

## ACT 17

H.B. NO. 424

A Bill for an Act Relating to Credit Disability Insurance.

*Be It Enacted by the Legislature of the State of Hawaii:*

SECTION 1. Section 435-7, Hawaii Revised Statutes, is amended to read:

**“Sec. 435-7 Filing, approval and withdrawal of forms and premium rates.**

(a) All policies, certificates of insurance, notices of proposed insurance, applications for insurance, endorsements, and riders delivered or issued for delivery in this State and the schedules of premium rates pertaining thereto shall be filed with the commissioner for approval. Forms and rates so filed shall be approved at the expiration of thirty days after filing, unless earlier approved or disapproved by the commissioner. The commissioner by written notice to the insurer may, within the thirty-day period, extend the period for approval or disapproval for an additional thirty days.

(b) The commissioner shall, within the waiting period or any extension thereof after the filing of any such policies, certificates of insurance, notices of proposed insurance, applications for insurance, endorsements, and riders and premium rates, disapprove any such form or any premium rates if the benefits provided are not reasonable in relation to the premium charge, or if the form contains provisions which are unjust, unfair, inequitable, misleading, deceptive, or encourage misrepresentation of the coverage, or are contrary to any provision of chapter 431, or of any rule or regulation promulgated thereunder.

(c) The benefits provided by any such policy form shall not be deemed reasonable in relation to the premium charged or to be charged if the ratio of losses incurred to premiums earned is not at least fifty per cent or may not reasonably be expected to be at least fifty per cent. In the determination of the reasonableness of the relation of benefits and premiums consistent with a fifty per cent loss ratio, the commissioner may establish a common authorized premium rate for similar or substantially similar coverage by class of creditor. The commissioner may approve a higher rate than such common rate where a creditor's experience under a specific policy form reasonably indicates an ultimate loss ratio higher than fifty per cent, but the commissioner shall limit the use of such higher rate to those creditors whose experience was the basis of the approval of such higher rates. The commissioner shall require insurers to file such information as he deems necessary to determine that this standard is met each two years, or more often in his discretion, on forms recommended by the national association of insurance commissioners for that purpose. Upon giving such notice as is required by law, the commissioner may withdraw approval of any such form including the rate set forth therein, on the ground that a reasonable relation of benefits to premiums no longer exists or may approve a higher or lower rate if justified by experience.

The commissioner shall promulgate a rate that shall be deemed acceptable as satisfying this standard without any actuarial or statistical filing; provided that for a one-year period, or for such longer period as the commissioner feels is required to produce credible mortality and morbidity data, a creditor may make an identifiable charge to a debtor not to exceed the following:

- (1) Life: (declining balance term) 75 cents per year per \$100 of initial insured indebtedness to be paid in equal installments over a one-year period. If premiums or identifiable charges are calculated on other than an advance single premium basis, they shall not exceed the actuarial equivalent of the foregoing.

If premiums are payable on other than a single premium basis, they shall not exceed the substantial actuarial equivalent of the foregoing 75 cent rate.

Premiums and premium rates for insurance covering obligations payable in other than substantially equal monthly installments during the period of coverage shall be determined in a manner resulting in a rate not exceeding the substantial actuarial equivalent of the foregoing 75 cent rate.

- (2) Disability: The disability rates as set forth below shall be the maximum rates applicable to policies which exclude all disabilities resulting from intentional self-inflicted injury, pregnancy, flights in nonscheduled aircraft, and pre-existing illness, disease, or physical condition for which the debtor received or was professionally advised to obtain medical advice, consultation, or treatment during the six-month period preceding the effective date of the debtor's coverage and which caused disabilities within the six months following the effective date of coverage. Premiums or identifiable charges for (a) coverage other than shown above, and (b) maturities or waiting pe-

riods other than those shown below, must be actuarially consistent with those shown below.

