

STAND. COM. REP. NO.

742

Honolulu, Hawaii

Feb 16, 2007

RE: H.B. No. 1326
H.D. 2

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

Sir:

Your Committee on Judiciary, to which was referred H.B. No. 1326, H.D. 1, entitled:

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

begs leave to report as follows:

The purpose of this bill is to expand the authority of the Department of Commerce and Consumer Affairs Insurance Division's insurance fraud investigations unit from prosecuting only motor vehicle insurance fraud to prosecuting fraud in all lines of insurance under Title 24, Hawaii Revised Statutes (HRS). Specifically, this bill:

- (1) Expands the definition of insurance fraud to include not only the filing of fraudulent claims, but false insurance applications and sales of insurance as well;
- (2) Establishes criminal and civil penalty provisions for insurance fraud applying to all lines of insurance;
- (3) Provides for not only criminal prosecution by county prosecutors, but also administrative and civil insurance fraud actions initiated directly by the Insurance Commissioner; and



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- (4) Replaces the Insurance Fraud Investigations Unit under Article 10C of the Insurance Code governing motor vehicle insurance with an Insurance Fraud Investigations Branch created in Article 2 of the Insurance Code governing the administration of all insurance laws.

The Attorney General, Department of Commerce and Consumer Affairs, American Council of Life Insurers, Hawaii Association of Health Plans, Hawaii Insurers Council, Hawaii Medical Service Association, National Association of Insurance and Financial Advisors Hawaii, and State Farm Insurance Companies testified in support of this bill.

Your Committee has amended this bill by:

- (1) Clarifying in Section 1 that its purpose and scope do not include or relate to insurance claims, applications, or sales arising from worker's compensation insurance or Chapter 386, HRS; and
- (2) Making technical, nonsubstantive amendments for style, clarity, and consistency.

Your Committee recommends that the Committee on Finance further review the bill to ensure that the scope of this measure does not include or relate to insurance claims, applications, or sales arising from worker's compensation insurance or Chapter 386, HRS.

As affirmed by the record of votes of the members of your Committee on Judiciary that is attached to this report, your Committee is in accord with the intent and purpose of H.B. No. 1326, H.D. 1, as amended herein, and recommends that it be referred to the Committee on Finance in the form attached hereto as H.B. No. 1326, H.D. 2.

Respectfully submitted on
behalf of the members of the
Committee on Judiciary,


TOMMY WATERS, Chair



