felon is housed in one of Kentucky's full service jails for the duration of his or her sentence. The DOC pays a jail \$35.34 per day to house a Class D felon. The per diem may be less than, equal to, or greater than the actual housing cost.

Class C felons are ineligible for placement in local jails until they are classified at the lowest custody level with 24 months or less to their minimum expiration date or parole eligibility date. The DOC pays local jails \$35.34 per day to house these Class C felons. The per diem may be less than, equal to, or greater than the actual housing cost.

Data Source(s): Kentucky Association of Counties; Kentucky League of Cities; Administrative Office of the Courts; LRC staff; Department of Corrections.

Preparer: MS **Reviewer:** BW (MDA) **Date:** 2/12/25