STAND. COM. REP. NO. 492

Honolulu, Hawaii

Fely 20, 2009

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

Honorable Calvin K.Y. Say Speaker, House of Representatives Twenty-Fifth State Legislature Regular Session of 2009 State of Hawaii

Sir:

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

"A BILL FOR AN ACT RELATING TO INSURANCE,"

begs leave to report as follows:

The purpose of this bill is to make various amendments shaping the purpose and application of the Life Settlements Act under Chapter 431E, Hawaii Revised Statutes (HRS), which establishes 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.

Coventry testified in support of this bill. The Department of Commerce and Consumer Affairs, National Association of Insurance and Financial Advisors - Hawaii, and American Council of Life Insurers opposed this measure.

Chapter 431E, HRS, 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.

HB1439 HD1 HSCR CPC HMS 2009-2094

Testimony received on this bill indicates disagreements over the appropriate scope of the Life Settlements Act and the types of activities that should be classified as prohibited STOLI transactions. Your Committee notes the complexities of these issues and has amended this measure by changing the effective date to January 1, 2020, to encourage further discussion. Technical, nonsubstantive amendments were also made for clarity and style.

As part of its ongoing consideration of this bill, your Committee has forwarded a copy of this measure to NCOIL for comments.

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. 1439, as amended herein, and recommends that it pass Second Reading in the form attached hereto as H.B. No. 1439, H.D. 1, and be referred to the Committee on Finance.

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

DODEDE N. HEDVEC Ch

ROBERT N. HERKES, Chair



State of Hawaii House of Representatives The Twenty-fifth Legislature

Record of Votes of the Committee on Consumer Protection & Commerce

Bill/Resolution No.: HB 1439	Committee Referral: CPC, FIN		Date: 2/11/09	
☐ 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)				
CPC Members	Ayes	Ayes (WR)	Nays	Excused
1. HERKES, Robert N. (C)				
2. WAKAI, Glenn (VC)				
3. BELATTI, Della Au				
4. CABANILLA, Rida				
5. CARROLL, Mele				
6. ITO, Ken				
7. KARAMATSU, Jon Riki				Y
8. LUKE, Sylvia				
9. McKELVEY, Angus L.K.				
10. MIZUNO, John M.				
11. MORITA, Hermina M.				
12. SOUKI, Joseph M. 13. TSUJI, Clift				
14. MARUMOTO, Barbara C.				
15. THIELEN, Cynthia				
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TOTAL (15)	12	P	Ø	3
The recommendation is: Adopted Not Adopted did not support recommendation.				
Vice Chair's or designee's signature:				
Distribution: Original (White) – Committee Duplicate (Yellow) – Chief Clerk's Office Duplicate (Pink) – HMSO				