

Honolulu, Hawaii

April 25, 2008

RE: H.B. No. 94  
H.D. 1  
S.D. 2  
C.D. 1

Honorable Calvin K.Y. Say  
Speaker, House of Representatives  
Twenty-Fourth State Legislature  
Regular Session of 2008  
State of Hawaii

Honorable Colleen Hanabusa  
President of the Senate  
Twenty-Fourth State Legislature  
Regular Session of 2008  
State of Hawaii

Sir and Madam:

Your Committee on Conference on the disagreeing vote of the House of Representatives to the amendments proposed by the Senate in H.B. No. 94, H.D. 1, S.D. 2, entitled:

"A BILL FOR AN ACT RELATING TO INSURANCE,"

having met, and after full and free discussion, has agreed to recommend and does recommend to the respective Houses the final passage of this bill in an amended form.

The purpose of this bill is to establish consumer protections in life settlement transactions where the owner of a life insurance policy transfers the death benefit or any portion of the policy for compensation that is less than the expected death benefit, but more than the surrender value of the policy.

This bill implements the Life Settlements Model Act adopted by the National Conference of Insurance Legislators (NCOIL). Along with regulating permissible life settlement contracts, this bill prohibits stranger-originated life insurance (STOLI) transactions in which, for example, a private investor finances insurance on the



life of an unrelated individual in an arrangement that ultimately transfers the policy or death benefits to the investor.

In most cases, the beneficiary of a life insurance policy is someone with an interest in the insured remaining alive, such as the insured's spouse, children, dependents, or business partner. STOLI transactions facilitating the absence of this relationship, or insurable interest, between the insured and the eventual beneficiary contravene the intended purpose of life insurance by allowing investors to initiate life insurance as commodities yielding benefits from the deaths of strangers. This bill seeks to protect life insurance consumers from these practices.

Your Committee on Conference has amended this bill by:

- (1) Replacing its entire contents with the H.D. 1 of this bill, which mainly and substantively differs from the S.D. 2 by applying the definition of STOLI originally adopted by NCOIL;
- (2) Providing for annual license renewals;
- (3) Inserting the following penalty and fee amounts:
  - (A) A maximum \$10,000 civil penalty in addition to the amount of the claim for each violation of this bill's provisions;
  - (B) \$75 for the issuance of a life settlement contract provider's license;
  - (C) \$75 for the issuance of a life settlement contract broker's license;
  - (D) \$75 per year in regulatory service fees for a regularly licensed life settlement contract provider; and
  - (E) \$75 per year in regulatory service fees for a regularly licensed life settlement contract broker;
- (4) Requiring the Insurance Commissioner to report to the Legislature prior to the 2009 and 2010 Regular Sessions, regarding:



- (A) Issues and concerns relating to the implementation and effects of this bill;
  - (B) The total number and disposition of life settlement cases investigated by the Insurance Commissioner under this bill;
  - (C) An evaluation by the Insurance Commissioner of the effectiveness of this bill in regulating life settlement contracts; and
  - (D) Any recommendations to improve the provisions of this bill;
- (5) Making this bill effective upon its approval, with a sunset date of two years from the date of approval; and
- (6) Making technical, nonsubstantive amendments for clarity and style.

As affirmed by the record of votes of the managers of your Committee on Conference that is attached to this report, your Committee on Conference is in accord with the intent and purpose of H.B. No. 94, H.D. 1, S.D. 2, as amended herein, and recommends that it pass Final Reading in the form attached hereto as H.B. No. 94, H.D. 1, S.D. 2, C.D. 1.

Respectfully submitted on behalf of the managers:

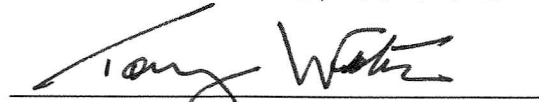
ON THE PART OF THE SENATE

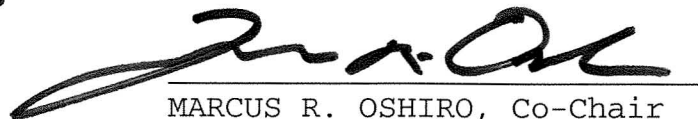
ON THE PART OF THE HOUSE

  
RUSSELL S. KOKUBUN, Chair

  
ROBERT N. HERKES, Co-Chair

  
BRIAN T. TANIGUCHI, Co-Chair

  
TOMMY WATERS, Co-Chair

  
MARCUS R. OSHIRO, Co-Chair



Hawaii State Legislature

CEP 128-08

Record of Votes of a Conference Committee

Bill / Concurrent Resolution No.: HB 94, HD 1, SD 2	Date/Time: 4.25.08 1:50 PM
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The recommendation of the House and Senate managers is to pass with amendments (CD).

The Committee is reconsidering its previous decision.

The recommendation of the Senate Manager(s) is to AGREE to the House amendments made to the Senate Measure

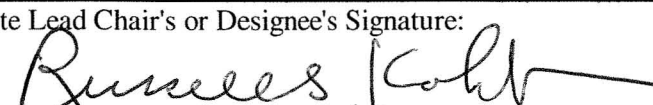
The recommendation of the House Manager(s) is to AGREE to the Senate amendments made to the House Measure.

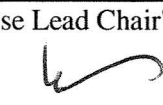
Senate Managers	A	WR	N	E	House Managers	A	WR	N	E
KOKUBUN, Russell S., Chr.	X				HERKES, Robert N., Co-Chr.	X			
TANIGUCHI, Brian T., Co-Chr.	X				WATERS, Tommy, Co-Chr.	X			
IGE, David Y.				X	OSHIRO, Marcus R., Co-Chr.	X			
TRIMBLE, Gordon	X				MARUMOTO, Barbara C.	X			
<b>TOTAL</b>	3			1	<b>TOTAL</b>	4			

A = Aye      WR = Aye with Reservations      N = Nay      E = Excused

Senate Recommendation is:  
 Adopted       Not Adopted

House Recommendation is:  
 Adopted       Not Adopted

Senate Lead Chair's or Designee's Signature:  


House Lead Chair's or Designee's Signature:  


**Distribution:**      **Original**      **Yellow**      **Pink**      **Goldenrod**  
 File with Conference Committee Report      House Clerk's Office      Senate Clerk's Office      Drafting Agency