



**Property Casualty Insurers
Association of America**

Shaping the Future of American Insurance

1415 L Street, Suite 670, Sacramento, CA 95814-3972

To: The Honorable Russell S. Kokubun, Chair
Senate Committee on Commerce, Consumer
Protection, and Affordable Housing

From: Samuel Sorich, Vice President

RE: **SB 2313 – Relating to Insurance**
PCI Position: Support

Date: Thursday, February 7, 2008
9:00 a.m.; Conference Room 229

The Property Casualty Insurers Association of America (PCI) is an association of property/casualty insurers. There are more than 100 PCI member companies doing business in Hawaii. PCI members are responsible for approximately 45 percent of the property/casualty insurance premiums written in Hawaii.

PCI supports SB 2313 because the bill establishes a system that will combat insurance fraud in lines of insurance beyond just motor vehicle insurance. The successful execution of SB 2313's strengthened attack on insurance fraud will lower insurance costs for Hawaii consumers and businesses.

SB 2313 replaces the existing limited fraud investigation unit with a new branch within the insurance division. The bill provides this new division branch with direction to prevent, to investigate, to prosecute and to educate the public on insurance fraud and gives the branch the authority to carry out that direction. The sound operation of the new division branch, in addition to SB 2313's clear definition of "insurance fraud" and the bill's penalties for acts of insurance fraud, creates a system that will effectively address the serious problem of insurance fraud.

SB 2313 offers the opportunity to significantly improve efforts to combat insurance fraud. PCI requests that the Committee vote Yes on the bill.

THE SENATE
THE TWENTY-FOURTH LEGISLATURE
REGULAR SESSION OF 2008

COMMITTEE ON COMMERCE, CONSUMER PROTECTION, & AFFORDABLE HOUSING

Sen. Russell S. Kokubun, Chair
Sen., David Y. Ige, Vice Chair

Hearing Date: Wednesday, February 22, 2008

Time: 9:00 a.m.

Place: Conference Room 229, State Capitol

TESTIMONY OF FRED GALDONES, ILWU LOCAL 142
RE: SB 2313, RELATING TO INSURANCE

Thank you for the opportunity to present testimony regarding SB 2313.

S.B. 2313 expands the insurance division's fraud unit to investigate and prosecute insurance fraud beyond motor vehicle cases but excludes workers compensation fraud from the scope of the unit's responsibilities..

S.B. 2313 recognizes that further government intervention in the workers' compensation area is unnecessary because Section 386-98 HRS already provides a means of addressing fraud. Section 386-89(b) HRS permits reopening of a claim when fraud is practiced upon the Director or any party. An insurer may recoup "all payments made for medical care, medical services, vocational rehabilitation services, and all other services rendered for payment under this chapter." A fine of \$10,000 per violation may be assessed under Section 386-98(e)(1) HRS. Attorneys' fees and costs can be reimbursed under Section 386-98(e)(6) HRS. Criminal penalties can be imposed, including misdemeanors and Class C felonies, pursuant to Section 386-98(d) HRS. Used properly, these penalties are more than adequate deterrence to fraud.

If the committee recognizes an appropriate need to expand the insurance division's fraud unit in the Department of Commerce and Consumer Affairs to other kinds of insurance beyond motor vehicle insurance, ILWU Local 142 would support such action, provided the bill continues to exclude workers' compensation from the unit's responsibilities.