

# SENATE BILL REPORT

## SB 6346

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As of April 18, 2006

**Title:** An act relating to false or fraudulent refusal of an insurance claim.

**Brief Description:** Penalizing the false or fraudulent refusal of an insurance claim.

**Sponsors:** Senators Kline, Weinstein and Keiser.

**Brief History:**

**Committee Activity:** Financial Institutions, Housing & Consumer Protection: 2/1/06;  
2/2/06.

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### SENATE COMMITTEE ON FINANCIAL INSTITUTIONS, HOUSING & CONSUMER PROTECTION

**Staff:** Joanne Conrad (786-7472)

**Background:** Insurance claims are generally governed by contract law, based upon the terms and conditions of a contract between the insured and the insurer. Claims for payment may be denied under the contract, if the claim is not covered by the insurance policy. Typically, the legal remedy for an insured who disagrees with the denial of a claim would be a legal action under contract law. Some jurisdictions may also allow an action for tortious failure to pay a claim, with additional damages.

**Summary of Bill:** It is unlawful for an insurer to falsely or fraudulently refuse to pay a claim under an insurance contract. Fraudulent refusal is a gross misdemeanor, or, if the claim exceeds \$1,500, a Class C felony, punishable by up to five years imprisonment, a \$10,000 fine or both.

**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.

**Testimony For:** As to criminal liability, there should be parity between insurers and insureds. There is no adequate remedy, and prosecutors are currently reluctant to take these cases.

**Testimony Against:** Washington already has antifraud statutes, including the Unfair Trade Practices Act and the Consumer Protection Act. The OIC already has broad remedies against insurers. Criminal claim filing laws are unnecessary, and would only lead to litigation.

**Who Testified:** PRO: Sen Kline; Pat Le Pley, WSTLA. CON: Mel Sorensen, PCI, Allstate; Jean Leonard.