

Honolulu, Hawaii

MAR 02 2007

RE: S.B. No. 1008
S.D. 1

Honorable Colleen Hanabusa
President of the Senate
Twenty-Fourth State Legislature
Regular Session of 2007
State of Hawaii

Madam:

Your Committee on Commerce, Consumer Protection, and
Affordable Housing, to which was referred S.B. No. 1008 entitled:

"A BILL FOR AN ACT RELATING TO ANNUITIES,"

begs leave to report as follows:

The purpose of this measure to amend chapter 431:10D, Hawaii
Revised Statutes, to set forth standards and procedures for
insurers and insurance producers relating to the purchase or
exchange of annuity products.

Specifically, the major provisions of this measure:

- (1) Require an insurer or insurance producer, in recommending the purchase or exchange of an annuity, to have reasonable grounds for believing that the recommendation is suitable for the consumer based upon facts disclosed by the consumer as to the individual's investments, other insurance producers, and financial situation and needs;
- (2) Require that a reasonable effort be made to obtain information about a consumer's financial status, tax status, investment objectives and other information that should reasonably be considered prior to the purchase or exchange of an annuity based upon the recommendation of a insurer or insurance producer;



- (3) Provide guidance on when an insurer or insurance producer's recommendation will be considered reasonable under the circumstances actually known at the time of the recommendation;
- (4) Require an insurer to assure that there is a system in place to supervise recommendations to achieve compliance with the regulations; and
- (5) Make a sale to a consumer that violates the information requirements discussed above an unfair or deceptive trade practice in the business of insurance.

Your Committee received testimony in support of this measure from the American Council of Life Insurers and the National Association of Insurance and Financial Advisors. The Insurance Division of the Department of Commerce and Consumer Affairs (DCCA) and the Business Registration Division of the DCCA submitted testimony in opposition to this measure.

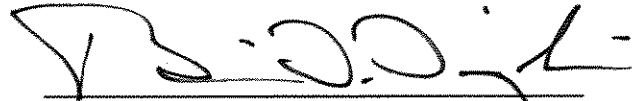
Your Committee finds that there is a need to protect consumers who purchase annuity products. This measure is based upon model legislation and the intent is to ensure that the insurance needs and financial objectives of consumers in transactions involving annuity products are appropriately and adequately addressed.

Your Committee has amended this measure by changing the effective date to promote further discussion. Your Committee has also amended this measure to make technical, nonsubstantive changes for the purposes of clarity and style.

As affirmed by the record of votes of the members of your Committee on Commerce, Consumer Protection, and Affordable Housing that is attached to this report, your Committee is in accord with the intent and purpose of S.B. No. 1008, as amended herein, and recommends that it pass Second Reading in the form attached hereto as S.B. No. 1008, S.D. 1, and be placed on the calendar for Third Reading.



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

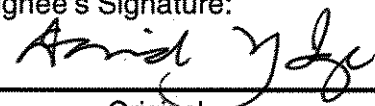


BRIAN T. TANIGUCHI, Chair



The Senate
 Twenty-Fourth Legislature
 State of Hawaii

Record of Votes
Committee on Commerce, Consumer Protection and Affordable Housing
CPH

Bill / Resolution No.:* SB 1008	Committee Referral: CPH	Date: 2/22/07		
<input type="checkbox"/> The committee is reconsidering its previous decision on this measure. If so, then the previous decision was to: _____				
The Recommendation is: <input type="checkbox"/> Pass, unamended 2312 <input checked="" type="checkbox"/> Pass, with amendments 2311 <input type="checkbox"/> Hold 2310 <input type="checkbox"/> Recommit 2313				
Members	Aye	Aye (WR)	Nay	Excused
TANIGUCHI, Brian T. (C)	✓			
IGE, David Y. (VC)	✓			
ESPERO, Will	✓			
IHARA, Jr., Les				✓
SAKAMOTO, Norman				✓
SLOM, Sam			✓	
TOTAL	3		1	2
Recommendation: <input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted				
Chair's or Designee's Signature: <div style="text-align:center; font-family: cursive; font-size: 1.2em;">  </div>				
Distribution: Original Yellow Pink File with Committee Report Clerk's Office Drafting Agency				

*Only one measure per Record of Votes