

Honolulu, Hawaii

FEB 28 2008

RE: S.B. No. 3245  
S.D. 1

Honorable Colleen Hanabusa  
President of the Senate  
Twenty-Fourth State Legislature  
Regular Session of 2008  
State of Hawaii

Madam:

Your Committee on Commerce, Consumer Protection, and  
Affordable Housing, to which was referred S.B. No. 3245 entitled:

"A BILL FOR AN ACT RELATING TO LIFE INSURANCE,"

begs leave to report as follows:

The purpose of this measure is to conform the Insurance Code with model acts and regulations of the National Association of Insurance Commissioners (NAIC) by amending existing statutes relating to employee group life insurance policies and the replacement of life insurance policies and annuities.

Specifically, this measure amends chapter 431, article 10D, Hawaii Revised Statutes, by:

- (1) Requiring an employer to fully fund the employee group life insurance policy by eliminating insured employees as a source of funding premiums and deleting the requirement that at least seventy-five per cent of eligible employees elect participation in the employee group insurance policy;
- (2) Allowing employee group policies to cover less than ten employees at policy issuance by eliminating the ten employee requirement;
- (3) Deleting the provision precluding individual selection by the employees, employer, or trustees of amounts of insurance under an employee group insurance policy;



- (4) Allowing dependents of the insured employee to be insured up to the amount of coverage of the insured employee under an employee group insurance policy by eliminating the express policy limits against loss due to death of a dependent (other than the spouse); and
- (5) Adding the exercise of the term conversion privilege among corporate affiliates as an exclusion from the applicability of chapter 431, article 10D, Hawaii Revised Statutes, relating to the replacement of life insurance policies and annuities.

Testimony in support of this measure was submitted by the National Association of Insurance and Financial Advisors Hawaii, the American Council of Life Insurers, and State Farm Insurance Companies. The Department of Commerce and Consumer Affairs supported the measure with amendments.

Your Committee finds that adopting model acts and model regulations promotes uniformity of state insurance laws and eases regulatory compliance for insurers transacting business across various states. Adopting various provisions of the NAIC's Group Life Insurance Definition and Group Life Insurance Standard Provisions Model Act by amending chapter 431, article 10D, Hawaii Revised Statutes, will update the Insurance Code and provide greater uniformity with other states' insurance laws.

Your Committee has amended this measure by:

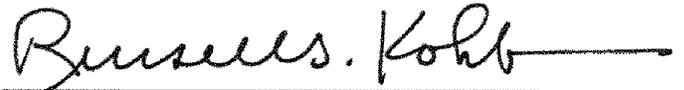
- (1) Adopting language suggested by the American Council of Life Insurers which clarifies that payments to the employee group life insurance policy may be made by the employer, by the covered insured employees, or by both; and
- (2) Making technical, nonsubstantive amendments for the purposes of clarity and style.

Your Committee believes that this measure, as amended, fulfills the intent of this measure, which is to conform the Insurance Code with model acts and regulations of the National Association of Insurance Commissioners.



As affirmed by the record of votes of the members of your Committee on Commerce, Consumer Protection, and Affordable Housing that is attached to this report, your Committee is in accord with the intent and purpose of S.B. No. 3245, as amended herein, and recommends that it pass Second Reading in the form attached hereto as S.B. No. 3245, S.D. 1, and be placed on the calendar for Third Reading.

Respectfully submitted on  
behalf of the members of the  
Committee on Commerce, Consumer  
Protection, and Affordable  
Housing,



RUSSELL S. KOKUBUN, Chair



