

**ASSEMBLY BILL**

**No. 1099**

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**Introduced by Assembly Member Negrete McLeod**

February 20, 2003

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An act to amend Sections 1877.1 and 1877.3 of the Insurance Code, relating to insurance fraud.

LEGISLATIVE COUNSEL'S DIGEST

AB 1099, as introduced, Negrete McLeod. Insurance: fraud: information.

Under existing law, certain governmental agencies are authorized to request that an insurer or other specified person release to the agency any relevant information deemed important relating to a workers' compensation fraud investigation, and allows insurers to notify any of these agencies of suspected fraud. Existing law precludes these agencies from releasing this information to any person not authorized to receive the information.

This bill would include the Employment Development Department among the agencies authorized to request and receive information regarding workers' compensation fraud.

Vote: majority. Appropriation: no. Fiscal committee: yes. State-mandated local program: no.

*The people of the State of California do enact as follows:*

- 1 SECTION 1. Section 1877.1 of the Insurance Code is  
2 amended to read:  
3 1877.1. The following definitions govern the construction of  
4 this article, unless the context requires otherwise:

1 (a) “Authorized governmental agency” means the district  
2 attorney of any county, the office of the Attorney General, the  
3 Department of Insurance, the Department of Industrial Relations,  
4 *the Employment Development Department*, and any licensing  
5 agency governed by the Business and Professions Code.

6 (b) “Relevant” means having a tendency to make the existence  
7 of any fact that is of consequence to the investigation or  
8 determination of an issue more probable or less probable than it  
9 would be without the information.

10 (c) “Insurer” means an insurer admitted to transact workers’  
11 compensation insurance in this state, the State Compensation  
12 Insurance Fund, an employer that has secured a certificate of  
13 consent to self-insure pursuant to subdivision (b) or (c) of Section  
14 3700 of the Labor Code, or a third-party administrator that has  
15 secured a certificate pursuant to Section 3702.1 of the Labor Code.

16 (d) Information shall be deemed important if, within the sole  
17 discretion of the authorized governmental agency, that  
18 information is requested by that authorized governmental agency.

19 SEC. 2. Section 1877.3 of the Insurance Code is amended to  
20 read:

21 1877.3. (a) Upon written request to an insurer by an  
22 authorized governmental agency, an insurer, or agent authorized  
23 by that insurer to act on behalf of the insurer, shall release to the  
24 requesting authorized governmental agency any or all relevant  
25 information deemed important to the authorized governmental  
26 agency that the insurer may possess relating to any specific  
27 workers’ compensation insurance fraud investigation.

28 (b) (1) When an insurer knows or reasonably believes it knows  
29 the identity of a person or entity whom it has reason to believe  
30 committed a fraudulent act relating to a workers’ compensation  
31 insurance claim or a workers’ compensation insurance policy,  
32 including any policy application, or has knowledge of such a  
33 fraudulent act that is reasonably believed not to have been reported  
34 to an authorized governmental agency, then, for the purpose of  
35 notification and investigation, the insurer, or agent authorized by  
36 an insurer to act on its behalf, shall notify the local district  
37 attorney’s office and the Bureau of Fraudulent Claims of the  
38 Department of Insurance, and may notify any other authorized  
39 governmental agency of that suspected fraud and provide any



1 additional information in accordance with subdivision (a). The  
2 insurer shall state in its notice the basis of the suspected fraud.

3 (2) Insurers shall use a form prescribed by the department for  
4 the purposes of reporting suspected fraudulent workers'  
5 compensation acts pursuant to this subdivision.

6 (3) Nothing in this subdivision shall abrogate or impair the  
7 rights or powers created under subdivision (a).

8 (c) The authorized governmental agency provided with  
9 information pursuant to subdivision (a), (b), or (e) may release or  
10 provide that information in a confidential manner to any other  
11 authorized governmental agency for purposes of investigation,  
12 prosecution, or prevention of insurance fraud or workers'  
13 compensation fraud.

14 (d) An insurer providing information to an authorized  
15 governmental agency pursuant to this section shall provide the  
16 information within a reasonable time, but not to exceed 30 days  
17 from the day on which the duty arose.

18 (e) Upon written request by an authorized governmental  
19 agency, as specified in subdivision ~~(t)~~ (o) of Section 1095 of the  
20 Unemployment Insurance Code, the Employment Development  
21 Department shall release to the requesting agency any or all  
22 relevant information that the Employment Development  
23 Department may possess relating to any specific workers'  
24 compensation insurance fraud investigation. Relevant  
25 information may include, but is not limited to, all of the following:

26 (1) Copies of unemployment and disability insurance  
27 application and claim forms and copies of any supporting medical  
28 records, documentation, and records pertaining thereto.

29 (2) Copies of returns filed by an employer pursuant to Section  
30 1088 of the Unemployment Insurance Code and copies of  
31 supporting documentation.

32 (3) Copies of benefit payment checks issued to claimants.

33 (4) Copies of any documentation that specifically identifies the  
34 claimant by social security number, residence address, or  
35 telephone number.

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