

HOUSE BILL REPORT

HB 2886

*As Reported By House Committee on:
Financial Institutions & Insurance*

Title: An act relating to insurance fraud.

Brief Description: Creating the insurance fraud advisory board.

Sponsor(s): Representatives Dellwo, Broback, Scott, R. Johnson, Paris, Jacobsen and Winsley.

Brief History:

Reported by House Committee on:
Financial Institutions & Insurance, February 5, 1992,
DPS.

**HOUSE COMMITTEE ON
FINANCIAL INSTITUTIONS & INSURANCE**

Majority Report: *The substitute bill be substituted therefor and the substitute bill do pass.* Signed by 7 members: Representatives Dellwo, Chair; Broback, Ranking Minority Member; Anderson; R. Johnson; R. Meyers; Paris; and Scott.

Minority Report: *Do not pass.* Signed by 3 members: Representatives Zellinsky, Vice Chair; Mielke; and Schmidt.

Staff: John Conniff (786-7119).

Background: Insurance fraud regularly costs insurance companies and ultimately, their policyholders, millions of dollars in excess premium costs each year. No state agency is specifically dedicated to investigating and working to reduce insurance fraud in Washington.

Summary of Substitute Bill: An insurance fraud advisory board is created, consisting of the insurance commissioner as ex officio member and eight others appointed by the commissioner on the basis of their experience and knowledge in matters pertaining to insurance claims. In addition, three members of the public must be appointed by the commissioner.

The board is charged with the responsibility for developing a plan for a statistical and informational data base in the

commissioner's office to assist in the prosecution of insurance fraud. The board must also develop and recommend any legislation necessary to combat insurance fraud. The board will cease to exist January 1, 1996.

Substitute Bill Compared to Original Bill: The authorization for payment of board member travel and expenses and the appropriation are removed.

Fiscal Note: Requested February 5, 1992.

Effective Date of Substitute Bill: January 1, 1993.

Testimony For: Insurance fraud in Washington is growing. Fraud is no longer an isolated, individual crime. Large organizations are making a business of insurance fraud and the state must begin to develop strategies to combat fraud. The advisory board allows the insurance industry to work toward solutions without fear of accusations that the industry is engaged in anti-trust activities.

Testimony Against: There is nothing that the fraud advisory board can do that is not already being done or that could be accomplished without a board.

Witnesses: (Pro) Scott Jarvis, Office of Insurance Commissioner; Craig McGee, Pemco; Dennis Martin Washington State Trail Lawyers Association; and (con) Basil Badly, American Insurance Association.