

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.

HB1326 HD1 HSCR CPC HMS 2007-1733



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



