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# 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.] may be paid~~  
10 entirely by the employer, or by funds paid entirely by  
11 the insured employees, or by funds contributed by both  
12 the employer and the insured employees. Except as  
13 provided in paragraph (3), a policy on which no part  
14 of the premium is to be derived from funds contributed  
15 by the insured employees shall insure all eligible  
16 employees, except those who reject such coverage in  
17 writing;

18 (3) An insurer may exclude or limit the coverage on any  
19 person as to whom evidence of individual insurability  
20 is not satisfactory to the insurer;

21 [~~(4) The policy shall cover at least ten employees at date~~  
22 ~~of issue]; and~~



1       ~~[(5)]~~ (4) The amounts of insurance under the policy shall  
2               be based upon some plan precluding individual  
3               selection either by the ~~[employees,]~~ employer~~[,]~~ or  
4               trustees."

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

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

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



1 ~~death is under six months, the amount shall not be in~~  
2 ~~excess of \$2,000];~~

3 (2) The premiums for the insurance of the spouse or  
4 dependent shall be paid either from funds contributed  
5 by the employer, union, association or other person to  
6 whom the policy has been issued, or from funds  
7 contributed by the individual insured, or from both;  
8 and

9 (3) An insurer may exclude or limit the coverage on any  
10 spouse or dependent child as to whom evidence of  
11 individual insurability is not satisfactory to the  
12 insurer."

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

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

17 (1) Credit life insurance;

18 (2) Group life insurance or group annuities where there is  
19 no direct solicitation of individuals by an insurance  
20 producer. Direct solicitation shall not include any  
21 group meeting held by an insurance producer solely for  
22 the purpose of educating or enrolling individuals when



1 initiated by an individual member of the group  
2 assisting with the selection of investment options  
3 offered by a single annuity provider in connection  
4 with enrolling the individuals. Group life insurance  
5 or group annuity certificates marketed through direct-  
6 response solicitation shall be subject to section  
7 431:10D-507;

8 (3) Group life insurance used to fund prearranged funeral  
9 contracts;

10 (4) An application to the existing insurer that issued the  
11 existing policy or contract when a contractual change  
12 or a conversion privilege is being exercised; or, when  
13 the existing policy or contract is being replaced by  
14 the same insurer pursuant to a program filed with and  
15 approved by the commissioner; or, when a term  
16 conversion privilege is exercised among corporate  
17 affiliates;

18 (5) Proposed life insurance that is to replace life  
19 insurance under a binding or conditional receipt  
20 issued by the same company;

21 (6) Policies or contracts used to fund:



- 1 (A) An employee pension or welfare benefit plan that  
2 is covered by the Employee Retirement and Income  
3 Security Act (ERISA);
- 4 (B) A plan described by sections 401(a), 401(k) or  
5 403(b) of the Internal Revenue Code of 1986, as  
6 amended, where the plan, for purposes of ERISA,  
7 is established or maintained by an employer;
- 8 (C) A governmental or church plan defined in section  
9 414 of the Internal Revenue Code of 1986, as  
10 amended, a governmental or church welfare benefit  
11 plan, or a deferred compensation plan of a state  
12 or local government or tax exempt organization  
13 under section 457 of the Internal Revenue Code of  
14 1986, as amended; or
- 15 (D) A nonqualified deferred compensation arrangement  
16 established or maintained by an employer or plan  
17 sponsor;
- 18 provided that, notwithstanding the exemptions listed  
19 in subparagraphs (A) to (D), this part shall apply to  
20 policies or contracts used to fund any plan or  
21 arrangement that is funded solely by contributions an  
22 employee elects to make, whether on a pre-tax or



1 after-tax basis, and where the insurance company has  
2 been notified that plan participants may choose from  
3 among two or more annuity providers or policy  
4 providers and there is a direct solicitation of an  
5 individual employee by an insurance producer for the  
6 purchase of a contract or policy. As used in this  
7 subsection, direct solicitation shall not include any  
8 group meeting held by an insurance producer solely for  
9 the purpose of educating individuals about the plan or  
10 arrangement or enrolling individuals in the plan or  
11 arrangement or, when initiated by an individual  
12 employee assisting with the selection of investment  
13 options offered by a single annuity provider in  
14 connection with enrolling that individual employee;

15 (7) Where new coverage is provided under a life insurance  
16 policy or contract and the cost is borne wholly by the  
17 insured's employer or by an association of which the  
18 insured is a member;

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



1           (9) Immediate annuities that are purchased with proceeds  
2           from an existing contract; provided that immediate  
3           annuities purchased with proceeds from an existing  
4           policy are not exempted from the requirements of this  
5           part; and

6           (10) Structured settlements."

7           SECTION 5. Statutory material to be repealed is bracketed  
8 and stricken. New statutory material is underscored.

9           SECTION 6. This Act shall take effect on July 1, 2051.



**Report Title:**

Life Insurance; National Association of Insurance Commissioners

**Description:**

Allows premiums for employee group life insurance policies to be paid entirely by the employer or the insured employee, respectively, or by both. Eliminates requirement that the employee group life insurance policies must cover at least ten 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 from the applicability of laws relating to the replacement of life insurance policies and annuities the exercise among corporate affiliates of a term conversion privilege. Eff. 7/1/2051. (SD2)

