

SENATE BILL REPORT

SB 6049

As of January 21, 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: Ways & Means: 1/20/20.

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 exceed 0.01 percent of an insurance organization's receipts.
- Establishes a \$100 minimum surcharge.

SENATE COMMITTEE ON WAYS & MEANS

Staff: Sandy Stith (786-7710)

Background: Under existing statute, the Office of the Insurance Commissioner 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

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.

alleged fraud, and typically the holder of critical evidence needed to evaluate and investigate the case. According to the the OIC report to the Legislature in 2019, the OIC received 2,277 referrals in 2018. Between January 1, 2017 to 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 created to cover the annual cost of operating the insurance fraud program. This surcharge is separate from the regulatory surcharge that exists under current statute. The insurance fraud surcharge is the cost of operating the insurance fraud program for a fiscal year, and the surcharge may not exceed 0.01 percent of one percent of receipts and the minimum surcharge is \$100. All funds collected must be deposited in the OIC's fraud account in the state treasury.

Appropriation: None.

Fiscal Note: Available.

Creates Committee/Commission/Task Force that includes Legislative members: No.

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

Staff Summary of Public Testimony: PRO: The National Insurance Crime Bureau estimates that 10 percent of all insurance claims are fraudulent and that it adds hundreds of dollars to Washington insurers premiums. The work of the CIU has already saved Washington taxpayers over \$3 million in fraudulent claims. The OIC only investigates fraud against the insurance companies they regulate. There is not duplication with other agencies. If there is something particularly egregious that crosses agency lines, the OIC will partner with other agencies, such as the attorney general and local prosecutors to prosecute these types of cases. Prosecution is the goal. The purpose of this legislation is transparency. We are able to lower our regulatory account by the same amount as the amount for the newly created account.

Persons Testifying: PRO: Senator Marko Liias; Lonnie Johns-Brown, Office of the Insurance Commissioner.

Persons Signed In To Testify But Not Testifying: No one.