
A BILL FOR AN ACT

RELATING TO LIFE INSURANCE.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:

1 SECTION 1. The purpose of this Act is to amend Hawaii's
2 life insurance and annuity statutes to conform to model acts and
3 regulations of the National Association of Insurance
4 Commissioners relating to employee group life insurance policies
5 and the replacement of life insurance policies and annuities.

6 SECTION 2. Section 431:10D-202, Hawaii Revised Statutes,
7 is amended by amending subsection (b) to read as follows:

8 "(b) Issuance of group life insurance policies shall be
9 subject to the following requirements:

10 (1) The employees eligible for insurance under the policy
11 shall be all of the employees of the employer, or all
12 of any class or classes thereof determined by
13 conditions pertaining to their employment. The policy
14 may provide that the term employees shall include:

15 (A) The employees of one or more subsidiary
16 corporations, and the employees, individual
17 proprietors, and partners of one or more
18 affiliated corporations, proprietorships, or



1 partnerships, if the business of the employer and
2 of such affiliated corporations, proprietorships,
3 or partnerships is under common control;

4 (B) The individual proprietor or partners, if the
5 employer is an individual proprietor or a
6 partnership; and

7 (C) Retired employees.

8 No director of a corporate employer shall be eligible
9 for insurance under the policy unless such person is
10 otherwise eligible as a bona fide employee of the
11 corporation by performing services other than the
12 usual duties of a director. No individual proprietor
13 or partner shall be eligible for insurance under the
14 policy unless the individual is actively engaged in
15 and devotes a substantial part of the individual's
16 time to the conduct of the business of the
17 proprietorship or partnership;

18 (2) The premium for the policy shall be paid [~~either:~~

19 ~~(A) Wholly]~~ from the employer's fund or funds
20 contributed by the employer[~~;- or~~

21 ~~(B) Partly from such funds and partly from funds~~
22 ~~contributed by the insured employees.~~



1 ~~No policy may be issued on which the entire premium is~~
2 ~~to be derived from funds contributed by the insured~~
3 ~~employees. A policy on which part of the premium is~~
4 ~~to be derived from funds provided in accordance with~~
5 ~~subparagraph (B) may be placed in force only if at~~
6 ~~least seventy-five per cent of the then eligible~~
7 ~~employees, excluding any as to whom evidence of~~
8 ~~insurability is not satisfactory to the insurer, elect~~
9 ~~to make the required contributions]. Except as~~
10 provided in paragraph (3), a policy on which no part
11 of the premium is to be derived from funds contributed
12 by the insured employees shall insure all eligible
13 employees, except those who reject such coverage in
14 writing; and

15 (3) An insurer may exclude or limit the coverage on any
16 person as to whom evidence of individual insurability
17 is not satisfactory to the insurer[~~+~~

18 ~~(4) The policy shall cover at least ten employees at date~~
19 ~~of issue; and~~

20 ~~(5) The amounts of insurance under the policy shall be~~
21 ~~based upon some plan precluding individual selection~~
22 ~~either by the employees, employer, or trustees]."~~



1 SECTION 3. Section 431:10D-212, Hawaii Revised Statutes,
2 is amended by amending subsection (a) to read as follows:

3 "(a) Except for a policy issued under sections 431:10D-203
4 and 431:10D-211, insurance under any group life insurance policy
5 issued pursuant to this article may be extended to insure the
6 employees or members of such groups against loss due to the
7 death of their spouses and dependent children subject to the
8 following:

9 (1) The spouse and dependent of the individual insured may
10 be covered in amounts of insurance equivalent to the
11 amount of coverage of the insured individual [~~7~~
12 ~~provided that in the case of a dependent other than a~~
13 ~~spouse of the insured individual the amount of~~
14 ~~insurance for the dependent shall not be in excess of~~
15 ~~fifty per cent of the coverage of the insured~~
16 ~~individual or \$5,000, whichever is less, and provided~~
17 ~~further that in the case of a dependent whose age at~~
18 ~~death is under six months, the amount shall not be in~~
19 ~~excess of \$2,000];~~

20 (2) The premiums for the insurance of the spouse or
21 dependent shall be paid either from funds contributed
22 by the employer, union, association or other person to



1 whom the policy has been issued, or from funds
2 contributed by the individual insured, or from both;
3 and

4 (3) An insurer may exclude or limit the coverage on any
5 spouse or dependent child as to whom evidence of
6 individual insurability is not satisfactory to the
7 insurer."

