

Honolulu, Hawaii

FEB 28 2008

RE: S.B. No. 3021

S.D. 1

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

Madam:

Your Committee on Judiciary and Labor, to which was referred  
S.B. No. 3021, S.D. 1, entitled:

"A BILL FOR AN ACT RELATING TO VIATICAL SETTLEMENTS,"

begs leave to report as follows:

The purpose of this measure is to:

- (1) Authorize the Insurance Commissioner to license persons working in the viatical settlements industry, including the authority to examine the business and affairs of any licensed viatical settlement provider or broker;
- (2) Regulate and combat viatical fraud and provide administrative and criminal penalties for violations;
- (3) Provide various consumer protections, such as the requirement to disclose to the consumer possible alternatives to viatical settlement contracts, and information regarding tax consequences and the right of the viator to rescind the viatical settlement contract;
- (4) Require the filing of viatical settlement promotional, advertising, and marketing materials with the Insurance Commissioner;
- (5) Protect the viator's identity and privacy; and



- (6) Impose a five-year prohibition on settling a life insurance policy to force investors to wait a longer period of time before being able to own the policy.

Your Committee received comments on this measure from the Department of Commerce and Consumer Affairs, the American Council of Life Insurers, the National Association of Insurance and Financial Advisors Hawaii, and the Life Settlement Institute.

This measure enacts the National Association of Insurance Commissioners Viatical Settlement Model Act. A viatical settlement is the sale of a life insurance policy by the policy owner for an immediate cash benefit. It is a tool that typically can provide the policy owner who sells the policy with more funds than could have been realized if the policy had been surrendered to the insurer. These transactions usually involve terminally or chronically ill individuals (the viator) who want to sell their insurance policy to a third party or secondary market, in return for a portion of the death benefit.

Your Committee finds that this measure provides added protections for insureds who may be enticed into viatical settlements and face unexpected taxes, transaction fees, loss of insurance capacity, legal costs, and loss of privacy with respect to their medical records. The intent of this measure is to provide protections for terminally or chronically ill consumers and healthy, elderly consumers who wish to sell their insurance policies to third party brokers in return for a portion of the death benefit.

As affirmed by the record of votes of the members of your Committee on Judiciary and Labor that is attached to this report, your Committee is in accord with the intent and purpose of S.B. No. 3021, S.D. 1, and recommends that it pass Third Reading.

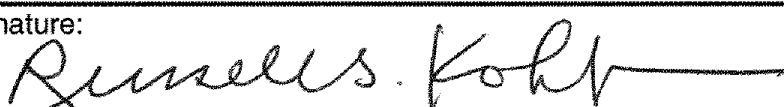
Respectfully submitted on  
behalf of the members of the  
Committee on Judiciary and  
Labor,

  
BRIAN T. TANIGUCHI, Chair



The Senate  
 Twenty-Fourth Legislature  
 State of Hawaii

**Record of Votes**  
**Committee on Judiciary and Labor**  
**JDL**

Bill / Resolution No.:*	Committee Referral:	Date:		
SB 3021 SD1	CPH, JDL	2/25/08		
<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 checked="" type="checkbox"/> Pass, unamended 2312 <input 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)	/			
HEE, Clayton (VC)				/
GABBARD, Mike	/			
KOKUBUN, Russell S.	/			
NISHIHARA, Clarence K.				/
SLOM, Sam	/			
<b>TOTAL</b>	4			2
Recommendation:				
<input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted				
Chair's or Designee's Signature:				
				
Distribution:				
Original File with Committee Report	Yellow Clerk's Office	Pink Drafting Agency	Goldenrod Committee File Copy	

\*Only one measure per Record of Votes