

HOUSE BILL REPORT

SB 6049

As Passed House:
March 7, 2020

Title: An act relating to funding the commissioner's criminal investigation unit by creating the insurance commissioner's fraud account.

Brief Description: Creating the insurance commissioner's fraud account.

Sponsors: Senators Liias, Das, Keiser, Kuderer, Rolfes, Van De Wege and Wilson, C.; by request of Insurance Commissioner.

Brief History:

Committee Activity:

Finance: 3/2/20 [DP].

Floor Activity:

Passed House: 3/7/20, 97-0.

Brief Summary of Bill

- Creates the insurance fraud surcharge for insurance organizations to cover the cost of the insurance fraud program.
- Limits the surcharge to not more than 0.01 percent of an insurance organization's receipts.
- Establishes a \$100 minimum surcharge.

HOUSE COMMITTEE ON FINANCE

Majority Report: Do pass. Signed by 12 members: Representatives Tarleton, Chair; Walen, Vice Chair; Orcutt, Ranking Minority Member; Young, Assistant Ranking Minority Member; Chapman, Frame, Macri, Orwall, Springer, Stokesbary, Vick and Wylie.

Staff: Tracey O'Brien (786-7152).

Background:

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.

The Office of the Insurance Commissioner (OIC) oversees Washington's insurance industry to protect consumers and provide oversight over insurance companies, agents, and brokers. It was created by the Legislature in 1889 and became a stand-alone office headed by an elected Insurance Commissioner in 1907.

Under existing statute, the OIC charges insurers a regulatory surcharge to pay reasonable costs, including overhead or regulating insurers. A pro rata share of the cost is charged to insurers as a regulatory surcharge. Each insurer must contribute a sufficient amount to the OIC regulatory account to pay reasonable costs, including overhead. The surcharge is calculated separately for each class of insurer. The regulatory surcharge must not exceed 0.125 percent of receipts and the minimum regulatory surcharge is \$1,000.

The Criminal Investigations Unit (CIU) is the criminal investigations arm of the OIC. The CIU's focus is criminal investigations and prosecuting fraudulent activities against insurance companies. For insurance fraud, there is always an insurer involved as the victim of the alleged fraud, and typically the holder of critical evidence needed to evaluate and investigate the case. According to the OIC report to the Legislature in 2019, the OIC received 2,277 referrals in 2018. Between January 1, 2017 and December 31, 2018, the CIU opened 187 criminal cases and secured 52 convictions.

This CIU is currently funded through a regulatory surcharge that is charged to all classes of insurers.

Summary of Bill:

An insurance fraud surcharge is authorized and will be charged to every insurer, health care service contractor, health maintenance organization (HMO) or self-funded employer welfare arrangement. This surcharge is in addition to the regulatory surcharge; however, the regulatory surcharge will no longer include the cost of operating the insurance fraud program.

The insurance fraud surcharge is the cost of operating the insurance fraud program for the fiscal year; however it may not exceed 0.01 percent of receipts, including net direct premiums and net prepayments to health care services providers, HMOs or participant contributions to self-funded multiple employer welfare arrangements. The minimum surcharge amount is \$100. All funds collected must be deposited into the OIC's newly created fraud account.

Appropriation: None.

Fiscal Note: Available.

Effective Date: The bill takes effect on July 1, 2020.

Staff Summary of Public Testimony:

(In support) This bill creates a separate account for the CIU funding and reduces the regulatory surcharge to reflect the new fraud surcharge. This will increase transparency and accountability.

(Opposed) None.

Persons Testifying: Lonnie Johns-Brown, Office of the Insurance Commissioner

Persons Signed In To Testify But Not Testifying: None.