

STAND. COM. REP. NO.

3361

Honolulu, Hawaii

APR - 5 2006

RE: S.C.R. No. 55

Honorable Robert Bunda  
President of the Senate  
Twenty-Third State Legislature  
Regular Session of 2006  
State of Hawaii

Sir:

Your Committee on Commerce, Consumer Protection, and Housing,  
to which was referred S.C.R. No. 55 entitled:

"SENATE CONCURRENT RESOLUTION REQUESTING THE LEGISLATIVE  
REFERENCE BUREAU TO CONDUCT A STUDY ON THE ISSUE OF  
RECLASSIFYING VARIABLE ANNUITY CONTRACTS AS INSURANCE RATHER  
THAN SECURITIES,"

begs leave to report as follows:

The purpose of this measure is to request the Legislative  
Reference Bureau to conduct a study on the issue of reclassifying  
variable annuity contracts as insurance rather than securities.

Specifically, this measure instructs the Legislative  
Reference Bureau to examine how other states, such as Indiana, are  
addressing the issue of reclassifying variable annuity contracts  
as insurance rather than securities.

Testimony in support of this measure was submitted by the  
Insurance Division and the Business Regulation Division of the  
Department of Commerce and Consumer Affairs, State Farm Insurance  
Companies, American Council of Life Insurers, and the National  
Association of Insurance and Financial Advisors Hawaii. Comments  
were submitted by the Legislative Reference Bureau.

Your Committee finds that variable annuity contracts are  
legitimate investments. However, your Committee further finds  
that there is a concern that overzealous marketing of variable  
annuity contracts may require greater consumer protection and  
regulation for certain investors, especially senior consumers, who

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are at risk if they are not fully informed about the terms of these contracts. Your Committee also finds that there exists uncertainty over the most effective means of regulating sales of variable annuity contracts.

As affirmed by the record of votes of the members of your Committee on Commerce, Consumer Protection, and Housing that is attached to this report, your Committee concurs with the intent and purpose of S.C.R. No. 55 and recommends its adoption.

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



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RON MENOR, Chair



