

Honolulu, Hawaii

APR 09 2009

RE: H.B. No. 262
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:

- (1) Establish an insurance fraud investigations branch to 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;
- (2) Impose administrative, civil, and criminal penalties for offenses of insurance fraud in all covered lines of insurance and for different types of insurance fraud, including fraudulent applications and sales; and
- (3) Direct the deposit of fines and settlements resulting 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, Chair



