



June 17, 2022

Honorable Tom Daly
Chair, Assembly Insurance Committee
1020 N Street, Room 369
Sacramento, CA 95814

Re: SUPPORT for SB 1242 (Comm on Ins.) provisions dealing with insurance fraud reporting

Dear Assemblymember Daly:

On behalf of the California Agents & Health Insurance Professionals (CAHIP), the National Association of Insurance and Financial Advisors—California (NAIFA-CA), and the Independent Insurance Agents and Brokers of California (IIABCAL), we are writing to express our support for, and urge your AYE vote on, SB 1242 (Committee on Insurance).

Sections 14-18 and 20-23 of SB 1242 will provide new training for insurance agents and brokers to assist in fraud detection and prevention, and enhance the reporting of potential insurance fraud, not only to the California Department of Insurance (CDI), but also to insurance companies' dedicated fraud investigation units.

In addition, these provisions will eliminate enforcement ambiguities in recent amendments to CDI regulations governing insurance company Special Investigative Units (SIUs), providing greater clarity and efficacy in the implementation of those regulations.

Specifically, Section 14-18 of SB 1242 will amend existing pre-licensing and continuing education training for the various types of insurance agents and brokers by requiring, effective March 1, 2023, that the existing three-hour course on ethics include one hour of training on insurance fraud.

These new requirements will not increase the expense or burden on insurance professionals of meeting educational and training requirements, but should make that training more relevant and effective in the larger effort to identify and prevent insurance fraud.

Sections 20-23 will enhance the reporting of suspected insurance fraud, by providing a mechanism for good faith suspicions to be reported to CDI even in cases where a completed application is not submitted to an insurer, or tendered to insurers if a policy has been underwritten.

Section 23 of the bill creates new California Insurance Code Section 1872.51, which should encourage insurance licensees to notify the Commissioner, or their insurers (as the case may be), of reasonable, good faith suspicions by providing qualified immunity for such reports. The immunity language is comparable to several other sections in the Insurance Code where reports to enforcement agencies are required or encouraged.

Another reason we support SB 1242 is the language in Section 22 of the bill, which would create new Insurance Code Section 1872.24. Subsection (d)(2) of the new statute makes it expressly clear that, "An agent or broker is

not considered a “contracted entity” or “integral antifraud personnel” pursuant to Section 2689.30 of Title 10 of the California Code of Regulations.”

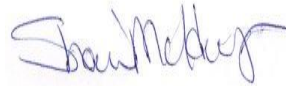
This clarification is significant, because it removes a potentially significant ambiguity over the interpretation of duties imposed by the updated SIU regulations (10 CCR Sections 2698.30 – 2698.43), and the underlying SIU statute (Insurance Frauds Prevention Act (IFPA), California Insurance Code Sections 1871-1879.8).

For all of these reasons, we support the enactment of the fraud training and reporting provisions of SB 1242, and we respectfully urge your AYE vote. Please do not hesitate to contact any of us, if you have any questions or we can provide any additional information on these issues.

Very truly yours,



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cc: Senate Committee on Insurance
Claire Wendt, Principal Consultant, Assembly Insurance Committee
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