

STAND. COM. REP. NO.

3360

Honolulu, Hawaii

APR - 5 2006

RE: S.R. No. 35

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.R. No. 35 entitled:

"SENATE 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

2006-2345SR SSCR SMA.doc



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.R. No. 35 and recommends its adoption.

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



RON MENOR, Chair



