STAND. COM. REP. NO. /338

Honolulu, Hawaii APR 0 9 2009

H.B. No. 262 RE:

> H.D. 2 S.D. 2

Honorable Colleen Hanabusa President of the Senate Twenty-Fifth State Legislature Regular Session of 2009 State of Hawaii

Madam:

Your Committee on Judiciary and Government Operations, to which was referred H.B. No. 262, H.D. 2, S.D. 1, entitled:

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

begs leave to report as follows:

The purpose of this measure is to:

- Establish an insurance fraud investigations branch to (1)replace the existing insurance fraud investigations unit, and to empower the branch to investigate and prosecute insurance fraud in all lines of insurance except workers' compensation;
- Impose administrative, civil, and criminal penalties for (2) offenses of insurance fraud in all covered lines of insurance and for different types of insurance fraud, including fraudulent applications and sales; and
- Direct the deposit of fines and settlements resulting (3) from successful insurance fraud prosecutions into the compliance resolution fund to help the insurance fraud investigations branch cover the cost of preventing, investigating, and prosecuting insurance fraud.

Your Committee finds that insurance fraud reportedly costs every household in the United States an average of \$500 per year. In Hawaii, the cost of motor vehicle insurance fraud alone was

estimated in 1997 to be over \$164 annually per household. In Hawaii, based on the conservative estimate that insurance fraud amounts to three per cent of annual Hawaii health care costs, health insurance fraud causes losses that exceed \$60,000,000 annually.

Your Committee also finds that no line of insurance is free of insurance fraud. Rather than limit administrative, civil, and criminal penalties for insurance fraud to only motor vehicle insurance, Hawaii's insurance fraud law should be expanded to include all lines of insurance.

Your Committee has amended this measure by:

- (1) Making clarifying amendments for consistency, on the recommendation of the State Insurance Commissioner;
- (2) Exempting licensed attorneys acting in their capacity as attorneys for claimants, from the definition of "person";
- (3) Changing the effective date to July 1, 2050 to continue the discussions on this issue; and
- (4) Making technical, nonsubstantive amendments.

As affirmed by the record of votes of the members of your Committee on Judiciary and Government Operations that is attached to this report, your Committee is in accord with the intent and purpose of H.B. No. 262, H.D. 2, S.D. 1, as amended herein, and recommends that it pass Third Reading in the form attached hereto as H.B. No. 262, H.D. 2, S.D. 2.

Respectfully submitted on behalf of the members of the Committee on Judiciary and Government Operations,

BRIAN T. TANIGUCHI, Chai

The Senate Twenty-Fifth Legislature State of Hawaii

Record of Votes Committee on Judiciary and Government Operations JGO

Bill / Resolution No.:* Committee Referral: Date:				
HB 262, HD2, SD1 CPN, JGO 4/7/2009				
The committee is reconsidering its previous decision on this measure.				
If so, then the previous decision was to:				
The Recommendation is:				
Pass, unamended Pass, with amendments Hold Recommit 2312 2311 2310 2313				
Members	Aye _,	Aye (WR)	Nay	Excused
TANIGUCHI, Brian T. (C)				
TAKAMINE, Dwight Y. (VC)				
BUNDA, Robert		COMMON CO		-
GABBARD, Mike	V /			
NISHIHARA, Clarence K.	V /	make 4 900 miles		
SLOM, Sam	'			
				No. of the second secon
TOTAL	6	0	0	0
Recommendation: Adopted Not Adopted				
Chair's or Designee's Signature:				
Distribution: Original Yellow Pink Goldenrod File with Committee Report Clerk's Office Drafting Agency Committee File Copy				

^{*}Only one measure per Record of Votes