

Honolulu, Hawaii

APR - 1 2010

RE: H.B. No. 1439
H.D. 1
S.D. 1

Honorable Colleen Hanabusa
President of the Senate
Twenty-Fifth State Legislature
Regular Session of 2010
State of Hawaii

Madam:

Your Committee on Commerce and Consumer Protection, to which was referred H.B. No. 1439, H.D. 1, entitled:

"A BILL FOR AN ACT RELATING TO INSURANCE,"

begs leave to report as follows:

The purpose of this measure is to make various clarifying and technical amendments in the Life Settlements Model Act, chapter 431E, Hawaii Revised Statutes, which establishes consumer protections in life settlement transactions.

Prior to a hearing on this measure, your Committee circulated a proposed draft that deleted the contents of the measure as received and inserted therefor a provision that delays the repeal of chapter 431E, Hawaii Revised Statutes, until June 16, 2015.

Your Committee received testimony in support of the proposed draft of the measure from the Department of Commerce and Consumer Affairs, State Farm Insurance Companies, the American Council of Life Insurers, and the National Association of Insurance and Financial Advisors. Written testimony presented to the Committee may be reviewed on the Legislature's website.

Your Committee finds that this measure extends Act 177, Session Laws of Hawaii 2008, which bans stranger originated life insurance (STOLI). STOLIs are essentially resale transactions and do not present the same issues for regulation as a typical complex insurance transaction. Without a clearer understanding of the



issues involved, it is too early to determine the merits of Act 177 and therefore prudent to wait for more experience and information before allowing the law to expire.

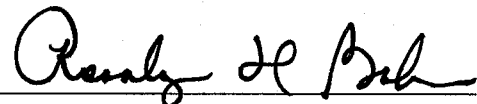
Your Committee agrees with the Insurance Commissioner's suggestion that a temporary working group be convened by the Department of Commerce and Consumer Affairs to examine issues relating to life settlements, including the definition of "insurable interest", the transferability of life insurance policies, and any other related issues.

Your Committee has amended this measure by:

- (1) Replacing the contents of H.B. No. 1439, H.D. 1 with a provision to extend Act 177, Session Laws of Hawaii 2008, until June 16, 2015, to allow time for additional examination and discussion of stranger originated life insurance transactions; and
- (2) Providing for the establishment of a temporary working group convened by the Insurance Division of the Department of Commerce and Consumer Affairs to study issues relating to life settlements.

As affirmed by the record of votes of the members of your Committee on Commerce and Consumer Protection that is attached to this report, your Committee is in accord with the intent and purpose of H.B. No. 1439, H.D. 1, as amended herein, and recommends that it pass Second Reading in the form attached hereto as H.B. No. 1439, H.D. 1, S.D. 1, and be placed on the calendar for Third Reading.

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

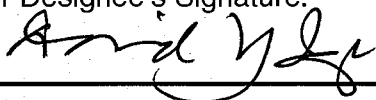


ROSALYN H. BAKER, Chair



The Senate
Twenty-Fifth Legislature
State of Hawaii

Record of Votes
Committee on Commerce and Consumer Protection
CPN

Bill / Resolution No.:* HB 1439 HD1	Committee Referral: CPN	Date: 3/31/10		
<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
BAKER, Rosalyn H. (C)	✓			
IGE, David Y. (VC)	✓			
ESPERO, Will	✓			
GREEN, M.D., Josh	✓			
IHARA, Jr., Les				✓
SAKAMOTO, Norman				✓
HEMMINGS, Fred				✓
TOTAL	4			3
Recommendation: <input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted				
Chair's or Designee's Signature: 				
Distribution: Original Yellow Pink Goldenrod File with Committee Report Clerk's Office Drafting Agency Committee File Copy				

*Only one measure per Record of Votes