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TO THE HOUSE COMMITTEE ON CONSUMER
PROTECTION & COMMERCE

TWENTY-FIFTH LEGISLATURE
Regular Session of 2010

Monday, January 25, 2010
2:00 p.m.

**TESTIMONY ON HOUSE BILL NO. 2028 – RELATING TO GROUP LIFE
INSURANCE.**

TO THE HONORABLE ROBERT HERKES, 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 offers the following comments on 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 definition of "group disability insurance" in HRS §
431:10A-201(4).

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.

Paragraph (1)(C) on page 2, line 1 of the bill requires that the "benefits of the
group life insurance policy be reasonable in relation to the premium charged". This

language appears to imply the application of a loss ratio standard. Current statutes for defined groups under Part II of Article 10D do not include any loss ratio standard.

Paragraph 3 on page 2, line 4 of the bill allows premium to be paid either from the policyholder's fund or from funds contributed by covered persons, or from both.

Current statutes under Part II of Article 10D either do not allow the entire premium to be entirely derived from funds contributed by the insured persons or when allowed, may place some conditions. When no part of the premium is derived from funds contributed by insured members, the group insurance policy shall be available to all eligible members. Additionally, most groups require that when part of the premium is derived from funds contributed by insured members, the policy may be placed in force only if at least 75% of the eligible members elect to make the required contributions (e.g., HRS § 431:10D-202).

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

AMERICAN COUNCIL OF LIFE INSURERS
TESTIMONY IN SUPPORT OF HB 2028, RELATING TO
GROUP LIFE INSURANCE

January 25, 2010

Via E Mail: cpctestimony@capitol.hawaii.gov
Representative Robert N. Herkes, Chair
House Committee on Consumer Protection
Hawaii State Capital, Conference Room 325
415 S. Beretania Street
Honolulu, HI 96813

Dear Chair Herkes and Committee Members:

Thank you for the opportunity to testify in support of HB 2028, relating to Group Life Insurance.

Our firm represents the American Council of Life Insurers ("ACLI"), a national trade association whose three hundred forty (340) member companies account for 94% of the life insurance premiums and 94% of the annuity considerations in the United States among legal reserve life insurance companies. ACLI member company assets account for 93% of legal reserve company total assets. Two hundred fifty-three (253) ACLI member companies currently do business in the State of Hawaii.

ACLI is in strong support of HB 2028. 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 HB 2028. Again, thank you for the opportunity to testify in support of this bill.

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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

States that have discretionary group disability laws

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