STAND. COM. REP. NO. 129

Honolulu, Hawaii

Feb 7, 2007

RE: H.B. No. 1326

H.D. 1

Honorable Calvin K.Y. Say Speaker, House of Representatives Twenty-Fourth State Legislature Regular Session of 2007 State of Hawaii

Sir:

Your Committee on Consumer Protection & Commerce, to which was referred H.B. No. 1326 entitled:

"A BILL FOR AN ACT RELATING TO INSURANCE FRAUD,"

begs leave to report as follows:

The purpose of this bill is to improve the enforcement of insurance fraud laws by allowing the Insurance Division of the Department of Commerce and Consumer Affairs (DCCA) to prevent, investigate, and prosecute insurance fraud cases beyond motor vehicle insurance.

The Department of the Attorney General, DCCA, State Farm Insurance Companies, Hawaii Medical Service Association, Hawaii Insurers Council, National Association of Insurance and Financial Advisors Hawaii, and Hawaii Association of Health Plans testified in support of this bill. The American Council of Life Insurers and Hawaii Employers' Mutual Insurance Company, Inc., submitted comments.

Currently, DCCA's insurance fraud investigations unit only has jurisdiction over motor vehicle insurance cases. This bill seeks to replace the unit with a new DCCA branch with jurisdiction over cases of fraud in other lines of insurance.

Your Committee has amended this bill by:

- (1) Amending the provision establishing the insurance fraud investigations branch within DCCA, to clarify that this bill deals with fraud committed against insurers;
- (2) Deleting the provision requiring insurers to include on all insurance applications and claim forms specific language giving notice that the submission of a fraudulent insurance application or claims is a punishable crime;
- (3) Providing that a person must act with the higher standard of "actual malice", rather than "malice", to be ineligible for immunity from civil liability for providing information relating to insurance fraud;
- (4) Changing the effective date to July 1, 2020, to encourage further discussion; and
- (5) Making technical, nonsubstantive amendments for clarity and style.

As affirmed by the record of votes of the members of your Committee on Consumer Protection & Commerce that is attached to this report, your Committee is in accord with the intent and purpose of H.B. No. 1326, as amended herein, and recommends that it pass Second Reading in the form attached hereto as H.B. No. 1326, H.D. 1, and be referred to the Committee on Judiciary.

Respectfully submitted on behalf of the members of the Committee on Consumer Protection & Commerce,

ROBERT N. HERKES, Chair

HB1326 HD1 HSCR CPC HMS 2007-1733

HSCR 129

## State of Hawaii House of Representatives The Twenty-fourth Legislature

## Record of Votes of the Committee on Consumer Protection & Commerce

Bill/Resolution No.:	Date:				
HB1326	Januar	January 31, 2007			
Committee Referral:	1	☐ The committee is reconsidering its			
CPC, JUD, FIN	previous decision on the measure.				
The recommendation is to:  Pass, unamended	Pass, with amendments  Pass, with amendments, for recommittal for further consideration				
☐ Hold					
CPC Members	Ayes	Ayes (WR)	Nays	Excused	
1. HERKES, Robert N. (C)	V				
2. McKELVEY, Angus L.K. (VC)				-	
3. CALDWELL, Kirk					
4. EVANS, Cindy					
5. GREEN, Josh, M.D.	/				
6. ITO, Ken	V	The state of the s	- 1-1-1-1-1-1-1-1-1-1-1-1-1-1-1-1-1-1-1		
7. LUKE, Sylvia					
8. MORITA, Hermina M.	/				
9. SONSON, Alex M.					
10. SOUKI, Joseph M.	,	LA est to a management of a contract of			
11. TSUJI, Clift					
12. YAMANE, Ryan I.					
13. YAMASHITA, Kyle T.					
14. MARUMOTO, Barbara C.	$\overline{\mathscr{U}}$				
15. THIELEN, Cynthia	./				
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TOTAL	12			2	
The recommendation is: Adopted					
☐ Not Adopted					
If joint referral,		did not suppo	ort recommendation		
committee acronym(s)					
5 Manual					
Vice Chair's or désignee's signaturé:					
Distribution: Original (White) – Committee Duplicate (Yellow) – HMSO Duplicate (Pink) – Clerk's Office					