STAND. COM. REP. NO. **3360** 

Honolulu, Hawaii

APR - 5 2006

RE: S.R. No. 35

Honorable Robert Bunda President of the Senate Twenty-Third State Legislature Regular Session of 2006 State of Hawaii

Sir:

Your Committee on Commerce, Consumer Protection, and Housing, to which was referred S.R. No. 35 entitled:

"SENATE RESOLUTION REQUESTING THE LEGISLATIVE REFERENCE BUREAU TO CONDUCT A STUDY ON THE ISSUE OF RECLASSIFYING VARIABLE ANNUITY CONTRACTS AS INSURANCE RATHER THAN SECURITIES,"

begs leave to report as follows:

The purpose of this measure is to request the Legislative Reference Bureau to conduct a study on the issue of reclassifying variable annuity contracts as insurance rather than securities.

Specifically, this measure instructs the Legislative Reference Bureau to examine how other states, such as Indiana, are addressing the issue of reclassifying variable annuity contracts as insurance rather than securities.

Testimony in support of this measure was submitted by the Insurance Division and the Business Regulation Division of the Department of Commerce and Consumer Affairs, State Farm Insurance Companies, American Council of Life Insurers, and the National Association of Insurance and Financial Advisors Hawaii. Comments were submitted by the Legislative Reference Bureau.

Your Committee finds that variable annuity contracts are legitimate investments. However, your Committee further finds that there is a concern that overzealous marketing of variable annuity contracts may require greater consumer protection and regulation for certain investors, especially senior consumers, who

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are at risk if they are not fully informed about the terms of these contracts. Your Committee also finds that there exists uncertainty over the most effective means of regulating sales of variable annuity contracts.

As affirmed by the record of votes of the members of your Committee on Commerce, Consumer Protection, and Housing that is attached to this report, your Committee concurs with the intent and purpose of S.R. No. 35 and recommends its adoption.

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

ROM MENOR, Chai:

## The Senate Twenty-Third Legislature State of Hawaii

## Record of Votes of the Committee on Commerce, Consumer Protection and Housing (Bills and Resolutions)

Measure:* Committee Referral: Date: 3/31/06				
The committee is reconsidering its previous decision on this measure.  If so, then the previous decision was to:				
The Recommendation is to:				
			Recommit (2313)	
Members	Ayes	Ayes(WR)	Nays	Excused
MENOR, Ron (C)	را ا			
BAKER, Rosalyn H. (VC)				
ESPERO, Will				
IGE, David Y.				
SAKAMOTO, Norman				
HOGUE, Bob				
TOTAL	5			1
Recommendation:  Adopted  Not Adopted				
Chair's or Designee's Signature:  Lesaly H H				
Distribution:U OriginalYellowPinkGoldenrodFile with Committee ReportClerk's OfficeDrafting AgencyCommittee File Copy				

<sup>\*</sup>Do not list more than one measure per Record of Votes.