8 SECTION 4. Section 431:10D-501, Hawaii Revised Statutes,
9 is amended by amending subsection (b) to read as follows:

10 "(b) Unless otherwise specifically included, this part
11 shall not apply to transactions involving:

12 (1) Credit life insurance;

13 (2) Group life insurance or group annuities where there is
14 no direct solicitation of individuals by an insurance
15 producer. Direct solicitation shall not include any
16 group meeting held by an insurance producer solely for
17 the purpose of educating or enrolling individuals when
18 initiated by an individual member of the group
19 assisting with the selection of investment options
20 offered by a single annuity provider in connection
21 with enrolling the individuals. Group life insurance
22 or group annuity certificates marketed through direct-



- 1 response solicitation shall be subject to section
2 431:10D-507;
- 3 (3) Group life insurance used to fund prearranged funeral
4 contracts;
- 5 (4) An application to the existing insurer that issued the
6 existing policy or contract when a contractual change
7 or a conversion privilege is being exercised; or, when
8 the existing policy or contract is being replaced by
9 the same insurer pursuant to a program filed with and
10 approved by the commissioner; or, when a term
11 conversion privilege is exercised among corporate
12 affiliates;
- 13 (5) Proposed life insurance that is to replace life
14 insurance under a binding or conditional receipt
15 issued by the same company;
- 16 (6) Policies or contracts used to fund:
- 17 (A) An employee pension or welfare benefit plan that
18 is covered by the Employee Retirement and Income
19 Security Act (ERISA);
- 20 (B) A plan described by sections 401(a), 401(k) or
21 403(b) of the Internal Revenue Code of 1986, as



1 amended, where the plan, for purposes of ERISA,
2 is established or maintained by an employer;
3 (C) A governmental or church plan defined in section
4 414 of the Internal Revenue Code of 1986, as
5 amended, a governmental or church welfare benefit
6 plan, or a deferred compensation plan of a state
7 or local government or tax exempt organization
8 under section 457 of the Internal Revenue Code of
9 1986, as amended; or
10 (D) A nonqualified deferred compensation arrangement
11 established or maintained by an employer or plan
12 sponsor;
13 provided that, notwithstanding the exemptions listed
14 in subparagraphs (A) to (D), this part shall apply to
15 policies or contracts used to fund any plan or
16 arrangement that is funded solely by contributions an
17 employee elects to make, whether on a pre-tax or
18 after-tax basis, and where the insurance company has
19 been notified that plan participants may choose from
20 among two or more annuity providers or policy
21 providers and there is a direct solicitation of an
22 individual employee by an insurance producer for the



1 purchase of a contract or policy. As used in this
2 subsection, direct solicitation shall not include any
3 group meeting held by an insurance producer solely for
4 the purpose of educating individuals about the plan or
5 arrangement or enrolling individuals in the plan or
6 arrangement or, when initiated by an individual
7 employee assisting with the selection of investment
8 options offered by a single annuity provider in
9 connection with enrolling that individual employee;

10 (7) Where new coverage is provided under a life insurance
11 policy or contract and the cost is borne wholly by the
12 insured's employer or by an association of which the
13 insured is a member;

14 (8) Existing life insurance that is a non-convertible term
15 life insurance policy that will expire in five years
16 or less and cannot be renewed;

17 (9) Immediate annuities that are purchased with proceeds
18 from an existing contract; provided that immediate
19 annuities purchased with proceeds from an existing
20 policy are not exempted from the requirements of this
21 part; and

22 (10) Structured settlements."



Report Title:

Life Insurance; NAIC

Description:

Eliminates insured employees as a source of funding the premiums for employee group life insurance policies. Eliminates requirement that the employee group life insurance policies must cover at least 10 employees at date of issue. Eliminates policy limits against loss due to death of a dependent other than the spouse of the insured employee under an employee group life insurance policy. Excludes the exercise of among corporate affiliates of a term conversion privilege from the applicability of laws relating to the replacement of life insurance policies and annuities.

