Honolulu, Hawaii

Fe 412, 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

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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

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## State of Hawaii House of Representatives The Twenty-fourth Legislature



## **Record of Votes of the Committee on Consumer Protection & Commerce**

HB 94, HD1 (HSCR24-08)	e Referral: PC, FIN	Date	104/08	
☐ The committee is reconsidering its previous decision on the measure.				
The recommendation is to:  Pass, unamended (as is)  Pass, with amendments (HD)  Hold  Pass short form bill with HD to recommit for future public hearing (recommit)				
<b>CPC Members</b>	Ayes	Ayes (WR)	Nays	Excused
1. HERKES, Robert N. (C)	<b>X</b> .			
2. McKELVEY, Angus L.K. (VC)	×			
3. EVANS, Cindy	*			
4. GREEN, Josh, M.D.	×			
5. ITO, Ken	×		erg samern.	
6. LUKE, Sylvia	<b>V</b>			
7. MORITA, Hermina M.	*			
8. SONSON, Alex M.	<b>γ</b>	2.29.00		
9. SOUKI, Joseph M.	×	Y Harri		
10. TSUJI, Clift	<b>λ</b>	17.5 - 1 1.7 1 1.0 10000000 .	Children Co.	
11. YAMANE, Ryan I.	*			
12. YAMASHITA, Kyle T.	γ	Manufactura de California de Calabora		
13. MARUMOTO, Barbara C.	7			
14. THIELEN, Cynthia				<u> </u>
		8		
* *************************************				
	10			1
TOTAL (14)	15	O	, O	
The recommendation is:  Adopted  If joint referral,  committee acronym(s)  Adopted  did not support recommendation.				
Vice Chair's or designee's signature:				
Distribution: Original (White) – Committee Duplicate (Yellow) – Chief Clerk's Office				