

# FINAL BILL REPORT

## E2SHB 1557

---

---

C 285 L 95

Synopsis as Enacted

**Brief Description:** Combatting insurance fraud.

**Sponsors:** House Committee on Appropriations (originally sponsored by Representatives L. Thomas, Dellwo, Mielke, Wolfe, G. Fisher, Blanton and Poulsen; by request of Insurance Commissioner and Attorney General).

**House Committee on Financial Institutions & Insurance**

**House Committee on Appropriations**

**Senate Committee on Financial Institutions & Housing**

**Background:** Washington has several provisions in current law regarding insurance fraud. It is unlawful for an agent or broker to make a false statement on an application for insurance. The insurance contract may be voided if the insured obtained insurance by providing a fraudulent application. It is unlawful for any person to make a false claim for benefits under an insurance policy in general and for health care in particular. Willful destruction of insured property is a felony. Immunity is provided for disclosing information regarding arson.

**Summary:** Current laws are modified or expanded to address insurance fraud, and new provisions are added regarding anti-rebating laws and anti-fraud plans by insurance companies.

In addition to requiring proof of loss when filing an insurance claim, an insurance company may require that the claimant be examined under oath. The current provision making it unlawful for an agent or broker to make a false statement on an application for insurance is expanded to cover all persons and includes making misleading statements. The Arson Reporting Immunity Act is amended to become the Insurance Fraud Reporting Immunity Act; immunity is provided for disclosing information regarding insurance fraud.

New crimes are defined for commercial bribery, rebates relating to insurance claims, and trafficking in insurance claims, while the following crimes are expanded or the seriousness level increased: unlawful practice of law, unlicensed practice of a profession or business, and health care false claims.

It is unlawful to direct or refer a person with an insurance claim to a provider of health, automotive repair, or insurance claim services unless the conduct is purely

social or gratuitous, is authorized by business and professional statutes or rules, or is done as part of a group-buying arrangement. A provider of health, automotive, or insurance claim services cannot engage in the regular practice of waiving, rebating, or paying an insurance claimant's insurance deductible. A single violation of these provisions is a gross misdemeanor, and subsequent violations are a class C felony. Injunctive relief is available for violation or threatening to violate anti-fraud provisions. When a person is found by a court to have violated certain anti-fraud provisions, the attorney general or prosecuting attorney must provide written notice of the judgment to the appropriate regulatory or disciplinary body.

Every insurance company licensed to write property and casualty insurance in Washington must prepare and maintain an insurance anti-fraud plan. The company must file the plan with the Insurance Commissioner for approval. Insurance companies must report to the commissioner annually regarding their anti-fraud efforts.

The Washington State Bar Association is requested to submit to the Legislature by November 1995 a report on the recommendations of its task force on nonlawyer practice.

**Votes on Final Passage:**

|        |    |                     |
|--------|----|---------------------|
| House  | 64 | 29                  |
| Senate | 48 | 0 (Senate amended)  |
| House  | 92 | 3 (House concurred) |

**Effective:** July 1, 1995