

SB 2596

JAN 22 2010

A BILL FOR AN ACT

RELATING TO GROUP LIFE INSURANCE.

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

1 SECTION 1. Chapter 431, Hawaii Revised Statutes, is
2 amended by adding a new section to part II of article 10D to be
3 appropriately designated and to read as follows:

4 "§431:10D- Other groups; limits. (a) Group life
5 insurance, other than a policy described in sections 431:10D-202
6 through 431:10D-211, shall not be offered or delivered in this
7 State unless the commissioner finds that:

8 (1) The issuance of the group life insurance policy is not
9 contrary to the best interest of the public;

10 (2) The issuance of the group life insurance policy would
11 result in economies of acquisition or administration;
12 and

13 (3) The benefits of the group life insurance policy are
14 reasonable in relation to the premium charged.

15 (b) No group life insurance coverage may be offered or
16 delivered in this State, pursuant to this section, by an insurer



1 under a group life insurance policy issued in another state,

2 unless:

3 (1) The commissioner finds that the policy conforms to the
4 requirements of subsection (a); or

5 (2) The issuing state has requirements substantially
6 similar to those contained in subsection (a) and has
7 made a determination that those requirements have been
8 met.

9 (c) The premium for a group life insurance policy issued
10 pursuant to this section shall be paid by the policyholder,
11 covered persons, or both.

12 (d) An insurer may exclude or limit from coverage under a
13 policy issued pursuant to this section any person as to whom
14 evidence of individual insurability is not satisfactory to the
15 insurer."

16 SECTION 2. Section 431:10A-201, Hawaii Revised Statutes,
17 is amended to read as follows:

18 "**§431:10A-201 Definitions.** For the purposes of this
19 article:

20 (1) (A) [~~Blanket~~] "Blanket disability insurance [~~policy~~]
21 policy" means any policy or contract of accident
22 and health or sickness insurance which conforms



1 with the description and complies with one of the
2 following requirements:

3 (i) A policy issued to any common carrier of
4 passengers, which carrier shall be deemed
5 the policyholder, covering a group defined
6 as all persons who may become [~~such~~]
7 passengers, and whereby [~~such~~] the
8 passengers shall be insured against loss or
9 damage resulting from death or bodily injury
10 either while, or as a result of, being
11 [~~such~~] passengers[-];

12 (ii) A policy issued in the name of any volunteer
13 fire department, first aid or ambulance
14 squad, or volunteer police organization,
15 which shall be deemed the policyholder, and
16 covering all the members of [~~any~~] such
17 organization against loss from accidents
18 resulting from hazards incidental to duties
19 in connection with such organizations[-];

20 (iii) A policy issued in the name of any
21 established organization whether
22 incorporated or not, having community



1 recognition and operated for the welfare of
2 the community and its members and not for
3 profit, which shall be deemed the
4 policyholder, and covering all volunteer
5 workers who serve without pecuniary
6 compensation and the members of the
7 organization, against loss from accidents
8 occurring while engaged in the actual
9 performance of duties on behalf of [such]
10 the organization or in [~~the~~] its activities
11 [~~thereof.~~];

12 (iv) A policy issued to an employer, who shall be
13 deemed the policyholder, covering any group
14 of employees defined by reference to
15 exceptional hazards incident to [such]
16 employment, insuring [such] the employees
17 against death or bodily injury resulting
18 while, or from, being exposed to [such] the
19 exceptional hazards [-];

20 (v) A policy covering students or employees
21 issued to a college, school, or other
22 institution of learning or to the head or



1 principal thereof, who or which shall be
2 deemed the policyholder[-]; or

3 (vi) A policy issued to a substantially similar
4 group who, in the discretion of the
5 commissioner, may be properly eligible for
6 blanket disability insurance.

7 (B) Nothing in this section shall be deemed to affect
8 the liability of policyholders for the death of
9 or injury to, any [~~such~~] member of [~~such~~] a
10 specified group.

11 (C) Individual applications shall not be required
12 from individuals covered under a blanket
13 disability insurance contract.

14 (2) The term [~~employees~~] "employee" shall be deemed to
15 include as employees of a single employer, the
16 compensated officers, managers, and employees of the
17 employer and of subsidiary or affiliated corporations
18 of a corporation employer, and the individual
19 proprietors, partners, and employees of individuals
20 and firms of which the business is under common
21 control through stock ownership, contract, or
22 otherwise. The policy may provide that the term



1 ~~[employees]~~ "employees" shall include the individual
2 proprietor or partners if the employer is an
3 individual proprietor or a partnership. The term
4 ~~[employee]~~ "employee" may be deemed to include retired
5 employees.

6 (3) The term ~~[employer]~~ "employer" shall be deemed to
7 include any municipal corporation or governmental
8 unit, agency, or department thereof as well as private
9 individuals, firms, corporations, and other persons.

10 (4) ~~[Group]~~ "Group disability ~~[insurance]~~ insurance" means
11 that form of accident and health or sickness insurance
12 covering groups of persons, with or without their
13 dependents and family members, and issued under a
14 master policy to:

15 (A) ~~[Such groups as]~~ Groups that qualify for group
16 life insurance under ~~[+]~~sections~~[+]~~ 431:10D-201
17 to 431:10D-211 ~~[of this code,]~~ and 431:10D- ; or

18 (B) An automobile club formed for purposes other than
19 obtaining group insurance, covering the members
20 of the club."

