COMPLIANCE ACTION MEMO

EFFECTIVE JANUARY 1, 2023; TRAINING REQUIREMENTS EFFECTIVE MARCH 1, 2023

SUBJECT: INSURANCE FRAUD DIVISION AND REPORTING, FRAUD TRAINING, AGENT EMAIL COMMUNICATIONS
JURISDICTION: CALIFORNIA
CITATION: SB 1242

SCOPE

This Bill applies to insurers and producers doing business in the state of California, including business related to life and annuity, and accident and health.

SUMMARY

California has enacted omnibus legislation that makes several updates to the Insurance Code. Most updates are related to insurance fraud prevention and reporting, but there has also been an update to agent communications sent to consumers.

Agent Email Communications – An insurance agent that is licensed in Life or Accident and Health or Sickness must include their license number in any email communication that involves an activity for which a license is required. The license number must be in a type size no smaller than the largest of any telephone number, street address or email address of the person included in the email. Individual licensees should put the license number adjacent to or on the line below the individual's name or title. Organizational licensees must put their license number adjacent to or on the line below the organization's name.

Fraud Training for Producers – California currently requires certain training to be completed prior to the issuance of a license or the renewal of a license. Part of that training is a required ethics course. Beginning **March 1, 2023**, the existing ethics course requirements must include on hour of study related to insurance fraud awareness. The content of this course will be updated annually.

Fraud Statement Required on Forms – California will require a fraud statement to appear on forms used by a person to apply for coverage, amend coverage, or submit a claim. This applies to forms used for all lines of business.

Fraud Reporting – Producer Obligations – If an agent/broker reasonably suspects or knows that a fraudulent application is being made, within 60 days after this determination, the agent or broker must submit a report to the California Fraud Division using the electronic form available within the Fraud Division's Consumer Fraud Reporting Portal. All information requested on the form should be provided, along with any additional information relative to the factual circumstances of the application and alleged material misrepresentations contained within the application. If an agent/broker reasonably suspects or knows that fraud has been perpetrated after submitting an application with an insurer, the agent/broker must report that information to the insurer's Special Investigative Unit (SIU). An agent/broker that has submitted or reported suspected or known fraud must provide the Department or the insurer's SIU with all papers, documents, reports or other facts or evidence upon request and otherwise assist and cooperate with the insurer's SIU or the Department. An agent/broker that furnishes oral or written information in accordance with these fraud reporting requirements will not be subject to any civil liability of a cause or action in the agent/broker has acted in good faith, without malice and if the action was warranted by the then-known facts, obtained by reasonable efforts.

ACTION

When sending email communications to a consumer related to any insurance action, inquiry or question, comment or concern, include your license number in accordance with the requirements stated above.

Beginning **March 1, 2023**, confirm that any ethics course taken to fulfill California producer training requirements includes one hour in study on insurance fraud awareness. This must be taken prior to issuance for new producers, or prior to renewal for existing producers.

Make note of the fraud reporting requirements. If fraud is suspected or known, file a report in accordance with the requirements stated above. If the suspected or known fraudulent act occurs prior to the submission of an application, file a report with the Fraud Division of the California Department of Insurance. If the suspected or known fraudulent act occurs after an application has already been submitted, contact the insurer's Special Investigative Unit.

Forms for Transamerica products have been updated to include the California fraud warning statement for California residents. The new language states that any person who knowingly presents false or fraudulent information to obtain or amend insurance coverage of to make a claim for the payment of a loss is guilty of a crime and may be subject to fines and confinement in state prison. Additionally, applications are in the process of being updated to include this statement as well. Forms that have been updated include forms used for the following transactions:

- Ownership changes
- Beneficiary changes
- Rider adds
- Surrender requests
- Withdrawal requests
- Request to take a loan
- Face amount changes
- Requests to re-issue/re-date/re-open a policy

Updated forms have been placed on our portals. When providing a form used to request one of the above transactions, please be sure to provide the most updated form.

.

For Agent/Producer use only.
© 2017 Transamerica

TRANSAMERICA