

HOUSE BILL REPORT

HB 2130

As Reported By House Committee On:

Financial Institutions & Insurance

Title: An act relating to insurance antifraud plans.

Brief Description: Clarifying submission of insurance antifraud plans.

Sponsors: Representatives L. Thomas, Smith and Pelesky.

Brief History:

Committee Activity:

Financial Institutions & Insurance: 1/9/96, 1/11/96, 1/15/96 [DPS].

HOUSE COMMITTEE ON FINANCIAL INSTITUTIONS & INSURANCE

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 8 members: Representatives Beeksma, Vice Chairman; Smith, Vice Chairman; Scheuerman, Assistant Ranking Minority Member; Benton; Campbell; Dyer; Kessler and Pelesky.

Minority Report: Do not pass. Signed by 3 members: Representatives Wolfe, Ranking Minority Member; Dellwo and Keiser.

Staff: Charlie Gavigan (786-7340).

Background: In 1995, the Legislature passed legislation to combat insurance fraud in Washington State. One of the provisions requires every direct insurer licensed in Washington to prepare and maintain an insurance antifraud plan. A direct insurer sells directly to consumers; this includes most of the insurance companies in the state.

The antifraud plan must establish procedures to reduce insurance fraud, including preventing fraud by employees or agents of the company, preventing fraudulent applications, and preventing claims fraud. Procedures also must be established to report insurance fraud to law enforcement officials, to undertake civil action when appropriate, and to train employees and agents in detecting and preventing insurance fraud.

Summary of Substitute Bill: Title insurance companies, life insurance companies, health carriers (health insurers, health maintenance organizations, and health care

service contractors), and some medical malpractice insurers are not required to prepare or maintain insurance antifraud plans. Most credit-related insurance is not subject to antifraud plan requirements.

Substitute Bill Compared to Original Bill: The substitute bill adds exclusions for malpractice insurers and for credit-related insurance.

Appropriation: None.

Fiscal Note: Requested January 4, 1996.

Effective Date of Substitute Bill: Ninety days after adjournment of session in which bill is passed.

Testimony For: The original intent of the 1995 insurance antifraud legislation was to apply insurance antifraud plans to property and casualty insurance companies. This bill corrects a misinterpretation by the Office of the Insurance Commissioner.

Testimony Against: The original intent of the 1995 antifraud legislation regarding antifraud plans is not clear. The Insurance Commissioner's interpretation that the requirement applies to all insurers and health carriers, not just property and casualty insurance companies, is appropriate because there is fraud in health care and life insurance.

Testified: Judy A. Swem, Office of the Insurance Commissioner (opposes); Basil Badley, American Council of Life Insurance and Health Insurers Association of America (supports); and Cliff Webster, Washington State Medical Association.