

STAND. COM. REP. NO. 1592

Honolulu, Hawaii

Apr: 19, 2009

RE: S.B. No. 53
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 Committees on Consumer Protection & Commerce and
Judiciary, to which was referred S.B. No. 53 entitled:

"A BILL FOR AN ACT RELATING TO INSURANCE,"

beg leave to report as follows:

The purpose of this bill is to make permanent the Life Settlements Act under Act 177, Session Laws of Hawaii 2008 (Act 177), codified as 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.

This bill also makes a corresponding amendment repealing the Insurance Commissioner's duty to report annually to the Legislature on the implementation and effects of Act 177.

The Department of Commerce and Consumer Affairs, National Association of Insurance and Financial Advisors - Hawaii, American Council of Life Insurers, and a concerned individual testified in support of this bill. Coventry provided comments.

Chapter 431E, HRS, implements the Life Settlements Model Act adopted by the National Conference of Insurance Legislators and among other things prohibits stranger-originated life insurance (STOLI) transactions in which, for example, a private investor

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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.

Your Committees have amended this bill by replacing its entire contents with H.B. No. 1439, H.D. 1, 2009. As amended, this bill differs from the draft received by your Committees by:

- (1) Maintaining the sunset date and Insurance Commissioner reporting requirement of Act 177;
- (2) Making various amendments shaping the purpose and application of the Life Settlements Act under Chapter 431E, HRS; and
- (3) Taking effect on January 1, 2020.

Testimony received on this bill and H.B. No. 1439 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 Committees note that these issues will need to be addressed as this bill moves forward.

As affirmed by the records of votes of the members of your Committees on Consumer Protection & Commerce and Judiciary that are attached to this report, your Committees are in accord with the intent and purpose of S.B. No. 53, as amended herein, and recommend that it pass Third Reading in the form attached hereto as S.B. No. 53, H.D. 1.

Respectfully submitted on
behalf of the members of the
Committees on Consumer
Protection & Commerce and
Judiciary,



JON RIKI KARAMATSU, Chair



ROBERT N. HERKES, Chair



