

SENATE BILL REPORT

SB 5893

As Reported by Senate Committee On:
Financial Institutions, Housing & Insurance, February 18, 2009

Title: An act relating to actions by insurance companies against violators.

Brief Description: Concerning actions by insurance companies against violators.

Sponsors: Senators Berkey, Benton, Hobbs, Schoesler and Shin.

Brief History:

Committee Activity: Financial Institutions, Housing & Insurance: 2/17/09, 2/18/09 [DPS].

SENATE COMMITTEE ON FINANCIAL INSTITUTIONS, HOUSING & INSURANCE

Majority Report: That Substitute Senate Bill No. 5893 be substituted therefor, and the substitute bill do pass.

Signed by Senators Berkey, Chair; Hobbs, Vice Chair; Franklin, McDermott, Parlette and Schoesler.

Staff: Philip Brady (786-7460)

Background: National studies show that more than 10 percent of insurance claims are fraudulent, costing insurance companies millions of dollars and the average household \$200 to \$300 in increased insurance premiums each year. Between its formation in 2006 and a September 2008 report, the Special Investigations Unit in the Office of the Insurance Commissioner has discovered almost \$1.8 million in insurance fraud in Washington.

Since 2006 insurance companies that are the victims of a crime are also considered victims for the purposes of any restitution imposed by a court as a part of a criminal penalty.

Summary of Bill (Recommended Substitute): Insurance companies that are the victims of a crime have a cause of action against the convicted defendant. They may recover compensatory damages and reasonable investigation and litigation expenses, including attorneys' fees.

EFFECT OF CHANGES MADE BY FINANCIAL INSTITUTIONS, HOUSING & INSURANCE COMMITTEE (Recommended Substitute): Technical changes were made to conform with the House version of the bill.

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.

Appropriation: None.

Fiscal Note: Not requested.

Committee/Commission/Task Force Created: No.

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

Staff Summary of Public Testimony on Original Bill: PRO: Insurers should be able to recover investigation costs under existing law, but judges have not been allowing them to recover those costs. Washington has passed a series of fraud statutes, and this is the final missing piece.

Persons Testifying: PRO: Jessica Duple-Harbin, Farmer's Insurance; Jean Leonard, State Farm Insurance; Mel Sorensen, Property Casualty Insurers.