Number of Months in which Indebted- ness is Repayable	Non-Retroactive Benefits			Retroactive Benefits		
	30-day	14-day	7-day	30-day	14-day	7-day
0-12	.80	1.50	2.30	1.70	2.20	3.00
13-24	1.60	2.00	3.20	2.50	3.00	4.00
25-36	2.30	2.50	4.15	3.30	3.80	5.00
37-48	2.90	3.00	4.70	3.80	4.30	6.00
49-60	3.30	3.50	5.15	4.30	4.70	7.00

A credit insurance policy issued under the above life and disability may exclude from the classes eligible for insurance, classes of debtors determined by age and provide for the cessation of insurance or reduction in the amount of insurance upon attainment of specified ages.

In order to determine whether or not the benefits provided in a particular policy form submitted by an insurer are reasonable in relation to the premium charged for the policy and to facilitate the submission and approval of policy forms and premium rates to be used in connection therewith, the commissioner shall give full consideration and make reasonable allowances for mortality cost or morbidity cost and other relevant factors and trends. Any such changed maximum rate of premium or identifiable charge shall not affect any insurance then in force on debtors.

(d) After the one-year period, or such longer period deemed necessary by the commissioner as provided in subsection (c), the commissioner shall by regulation establish prima facie acceptable premium rates, except as set forth below, which shall be usable without statistical justification when filed together with an otherwise acceptable policy form submission. The rates shall produce or shall reasonably be expected to produce a ratio of losses incurred to premiums earned of at least fifty per cent. The regulation shall specify the plans of benefits to which the premium rates apply.

(e) The commissioner shall approve deviations to rates higher than the prima facie acceptable rates upon filing of reasonable evidence that loss experience for a creditor or a class of creditors exceeds the average loss experience used to determine the established rate and shall base his determination on the fifty per cent loss ratio standard, except where the deviated rate exceeds 75 cents per \$100 initial insurance per year for reducing term credit life insurance and its actuarial equivalent for other forms of credit life insurance, a reasonable variance from the fifty per cent loss ratio standard may be required. Such deviation may be limited to the debtors or creditors whose experience was the statistical basis for the filing.

(f) Credit life insurance policies for which premium rates vary by individual ages or by age brackets shall be filed as provided in this section and the commissioner shall approve or disapprove such filings in accordance with the fifty per cent loss ratio standard and the other applicable provisions of law.

(g) If the commissioner notifies the insurer that the form or premium rate is disapproved, it shall be unlawful thereafter for the insurer to issue or use the form or premium rate. In the notice the commissioner shall specify the reason

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for his disapproval and state that a hearing will be granted within twenty days after request in writing by the insurer. No such policy, certificate of insurance, notice of proposed insurance, nor any application, endorsement, or rider or premium rate, shall be issued or used until the expiration of thirty days after it has been so filed, unless the commissioner gives his prior written approval.

(h) The commissioner may, at any time after a hearing held not less than twenty days after written notice to the insurer, withdraw his approval of any such form or premium rate on any ground set forth in subsection (b). The written notice of the hearing shall state the reason for the proposed withdrawal.

(i) It shall be unlawful for the insurer to issue or use forms or premium rates after the effective date of their withdrawal.

(j) If a group policy of credit life insurance or credit disability insurance (1) has been delivered in this State before July 1, 1969, or (2) has been or is delivered in another state before or after July 1, 1969, the insurer shall be required to file only the group certificate and notice of proposed insurance delivered or issued for delivery in this State as specified in subsections (b) and (e) of section 435-6 and these forms shall be approved by the commissioner if (1) they conform with the requirements specified in said subsections; (2) they are accompanied by a certification in a form satisfactory to the commissioner that the substance of the forms are in substantial conformity with the master policy; and (3) the schedules of premium rates applicable to the insurance evidenced by the certificate or notice are not in excess of the insurer's schedules of premium rates filed with and approved by the commissioner; provided the premium rate in effect on existing group policies may be continued until the first policy anniversary date following July 1, 1969.

(k) Any order or final determination of the commissioner under this section shall be subject to chapter 91."

SECTION 2. Statutory material to be repealed is bracketed. New material is underscored. In printing this Act, the revisor of statutes need not include the brackets, the bracketed material, or the underscoring.\*

SECTION 3. This Act shall take effect 90 days after approval.

(Approved April 29, 1975.)

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\*Edited accordingly.