

HOUSE BILL REPORT

HB 1002

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, Dyer and Mielke.

Brief History:

Committee Activity:

Financial Institutions & Insurance: 1/15/97, 1/27/97 [DP].

HOUSE COMMITTEE ON FINANCIAL INSTITUTIONS & INSURANCE

Majority Report: Do pass. Signed by 11 members: Representatives L. Thomas, Chairman; Smith, Vice Chairman; Zellinsky, Vice Chairman; Wolfe, Ranking Minority Member; Grant, Assistant Ranking Minority Member; Benson; Constantine; DeBolt; Keiser; Sullivan and Wensman.

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. Most of the insurance companies in the state are direct insurers.

The antifraud plan must establish procedures to reduce insurance fraud. The procedures must address 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 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.

Appropriation: None.

Fiscal Note: Not requested.

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

Testimony For: The legislative intent of the original law was to require property and casualty insurance companies to design and file antifraud plans. The current antifraud plan requirements are not meaningful for life insurers, title insurers, and other types of insurance companies. Antifraud plans should be limited to property and casualty insurance companies; more meaningful approaches should be developed separately for the other types of insurance companies.

Testimony Against: The intent of the Legislature was not clear and could be interpreted to require that antifraud plans be completed by all insurance companies. Fraud occurs in all types of insurance, not just property and casualty insurance.

Testified: Judy Swem, Office of the Insurance Commissioner (originally opposed, now neutral); Basil Badley, American Council of Life Insurers (supports); and Mel Sorensen, Washington Physicians Service and Blue Shield (supports).