

LINDA LINGLE
GOVERNOR

JAMES R. AIONA, JR.
LT. GOVERNOR

STATE OF HAWAII
OFFICE OF THE DIRECTOR
DEPARTMENT OF COMMERCE AND CONSUMER AFFAIRS
335 MERCHANT STREET, ROOM 310
P.O. Box 541
HONOLULU, HAWAII 96809
Phone Number: 586-2850
Fax Number: 586-2856
www.hawaii.gov/dcca

LAWRENCE M. REIFURTH
DIRECTOR

RONALD BOYER
DEPUTY DIRECTOR

TO THE HOUSE COMMITTEE ON JUDICIARY

TWENTY-FIFTH LEGISLATURE
Regular Session of 2010

Tuesday, February 23, 2010
2:00 p.m.

TESTIMONY ON HOUSE BILL NO. 2354 - RELATING TO INSURANCE FRAUD

TO THE HONORABLE JON RIKI KARAMATSU, CHAIR, AND MEMBERS OF THE
COMMITTEE:

My name is J. P. Schmidt, State Insurance Commissioner, testifying on behalf of the Department of Commerce and Consumer Affairs ("Department"). Thank you for hearing this bill.

The Department supports this bill. This bill is patterned after Section 9 of the National Conference of Insurance Legislators ("NCOIL") Insurance Fraud Model Act.

This bill enhances the Department's ability to investigate insurance fraud by preventing individuals from failing to cooperate with the Department's investigations. In addition, the bill contains an enforcement provision that precludes individuals who do not cooperate with the Department's investigations and prosecutions from collecting proceeds or restitution.

We thank this Committee for the opportunity to present testimony on this matter and ask for your favorable consideration.

HMSA



Blue Cross
Blue Shield
of Hawaii

An Independent Licensee of the Blue Cross and Blue Shield Association

February 23, 2010

The Honorable John Riki Karamatsu, Chair
The Honorable Ken Ito, Vice Chair
House Committee on Judiciary

Re: HB 2354 – Relating to Insurance Fraud

Dear Chair Karamatsu, Vice Chair Ito and Members of the Committee:

The Hawaii Medical Service Association (HMSA) appreciates the opportunity to testify in support of HB 2354 which would require individuals, entities, and insurers to cooperate with insurance fraud investigations and bar restitution for those who fail to cooperate.

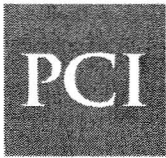
Nationally, fraudulent or abusive claims translate to between \$125 and \$175 billion in losses to the health care industry each year. Although fraud and abuse is probably on the lower end of the spectrum locally, if only three percent of claims paid in Hawaii are fraudulent, this would amount to more than \$60 million dollars in losses annually. HMSA is a proponent of legislation designed to strengthen a health plan's ability to combat fraud.

We believe that the language contained in SB 2354 complements the fraud legislation which was passed during the last legislative session. Thank you for the opportunity to testify today.

Sincerely,

A handwritten signature in black ink, appearing to read "JD".

Jennifer Diesman
Vice President
Government Relations



**Property Casualty Insurers
Association of America**

Shaping the Future of American Insurance
1415 L Street, Suite 670, Sacramento, CA 95814-3972

To: The Honorable Jon Riki Karamatsu, Chair
House Judiciary Committee

From: Samuel Sorich, Vice President

Re: **HB 2354 – Insurance Fraud**
PCI Position: Support

Date: Tuesday, February 23, 2010
2:00 p.m.; Conference Room 325

Aloha Chairman Karamatsu and Committee Members:

The Property Casualty Insurers Association of American (PCI) supports of HB 2354 because it strengthens efforts to fight insurance fraud.

Existing HRS 431:2-409 generally requires an insurer that has credible information indicating insurance fraud to provide the insurance fraud investigations branch with information. HB 2354 makes the mandate to provide information specific. In addition, the bill provides that an insurer that fails to cooperate with the branch is deprived of restitution rights. HB 2354's creation of this incentive will help to assure that the branch has the information it needs to effectively investigate and prosecute insurance fraud.

PCI respectfully requests the committee's approval of HB 2354.