21 SECTION 3. Statutory material to be repealed is bracketed
22 and stricken. New statutory material is underscored.



S.B. NO. 2596

1 SECTION 4. This Act shall take effect on July 1, 2010.

2

INTRODUCED BY: Rosemary H Baker



Report Title:

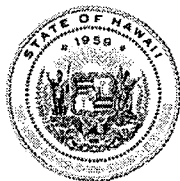
Group Life Insurance Policies

Description:

Specifies conditions for group life insurance policies offered or delivered within the State.

The summary description of legislation appearing on this page is for informational purposes only and is not legislation or evidence of legislative intent.





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TO THE SENATE COMMITTEE ON COMMERCE
AND CONSUMER PROTECTION

TWENTY-FIFTH LEGISLATURE
Regular Session of 2010

Thursday, February 4, 2010
9:00 a.m.

**TESTIMONY ON SENATE BILL NO. 2596 – RELATING TO GROUP LIFE
INSURANCE.**

TO THE HONORABLE ROSALYN BAKER, CHAIR, AND MEMBERS OF THE
COMMITTEE:

My name is J.P. Schmidt, State Insurance Commissioner (“Commissioner”),
testifying on behalf of the Department of Commerce and Consumer Affairs
(“Department”). The Department supports this bill.

The purpose of this bill is to expand the scope of group life insurance and group
disability insurance that may be offered by adding a new section to Part II of Article 10D
of the Insurance Code, Hawaii Revised Statutes (“HRS”) chapter 431 governing group
life insurance and amending the definitions in HRS § 431:10A-201 governing group and
blanket disability insurance.

Group insurance is generally defined as a single insurance policy (or master
policy) under which individuals in a group (such as employees and sometimes their
dependents) are covered, as long as they remain part of the group, and usually without
regard to physical condition or age of the individuals.

This bill is based on the National Association of Insurance Commissioners’
(“NAIC”) Group Life Insurance Model Act.

We thank this Committee for the opportunity to present testimony on this matter.

AMERICAN COUNCIL OF LIFE INSURERS
TESTIMONY IN SUPPORT OF SB 2596, RELATING TO
GROUP LIFE INSURANCE

February 4, 2010

Via E Mail: cpntestimony@capitol.hawaii.gov
Honorable Senator Rosalyn H. Baker, Chair
Senate Committee on Commerce and Consumer Protection
Hawaii State Capital, Conference Room 229
415 S. Beretania Street
Honolulu, HI 96813

Dear Chair Baker and Committee Members:

Thank you for the opportunity to testify in support of SB 2596, relating to Group Life Insurance.

Our firm represents the American Council of Life Insurers ("ACLI"), a national trade association whose three hundred (300) legal reserve life insurer and fraternal benefit society member companies operating in the United States account for over 90% of the assets and premiums of the U.S. life insurance and annuity industry. ACLI member company assets account for 93% of the life insurance premiums and 98% of the annuity considerations paid in the State of Hawaii. Two hundred thirty-six (236) ACLI member companies currently do business in the State of Hawaii.

ACLI is in strong support of SB 2596. This legislation would provide the Insurance Commissioner with discretion to approve non-traditional groups for purposes of providing group life and disability insurance coverage.

Currently, Hawaii's group life and disability insurance laws permit only a limited number of groups for purposes of insurance. These include: 1) employee; 2) public employees; 3) mutual benefit society; 4) agent; 5) debtor; 6) labor unions; 7) trustees; 8) professional groups; 9) occupation, industry or trade associations; and 10) credit unions.

In the past, several ACLI member companies have been asked to cover the following groups not listed in the statute and therefore have been unable to obtain life and disability insurance coverage on a group basis:

1. Church congregates;
2. Adult students;
3. Bank account holders; and
4. Community volunteers who are emergency first-responders.

Twenty-seven (27) states already provide the Insurance Commissioner with the discretion to approve non-traditional groups for group life insurance; twenty-three (23)

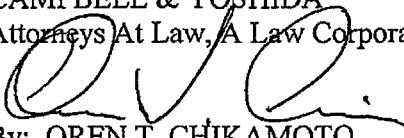
states give such discretion to their Commissioner in the case of disability insurance coverage. In these states, the Commissioner still retains the authority to disapprove any proposed group that is contrary to the best interests of the public that would not result in economies of acquisition or administration for the insured individuals, or that offer benefits that are not reasonable in relation to the premiums to be charged. But, the Commissioner has the ability to approve proposed group plan designs that meet these requirements and are otherwise consistent with applicable insurance laws.

Making affordable life and disability insurance coverage more accessible to more people is a key way to address the problem of people being under-insured.

One study reveals that, of those with life insurance, only 50% had coverage equal to three years' of household income, which is typically not nearly enough to provide for one's dependents in the event of premature death. Allowing the Commissioner to approve groups other than the 10 specifically listed in the current law would allow more Hawaii residents to purchase affordable group life insurance.

For the foregoing reasons, ACLI strongly supports SB 2596. Again, thank you for the opportunity to testify in support of this bill.

CHAR HAMILTON
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cc Joann Waiters, Esq.

States that have discretionary group life laws

1. Arkansas
2. California
3. Delaware
4. Florida
5. Idaho
6. Illinois
7. Indiana
8. Iowa
9. Kansas
10. Maine
11. Massachusetts
12. Michigan
13. Missouri
14. Nevada
15. New Hampshire
16. New Mexico
17. New York
18. Ohio
19. Oklahoma
20. Oregon
21. Pennsylvania
22. Texas
23. Tennessee
24. Utah
25. Virginia
26. West Virginia
27. Wyoming