STAND. COM. REP. NO. 493

Honolulu, Hawaii

Fe - 20, 2009

RE: H.B. No. 262 H.D. 1

Honorable Calvin K.Y. Say Speaker, House of Representatives Twenty-Fifth State Legislature Regular Session of 2009 State of Hawaii

Sir:

Your Committees on Consumer Protection & Commerce and Judiciary, to which was referred H.B. No. 262 entitled:

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

beg leave to report as follows:

The purpose of this bill is to enable the Department of Commerce and Consumer Affairs' (DCCA) Insurance Division to investigate and prosecute insurance fraud beyond motor vehicle insurance fraud, to cover fraud in all lines of insurance except cases and violations arising out of the Workers' Compensation Law, Chapter 386, Hawaii Revised Statutes (HRS). This bill also expands the definition of insurance fraud and allows the filing of administrative and civil insurance fraud actions.

DCCA, the National Association of Insurance and Financial Advisors - Hawaii, American Council of Life Insurers, Hawaii Medical Service Association, State Farm Insurance Companies, and GEICO testified in support of this bill. The Hawaii Association for Justice opposed this measure. The Department of the Attorney General and Hawaii Association of Health Plans provided comments.

Your Committees have amended this bill by:

(1) Clarifying that the Attorney General has the discretion to designate as special deputy attorneys general, any attorney employed or retained by the newly established Insurance Fraud Investigations Branch (Branch) and

representing the State in any criminal, civil, or administrative proceeding relating to insurance fraud;

- (2) Providing that only Branch investigators will have the same powers and authority as police officers and deputy sheriffs under this measure;
- (3) Providing that the administrative penalties established by this measure apply to insurance fraud committed "knowingly," as that term is defined in the Hawaii Penal Code under section 702-206, HRS;
- (4) Replacing the provisions relating to the civil service status, salaries, benefits, and privileges of employees transferred by this measure from the existing Insurance Fraud Investigations Unit to the Branch, with language suggested by DCCA; and
- (5) Making technical, nonsubstantive amendments for clarity, consistency, and style.

As affirmed by the records of votes of the members of your Committees on Consumer Protection & Commerce and Judiciary that are attached to this report, your Committees are in accord with the intent and purpose of H.B. No. 262, as amended herein, and recommend that it pass Second Reading in the form attached hereto as H.B. No. 262, H.D. 1, and be referred to the Committee on Finance.

Respectfully submitted on behalf of the members of the Committees on Consumer Protection & Commerce and Judiciary,

JON RIKI KARAMATSU, Chair

ROBERT N. HERKES, Chair

State of Hawaii House of Representatives The Twenty-fifth Legislature

Record of Votes of the Committee on Consumer Protection & Commerce

Bill/Resolution No.: HB 262	Committee Referral: CPC/JUD, FIN	Date	Date: 2/9/09		
☐ The committee is reconsidering its previous	ous decision on the measure.	_			
	namended (as is) Pa	ss, with amendments	i.v.	E	
CPC Members	Ayes	Ayes (WR)	Nays	Excused	
1. HERKES, Robert N. (C)					
2. WAKAI, Glenn (VC)					
3. BELATTI, Della Au					
4. CABANILLA, Rida	V				
5. CARROLL, Mele				V	
6. ITO, Ken					
7. KARAMATSU, Jon Riki			- sa 1980s - an 1911o		
8. LUKE, Sylvia					
9. McKELVEY, Angus L.K.					
10. MIZUNO, John M.					
11. MORITA, Hermina M.					
12. SOUKI, Joseph M.					
13. TSUJI, Clift					
14. MARUMOTO, Barbara C.					
15. THIELEN, Cynthia	$ +$ \vee				
TOTAL (15)		$\bigcirc \mathcal{D}$	Ø	4	
The recommendation is:		did not supp	ort recommendation	n.	
Vice Chair's or designee's signature:					
Distribution: Original (White) – Committ	ee Duplicate Yellow)	Chief Clerk's Office	e Duplicate (I	Pink) – HMSO	

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Record of Votes of the Committee on Judiciary

	Committee Referral: CPCIJ UDJ F11	V Date	2/9/0	g		
☐ The committee is reconsidering its previou	200000		- 1 1	-		
The recommendation is to: Pass, unamended (as is) Pass, with amendments (HD) Hold Pass short form bill with HD to recommit for future public hearing (recommit)						
JUD Members	Ayes	Ayes (WR)	Nays	Excused		
1. KARAMATSU, Jon Riki (C)						
2. ITO, Ken (VC)						
3. BELATTI, Della Au						
4. CABANILLA, Rida						
5. CARROLL, Mele				/		
6. HERKES, Robert N.	V .					
7. LUKE, Sylvia						
8. McKELVEY, Angus L.K.			P.S. Parisani Sagara State Carlos			
9. MIZUNO, John M.						
10. MORITA, Hermina M.						
11. OSHIRO, Blake K.						
12. SOUKI, Joseph M.						
13. TSUJI, Clift						
14. WAKAI, Glenn						
15. MARUMOTO, Barbara C.						
16. THIELEN, Cynthia	<i>V</i> .					
		1		1.1		
TOTAL (16)	12	0		7		
The recommendation is: Adopt If joint ref		did not supp	ort recommendatio	n.		
Vice Chair's or designee's signature:	f-14					
Distribution: Original (White) – Committee	ee Duplicate (Yellow)	– Chief Clerk's Offic	e Duplicate (Pink) – HMSO		