

**SENATE BILL 5333**

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**State of Washington**

**52nd Legislature**

**1991 Regular Session**

**By** Senators von Reichbauer, Johnson, Pelz, Owen, Hayner, Vognild, Sellar, McMullen, Erwin, Rasmussen, West and Thorsness.

Read first time January 29, 1991. Referred to Committee on Financial Institutions & Insurance.

1 AN ACT Relating to insurance fraud; and adding a new chapter to  
2 Title 48 RCW.

3 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

4 NEW SECTION. **Sec. 1.** (1) The commissioner may permit the  
5 organization of fraud bureaus for the investigation of fraudulent  
6 insurance practices and claims committed by policyholders and members  
7 of the public.

8 (2) The bureau shall investigate any insurance matter submitted to  
9 it by the commissioner. A bureau may investigate any insurance matter  
10 brought to its attention by member companies, other carriers,  
11 policyholders, or members of the public, or matters brought on its own.

12 (3) A bureau may not operate unless licensed by the commissioner  
13 and the commissioner may limit the investigation to certain kinds of  
14 insurance.

1        NEW SECTION.    **Sec. 2.**        (1) The commissioner may issue a license  
2 for a bureau only if the following conditions are met:

3        (a) It is owned in trust for the benefit of all the insurers  
4 regularly using its services under a trust agreement approved by the  
5 commissioner;

6        (b) It makes its services available without discrimination to all  
7 authorized insurers making application, subject to reasonable rules as  
8 to the obligations of insurers using its services;

9        (c) It does not have a manager or other employee who is an employee  
10 of an insurer other than to the extent that the person is an employee  
11 of the bureau owned by insurers through the trust agreement; and

12        (d) It pays to the commissioner a fee of one hundred dollars for  
13 issuance of its license.

14        (2) The license is of indefinite duration and remains in force  
15 unless revoked by the commissioner or terminated at the request of the  
16 bureau. The commissioner may revoke the license, after hearing, if the  
17 bureau:

18        (a) Is no longer qualified;

19        (b) Fails to comply with a proper order of the commissioner; or

20        (c) Violates any provision of this chapter or other statute deemed  
21 relevant by the commissioner.

22        (3) The commissioner may not issue a license to a bureau for the  
23 investigation of insurance fraud, if that kind of insurance fraud is  
24 being investigated by a then existing licensed fraud bureau.

25        NEW SECTION.    **Sec. 3.**        Every bureau operating in this state is  
26 subject to the supervision of the commissioner and the commissioner  
27 shall examine it as provided in chapter 48.03 RCW.

1        NEW SECTION.    **Sec. 4.**        The bureau shall keep adequate records  
2 of its activities and all information obtained by the bureau is  
3 confidential until made public by order of a superior court or by the  
4 manager of the bureau.

5        NEW SECTION.    **Sec. 5.**        (1) The manager of the bureau and  
6 special deputy managers have the power to conduct an investigation for  
7 fraudulent practices against an insurer, health care service  
8 contractor, health maintenance organization, self-insured entity,  
9 government pooling organization, the department of labor and  
10 industries, the Washington health care authority, and hospital pooling  
11 organizations.

12        (2)(a) The manager and special deputy managers shall enforce the  
13 law and rules adopted under this title.

14        (b) The manager and special deputy managers may exercise the law  
15 enforcement powers adopted by the commissioner, in rule.

16        NEW SECTION.    **Sec. 6.**        (1) The bureau shall submit all  
17 investigatory material to the appropriate agency or other governmental  
18 body when it appears to the bureau that an agency or governmental body  
19 should take action against a licensee. Any agency or governmental body  
20 receiving a report that recommends action shall consider the  
21 recommendation and take appropriate action as soon as possible.

22        (2) The bureau shall report criminal violations to any prosecuting  
23 attorney of the county where the criminal activity occurred. The  
24 prosecuting attorney shall review the report as soon as possible and  
25 take appropriate action.

26        NEW SECTION.    **Sec. 7.**        Sections 1 through 6 of this act shall  
27 constitute a new chapter in Title 48 RCW.

1        NEW SECTION.    **Sec. 8.**        If any provision of this act or its  
2 application to any person or circumstance is held invalid, the  
3 remainder of the act or the application of the provision to other  
4 persons or circumstances is not affected.