
SENATE COMMITTEE ON INSURANCE

Senator Susan Rubio, Chair

2023 - 2024 Regular

Bill No:	SB 743	Hearing Date:	April 12, 2023
Author:	Nguyen		
Version:	April 10, 2023		
Urgency:	No	Fiscal:	Yes
Consultant:	Erin Ryan		

SUBJECT: Insurance: false and fraudulent claims

DIGEST: For purposes of including a specified fraud notice on life insurance policies and forms, defines the phrase “seeks to make a change to an existing policy” as any attempt to change an owner or beneficiary of a policy, procure a loan against a policy, make a cash withdrawal from a policy, or surrender a policy.

ANALYSIS:

Existing law:

- 1) Specifies that making a knowingly false or fraudulent material statement or representation to obtain or amend an insurance policy is unlawful and is punishable by a fine not to exceed \$10,000 or imprisonment not to exceed 1 year.
- 2) Requires an insurer who prints, reproduces, or furnishes a form to any person that applies for a policy, seeks to make a change to an existing policy, or gives notice of a claim to the insurer, to print or otherwise display in a prominent manner, the statement that it is a crime to knowingly present false and fraudulent information to obtain or amend insurance coverage, in connection with an insurance application, contract, or provision of contract.

This bill:

- 1) As it pertains to life insurance policies, defines the phrase “seeks to make a change to an existing policy” as any attempt to change an owner or beneficiary of a policy, procure a loan against a policy, make a cash withdrawal from a policy, or surrender a policy.

Background

According to the author:

This bill is a simple measure designed to clarify that only insurance policy change forms that could have a nexus to insurance fraud require a fraud disclosure statement. This bill will both reduce administrative burdens on insurance carriers, while also ensuring that written communications with consumers focus on pertinent and relevant information.

The statutory provision at issue applied only to “claims” until AB 1511 (Committee on Insurance, Chapter 627, Stat. of 2021) clarified that it applied to all forms sent to a policyholder or applicant, including applications and policy changes. Most

communications involving auto or homeowners' insurance are likely to relate to claims, purchase and renewal. Life insurance generally has a duration significantly longer than the 6 month or 12 month contract period of property casualty insurance. As a result, life insurers tend to have more interactions with policyholders in ways that technically "change" the policy, such as a change of address or email, but do not pose a risk of fraud. Insurers also have to get California Department of Insurance approval for changes to forms.

Related/Prior Legislation

SB 1242 (Committee on Insurance, Chapter 424, Stat. of 2022) last year excluded schedules attached to forms and separate endorsements from the forms included in the requirement.

AB 1511 (Committee on Insurance, Chapter 627, Stat. of 2021) expanded the fraud notice from claim forms to all forms, including applications, changes and claims.

ARGUMENTS IN SUPPORT:

The Association of California Life and Health Insurance Companies and the American Council of Life Insurers fully support the intended objectives of bolstering CDI's ability to prosecute insurance fraud. Unfortunately, while working on implementation of new language adopted through SB 1242 last year and AB 1511 in 2021 we realized that applying a fraud statement to any form that "seeks to make a change to an existing policy," could capture thousands of forms, including many that would have no potential nexus to insurance fraud. Examples include forms that update a policy holder's address, correct their name, or update their email address. Not only is the addition of a fraud statement to these types of documents unnecessary and a distraction to policy holders, it also presents an onerous compliance challenge for insurance carriers. The solution to this oversight is SB 743 which simply defines which types of policy change forms should require the fraud disclosure. By limiting disclosures to only those forms that could have a potential nexus to fraud, SB 743 will ensure California consumers are not inundated with unnecessary information, and insurance carriers will have a reduced administrative burden

SUPPORT:

American Council of Life Insurers (Sponsor)
Association of California Life and Health Insurance Companies (Sponsor)

OPPOSITION:

None received

-- END --