STAND. COM. REP. NO. 2224

Honolulu, Hawaii

FEB 1 2 2008

RE: S.B. No. 2313

Honorable Colleen Hanabusa
President of the Senate
Twenty-Fourth State Legislature
Regular Session of 2008
State of Hawaii

Madam:

Your Committee on Commerce, Consumer Protection, and
Affordable Housing, to which was referred S.B. No. 2313 entitled:

"A BILL FOR AN ACT RELATING TO INSURANCE,"

begs leave to report as follows:

The purpose of this measure is to provide consumers greater
protection against insurance fraud.

Specifically, this measure provides the following:

(1)   Repeals the existing law relating to the Insurance Fraud
      Investigations Unit and establishes a new Insurance
      Fraud Investigations Branch to investigate and prosecute
      all lines of insurance fraud, except for workers'
      compensation claims;

(2)   Expands administrative, civil, and criminal penalties
      for offenses of insurance fraud in all lines of
      insurance, except for workers' compensation claims, and
      for different types of insurance fraud, including
      fraudulent applications and sales; and

(3)   Deposits all fines and settlements resulting from
      successful insurance fraud prosecutions into the
      Compliance Resolution Fund to assist the Insurance Fraud
      Investigations Branch to cover its operational expenses.

Testimony in support of this measure was submitted by the
Department of Commerce and Consumer Affairs, the National
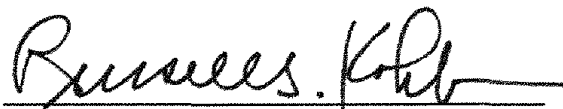
2008-1249 SSCR SMA.doc

Association of Insurance and Financial Advisors, the American Council of Life Insurers, the Hawaii Medical Service Association, the Hawaii Association of Health Plans, and the State Farm Insurance Companies.

Currently, the jurisdiction of the Insurance Fraud Investigations Unit of the Department of Commerce and Consumer Affairs is governed by section 431:10C-307.8, Hawaii Revised Statutes, and due to its placement in article 10C, the Insurance Fraud Investigations Unit's jurisdiction is limited to motor vehicle insurance fraud. This placement causes confusion and may prompt arguments by defense council that the Insurance Fraud Investigations Unit lacks the authority to prosecute all lines of insurance fraud, which was the original intent in establishing the Investigations Unit. Your Committee finds that allowing the Insurance Division of the Department of Commerce and Consumer Affairs to pursue fraud in any line of insurance, except workers' compensation claims, will ultimately result in a reduction in premiums for Hawaii residents.

Your Committee believes that expanding the jurisdiction of the Insurance Fraud Investigations Unit to prosecute all lines of insurance fulfills the intent of this measure, which is to provide consumers greater protection against insurance fraud.

As affirmed by the record of votes of the members of your Committee on Commerce, Consumer Protection, and Affordable Housing that is attached to this report, your Committee is in accord with the intent and purpose of S.B. No. 2313 and recommends that it pass Second Reading and be referred to the Committee on Ways and Means.

Respectfully submitted on behalf of the members of the Committee on Commerce, Consumer Protection, and Affordable Housing,

RUSSELL S. KOKUBUN, Chair

The Senate
Twenty-Fourth Legislature
State of Hawaii

Record of Votes
Committee on Commerce, Consumer Protection and Affordable Housing
CPH

Bill / Resolution No.:*	Committee Referral:	Date:
SB 2313	CPH, WAM	2/7/08

☐ The committee is reconsidering its previous decision on this measure.

If so, then the previous decision was to: _____

The Recommendation is:

☒ Pass, unamended 2312   ☐ Pass, with amendments 2311   ☐ Hold 2310   ☐ Recommit 2313

Members	Aye	Aye (WR)	Nay	Excused
KOKUBUN, Russell S. (C)	✓			
IGE, David Y. (VC)	✓			
ESPERO, Will	✓			
IHARA, Jr., Les				✓
SAKAMOTO, Norman				✓
TANIGUCHI, BRIAN T.	✓			
TRIMBLE, Gordon	✓			
TOTAL	5			2

Recommendation:

☒ Adopted   ☐ Not Adopted

Chair's or Designee's Signature:

*Only <u>one</u> measure per Record of Votes

Revised: 10/22/07