

Honolulu, Hawaii

MAR 20 2008

RE: H.B. No. 94
H.D. 1
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 Commerce, Consumer Protection, and Affordable Housing, 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 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.

Specifically, this measure regulates the life settlement industry by adopting the National Conference of Insurance Legislators' (NCOIL) Life Settlements Model Act by allowing the Insurance Commissioner of the Insurance Division, Department of Commerce and Consumer Affairs to:

- (1) License brokers who negotiate life settlement contracts on behalf of the life insurance policy's owner;
- (2) License providers who effectuate life settlement contracts with the owner; and
- (3) Conduct investigations and examinations of brokers and providers.



Testimony in support of this measure was submitted by the American Council of Life Insurers, and the National Association of Insurance and Financial Advisors Hawaii. The Department of Commerce and Consumer Affairs and the Life Settlements Institute submitted comments.

Life settlements contracts, when done properly, provide a means for consumers to make use of the value in their life insurance contracts when their life circumstances put them in a situation where they need funds. A life settlement is the sale to a third party of a previously issued and in-force existing life insurance policy for more than its cash surrender value but less than its net death benefit. Your Committee finds that this measure, which adopts the NCOIL's Life Settlements Model Act, will provide added protections for insureds who may be enticed into entering a life settlement contract and face unexpected taxes, transaction fees, loss of insurance capacity, legal costs, and loss of privacy with respect to their medical records.

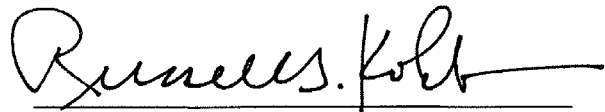
Your Committee has amended this measure by:

- (1) Deleting the definition for "stranger-originated life insurance" or "STOLI" and replacing it with language that defines "stranger-oriented life insurance" or "STOLI", which provides further clarity and consistency; and
- (2) Making technical, nonsubstantive amendments 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 H.B. No. 94, H.D. 1, as amended herein, and recommends that it pass Second Reading in the form attached hereto as H.B. No. 94, H.D. 1, S.D. 1, and be referred to the Committee on Judiciary and Labor.



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



RUSSELL S. KOKUBUN, Chair



The Senate
Twenty-Fourth Legislature
State of Hawaii

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

Bill / Resolution No.:*	Committee Referral:	Date:		
HB 94 HD1	CPH, WAM	3-18-08		
<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 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
KOKUBUN, Russell S. (C)	✓			
IGE, David Y. (VC)				✓
ESPERO, Will	✓			
IHARA, Jr., Les				✓
SAKAMOTO, Norman				✓
TANIGUCHI, BRIAN T.	✓			
TRIMBLE, Gordon	✓			
TOTAL	4	0	0	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