

FINAL BILL REPORT

SSB 5641

C 250 L 03
Synopsis as Enacted

Brief Description: Providing civil and criminal penalties for the unlawful transaction of insurance or health coverage.

Sponsors: Senate Committee on Financial Services, Insurance & Housing (originally sponsored by Senators Benton, Prentice and Winsley; by request of Insurance Commissioner).

Senate Committee on Financial Services, Insurance & Housing
House Committee on Financial Institutions & Insurance

Background: Part of the mission of the Office of the Insurance Commissioner is to protect consumers from a variety of fraudulent schemes. Recently, there has been an increase, both nationwide and in Washington State, of insurance companies who are unauthorized to do business, or are undercapitalized. These companies represent that they are selling insurance coverage, but when a consumer experiences what they thought was a covered loss and files a claim, the company cannot pay or, in some cases, vanishes entirely. In some cases, consumers have paid premiums, and are left with losses and few effective remedies.

Summary: Civil and criminal penalties and remedies are enhanced for unlawful solicitation of insurance business. The penalties apply to unlicensed persons acting as agents, brokers, solicitors or adjusters; failure of agents to make a good faith determination of the validity of an insurance company; and unregistered persons selling contracts involving health care services or health maintenance organizations.

Penalties include class B felony liability for knowing violations, and class C felony liability for conspiracy to violate insurance sales laws. Some insurance crimes may be penalized as gross misdemeanors. Criminal penalties are in addition to any other civil or administrative penalties. The Insurance Commissioner may also issue cease and desist orders, or assess civil penalties of up to \$25,000, and take civil action to collect unpaid penalties.

Archaic insurance code language is modernized, and the crime of "transacting of insurance business beyond the scope of licensure" is added to the sentencing grid.

Votes on Final Passage:

Senate	49 0
House	97 0

Effective: July 27, 2003
July 1, 2004 (Section 14)