

Honolulu, Hawaii

Feb 12, 2008

RE: H.B. No. 94
H.D. 1

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

Sir:

Your Committee on Consumer Protection & Commerce, to which
was referred H.B. No. 94, H.D. 1, entitled:

"A BILL FOR AN ACT RELATING TO INSURANCE,"

begs leave to report as follows:

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.

The American Council of Life Insurers and National
Association of Insurance and Financial Advisors testified in
support of this bill. The Department of Commerce and Consumer
Affairs supported the intent of this measure. The Life
Settlements Institute submitted comments.

This bill implements the Life Settlements Model Act adopted
by the National Conference of Insurance Legislators (NCOIL) and
among other things 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.

Given the complexities of this bill, your Committee is aware that further amendments to this measure may be warranted as interested parties are afforded more time to analyze its possible impacts. While your Committee is moving this bill along for further consideration, it is also forwarding to NCOIL the Insurance Commissioner's written comments on this bill with the intent that NCOIL's response will help guide the final disposition of this measure.

As affirmed by the record of votes of the members of your Committee on Consumer Protection & Commerce that is attached to this report, your Committee is in accord with the intent and purpose of H.B. No. 94, H.D. 1, and recommends that it pass Second Reading and be referred to the Committee on Finance.

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



ROBERT N. HERKES, Chair



