

BY ELECTRONIC MAIL

March 22, 2007

The Honorable Brian T. Taniguchi
Chairman
Senate Commerce Consumer Protection and Affordable Housing Committee
Hawaii State Capitol
415 S. Beretania Street, Room 219
Honolulu, HI 96813

RE: Support of HB 273 HD 1-Variable Annuities

Dear Mr. Chairman:

On behalf of the Financial Planning Association (“FPA®”)¹, I urge you to support HB 273 HD 1. HB 273 HD 1 improves protections for consumers by creating standards and procedures for insurers and insurance producers relating to the purchase or exchange of annuities.

As amended in the House Finance Committee, HB 273 HD 1 clarifies that the Commissioner of Securities of the Business Registration Division, Department of Commerce and Consumer Affairs has jurisdiction over the sales practices of variable annuities under Chapter 485 Revised Statutes. We urge you to support this amendment. Its companion, Senate Bill 1008, passed the Senate on March 6 but did not include the clarifying language.

Hawaii’s securities and insurance regulators have had parallel jurisdiction over variable annuities for decades because of the hybrid quality of variable annuities, and both regulators agree that this parallel jurisdiction has worked. If the proposed bill were to shift jurisdiction over variable annuity products exclusively to the Insurance Division, there would be no state securities enforcement authority for sales abuse practices such as misleading advertising, lack of supervision, switching, churning of customer accounts to increase sales commissions, and the failure to disclose fees. This shift in jurisdiction

¹The Financial Planning Association is the largest organization in the United States representing financial planners and affiliated firms, with approximately 28,500 individual members. Most are affiliated with investment adviser firms registered with the Securities and Exchange Commission, state securities administrators, or both. FPA is incorporated in Washington, D.C., where it maintains an advocacy office, with headquarters in Denver, Colo.

would not be in the interest of the public or Hawaii's senior community. FPA agrees with the position of both the Insurance Division and the Department of Commerce and Consumer Affairs that oversight responsibility over variable annuity sales practices should be retained within the Securities Enforcement Branch of the Department of Commerce and Consumer Affairs.

For all these reasons, we strongly support HB 273 HD 1, and urge that it be given favorable consideration in the Senate. Thank you for your consideration with this matter.

Sincerely,

A handwritten signature in black ink, appearing to read "Robert H. Neill Jr.", written in a cursive style.

Robert H. Neill Jr., Esq.
Assistant Director of Government Relations