

Date of Hearing: June 28, 2023

ASSEMBLY COMMITTEE ON INSURANCE
Lisa Calderon, Chair
SB 743 (Nguyen) – As Amended June 19, 2023

SENATE VOTE: 37-0

SUBJECT: Insurance: false and fraudulent claims

SUMMARY: Requires an insurer to provide a statement regarding false and fraudulent information on a form upon which a person seeks to amend insurance coverage, including any change to coverage affecting the premium, under an existing policy, instead of when that person seeks to make a change to an existing policy.

EXISTING LAW:

- 1) Requires an insurer who, in connection with an insurance application, contract, or provision of contract, prints, reproduces, or furnishes a form to a person upon which that person applies for a policy, seeks to make a change to an existing policy, or gives notice of a claim to the insurer, as specified, to include a prominent statement that it is a crime to knowingly present false and fraudulent information to obtain or amend insurance coverage. (Insurance (Ins.) Code Section 1871.2)
- 2) 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. (Ins. Code Section 1871.7)

FISCAL EFFECT: Unknown

COMMENTS:

- 1) *Purpose.* 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.

- 2) *Discussion.* Insurers tend to have many 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. Therefore, the use of the phrase “change” in existing law is overly broad, because even these minor interactions could trigger the fraud disclosure provisions. This bill seeks to clarify when existing fraud notifications have to be provided by an insurer and that only forms with a nexus to insurance fraud require a disclosure statement. To accomplish this, this bill replaces the phrase “make a change” with the more precise “amend insurance coverage, including any change in insurance coverage affecting premium.”

3) *Prior Legislation.*

- a) SB 1242 (Committee on Insurance) Chapter 424, Statutes of 2022 excluded schedules attached to forms and separate endorsements from the forms included in the requirement.
- b) AB 1511 (Committee on Insurance) Chapter 627, Statutes of 2021 expanded the fraud notice from claim forms to all forms, including applications, changes and claims.

REGISTERED SUPPORT / OPPOSITION:

Support

None on file.

Opposition

None on file.

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