

# HOUSE BILL REPORT

## HB 2667

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As Reported By House Committee On:  
Financial Institutions & Insurance

**Title:** An act relating to insurance fraud.

**Brief Description:** Fighting insurance fraud.

**Sponsors:** Representatives Zellinsky, R. Meyers, Mielke, Dyer, Kessler, Foreman, Grant, Scott, Dellwo, Tate, Padden, Kremen, King and Anderson.

**Brief History:**

Reported by House Committee on:  
Financial Institutions & Insurance, January 26, 1994,  
DPS.

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### HOUSE COMMITTEE ON FINANCIAL INSTITUTIONS & INSURANCE

**Majority Report:** The substitute bill be substituted therefor and the substitute bill do pass. Signed by 14 members: Representatives Zellinsky, Chair; Scott, Vice Chair; Mielke, Ranking Minority Member; Dyer, Assistant Ranking Minority Member; Anderson; Dellwo; Dorn; R. Johnson; Kessler; Kremen; Lemmon; R. Meyers; Tate and L. Thomas.

**Staff:** Charlie Gavigan (786-7340).

**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 of Substitute Bill:** The current statutory provision making it a crime to submit a false claim for insurance benefits is repealed and replaced with a broader provision that defines insurance fraud and makes it a crime. Insurance fraud is knowingly making a false claim for insurance benefits or knowingly concealing information regarding obtaining or continuing to receive benefits with the intent to defraud.

An insurer may disclose suspected fraud to law enforcement agencies and may provide information to law enforcement officials regarding any suspected fraud, whether at the request of law enforcement officials or on the insurer's own initiative. In addition, law enforcement agencies may provide insurers with information regarding suspected insurance fraud. Immunity from civil actions is provided to insurers for sharing information on suspected insurance fraud, provided it is done without gross negligence.

**Substitute Bill Compared to Original Bill:** The substitute bill: (1) removes an application for insurance as a separate basis for community insurance fraud; (2) makes the disclosure of information by law enforcement agencies to insurance companies optional; (3) removes immunity for criminal actions; and (4) changes the standard of civil immunity from actual malice to gross negligence.

**Fiscal Note:** Not requested.

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

**Testimony For:** Insurance fraud is increasing rapidly and becoming more organized. As other states take a tougher stand against insurance fraud, organized efforts to defraud insurance companies will increase in Washington State. Fostering a cooperative exchange of information between law enforcement agencies and insurers can help fight fraud. Strong civil immunity is also necessary to promote a free flow of information.

**Testimony Against:** While fighting insurance fraud is important, the bill should not provide excessive civil immunity for insurers when they provide information. Mistakes or misstatements due to embarrassment or oversight on an application should not result in a class C felony.

**Witnesses:** Jean Leonard, Washington Insurers (supports); Craig McGee, PEMCO (supports); Katie Kietzman, Unigard (supports); Basil Badley, American Insurance Association (supports); George Thornton, Washington State Trial Lawyers Association (supports with amendments); Mel Sorenson National Association of Independent Insurers (supports concept); and Dennis Martin, Washington State Trial Lawyers Association (supports with amendments).