

ACT 135

H.B. NO. 1224

A Bill for an Act Relating to Insurance.

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

SECTION 1. Section 431-572, Hawaii Revised Statutes, is amended to read as follows:

**"Sec. 431-572 Employee groups.** The lives of a group of individuals may be insured under a policy issued to an employer, or to the trustees of a fund established by an employer, which employer or trustee is deemed the policyholder, insuring employees of the employer for the benefit of persons other than the employer, subject to the following requirements:

- (1) The employees eligible for insurance under the policy shall be all of the employees of the employer, or all of any class or classes thereof determined by conditions pertaining to their employment. The policy may provide that the term employees shall include the employees of one or more subsidiary corporations, and the employees, individual proprietors, and partners of one or more affiliated corporations, proprietors, or partnerships if the business of the employer and of such affiliated corporations, proprietors, or partnerships is under common control through stock ownership, contract or otherwise. The policy may provide that the term employees shall include the individual proprietor or partners if the employer is an individual proprietor or a partnership. The policy may provide that the term employees shall include retired employees. No director of a corporate employer shall be eligible for insurance under the policy unless such person is otherwise eligible as a bona fide employee of the corporation by performing services other than the usual duties of a director. No individual proprietor or partner shall be eligible for insurance under the policy unless he is actively engaged in and devotes a substantial part of his time to the conduct of the business of the proprietor or partnership.

- (2) The premium for the policy shall be paid by the policyholder, either wholly from the employer's fund or funds contributed by him, or partly from such funds and partly from funds contributed by the insured employees. No policy may be issued on which the entire premium is to be derived from funds contributed by the insured employees. A policy on which part of the premium is to be derived from funds contributed by the insured employees may be placed in force only if at least seventy-five per cent of the then eligible employees, excluding any as to whom evidence of individual insurability is not satisfactory to the insurer, elect to make the required contributions. A policy on which no part of the premium is to be derived from funds contributed by the insured employees must insure all eligible employees, or all except any as to whom evidence of individual insurability is not satisfactory to the insurer.
- (3) The policy must cover at least ten employees at date of issue.
- (4) The amounts of insurance under the policy must be based upon some plan precluding individual selection either by the employees or by the employer or trustees.

SECTION 2. Section 431-574, Hawaii Revised Statutes is amended to read as follows:

**"Sec. 431-574 Labor union groups.** The lives of a group of individuals may be insured under a policy issued to a labor union, which shall be deemed the policyholder, to insure members of the union for the benefit of persons other than the union or any of its officials, representatives or agents, subject to the following requirements:

- (1) The members eligible for insurance under the policy shall be all of the members of the union, or all of any class or classes thereof determined by conditions pertaining to their employment, or to membership in the union, or both.
- (2) The premium for the policy shall be paid by the policyholder, either wholly from the union's funds, or partly from such funds and partly from funds contributed by the insured members specifically for their insurance. No policy may be issued on which the entire premium is to be derived from funds contributed by the insured members specifically for their insurance. A policy on which part of the premium is to be derived from funds contributed by the insured members specifically for their insurance may be placed in force only if at least seventy-five per cent of the then eligible members, excluding any as to whom evidence of individual insurability is not satisfactory to the insurer, elect to make the required contributions. A policy on which no part of the premium is to be derived from funds contributed by the insured members specifically for their insurance must insure all eligible members, or all except any as to whom evidence of individual insurability is not satisfactory to the insurer.
- (3) The policy must cover at least twenty-five members at date of issue.
- (4) The amounts of insurance under the policy must be based upon some

plan precluding individual selection either by the members or by the union.

SECTION 3. Section 431-575, Hawaii Revised Statutes is revised to read as follows:

**"Sec. 431-575 Trustee groups.** The lives of a group of individuals may be insured under a policy issued to the trustees of a fund established by two or more employers in the same industry or by one or more labor unions, or by one or more employers and one or more labor unions which trustees shall be deemed the policyholder, to insure employees of the employers or members of the unions for the benefit of persons other than the employers or the unions, subject to the following requirements:

- (1) The persons eligible for insurance shall be all of the employees of the employers or all of the members of the unions, or all of any class or classes thereof determined by conditions pertaining to their employment, or to membership in the unions, or to both. The policy may provide that the term employees shall include retired employees, and the individual proprietor or partners if an employer is an individual proprietor or a partnership. No director of a corporate employer shall be eligible for insurance under the policy unless such person is otherwise eligible as a bona fide employee of the corporation by performing services other than the usual duties of a director. No individual proprietor or partner shall be eligible for insurance under the policy unless he is actively engaged in and devotes a substantial part of his time to the conduct of the business of the proprietor or partnership. The policy may provide that the term employees shall include the trustees or their employees, or both, if their duties are principally connected with such trusteeship.
- (2) The premium for the policy shall be paid by the trustees wholly from funds contributed by the employer or employers of the insured persons, or by the union or unions, or by both, or, except in the case of a policy issued to the trustees of a fund established wholly by two or more employers, partly from such funds and partly from funds contributed by the insured persons. No policy may be issued to the trustees of a fund established wholly by two or more employers on which any part of the premium is to be derived from funds contributed by the insured persons specifically for their insurance. A policy on which part of the premium is to be derived from funds contributed by the insured persons specifically for their insurance may be placed in force only if at least seventy-five per cent of the then eligible persons, excluding any as to whom evidence of insurability is not satisfactory to the insurer, elect to make the required contributions. A policy on which no part of the premium is to be derived from funds contributed by the insured persons specifically for their insurance must insure all eligible persons, or all except any as to whom evidence of individual insurability is not satisfactory to the insurer.
- (3) The policy must cover at date of issue at least twenty-five persons and

not less than an average of four person per employer unit; and if the fund is established by the members of an association of employers the policy may be issued only if:

(A) Either:

- (i) The participating employers constitute at date of issue at least thirty-three and one third per cent of those employer members whose employees are not already covered for group life insurance, or
- (ii) The total number of persons covered at date of issue exceeds two hundred; and

(B) The policy shall not require that, if a participating employer discontinues membership in the association, the insurance of his employees shall cease solely by reason of such discontinuance.

- (4) The amounts of insurance under the policy must be based upon some plan precluding individual selection either by the insured persons or by the policyholder, employers, or union.

SECTION 4. Section 431-577 of the Hawaii Revised Statutes is amended to read as follows:

**"Sec. 431-577 Public employee association groups.** The lives of a group of individuals may be insured under a policy issued to an association of public employees, which shall be deemed the policyholder, to insure members of the association for the benefit of persons other than the association or any of its officials, subject to the following requirements:

- (1) The association must have been formed for purposes other than obtaining insurance and have when the policy is placed in force, a membership in the classes eligible for insurance of not less than seventy-five per cent of the number of employees eligible for membership in such classes.
- (2) The members eligible for insurance under the policy shall be all of the members of the association, or all of any class or classes thereof determined by conditions pertaining to their employment or to membership in the association, or both.
- (3) The premium for the policy shall be paid by the policyholder, either from the association's own funds or from charges collected from the insured members specifically for the insurance, or from both. Any charges collected from the insured members specifically for the insurance, and the dues of the association if they include the cost of insurance, may be collected through deductions by the employer from the salaries of the members. The deductions from salary may be paid by the employer to the association or directly to the insurer. No policy may be placed in force unless and until at least seventy-five per cent of the then eligible members of the association, excluding any as to whom evidence of individual insurability is not satisfactory to the insurer, have elected to be covered and have authorized their employer to make the required deductions from salary, or have otherwise assigned pay or arranged for payment of their individual contributions to the asso-

ciation. A policy on which no part of the premium is to be derived from funds contributed by the insured members specifically for their insurance must insure all eligible members, or all except any as to whom evidence of individual insurability is not satisfactory to the insurer.

- (4) Charges collected from the insured members specifically for the insurance, and the dues of the association if they include the cost of insurance, may be determined according to each attained age or in not less than four reasonably spaced attained age groups. This provision, however, shall not preclude an average rate for the whole group with charges to the individual members based on a schedule of insurance graded by rank, salary bracket, or by length of service or seniority.
- (5) The policy must cover at least twenty-five persons at date of issue.
- (6) The amounts of insurance under the policy must be based upon some plan precluding individual selection either by the members or by the association.
- (7) As used herein, public employees means employees of the United States government, or of any state, or of any political subdivision or instrumentality or department or bureau or board or commission of any of them, or the national guard as an association in nature under its existing form.

SECTION 5. Section 431-578 of the Hawaii Revised Statutes is amended to read as follows:

**"Sec. 431-578 Mutual benefit society groups.** The lives of a group of individuals may be insured under a policy issued to a mutual benefit society, which shall be deemed the policyholder, to insure members of the society for the benefit of persons other than the society or any of its officials, subject to the following requirements:

- (1) The society must have been formed for purposes other than obtaining insurance and have, when the policy is placed in force, a membership in the classes eligible for insurance of not less than seventy-five per cent of the number of persons eligible for membership in such classes.
- (2) The member eligible for insurance under the policy shall be all of the members of the society, or all of any class or classes thereof, determined by conditions pertaining to their membership in the society.
- (3) The premium for the policy shall be paid by the policyholder, either from the society's own funds or from charges collected from the insured members specifically for the insurance, or from both. No policy may be placed in force unless and until at least seventy-five per cent of the then eligible members of the society, excluding any as to whom evidence of individual insurability is not satisfactory to the insurer, have elected to be covered and have arranged for payment of their individual contributions to the society. A policy on which no part of the premium is to be derived from funds contributed by the insured members specifically for their insurance must insure all eligible members, or all except any as to whom evidence of individual insurability is not satisfactory to the insurer.

- (4) Charges collected from the insured members specially for the insurance, and the dues of the society if they include the cost of insurance, may be determined according to each attained age or in not less than four reasonably spaced attained age groups.
- (5) The policy must cover at least twenty-five persons at date of issue.
- (6) The amounts of insurance under the policy must be based upon some plan precluding individual selection either by the members or by the society.
- (7) As used in this section, the term "mutual benefit society" has the same meaning as that ascribed to it in section 433-1. Any mutual benefit society participating in an insurance program under this section shall be exempted from the requirements of chapter 433 relative to the management or operation of its death or disability benefit funds with respect to the insurance program."

SECTION 6. Section 431-579 of the Hawaii Revised Statutes is amended to read as follows:

**"Sec. 431-579 Professional association groups.** The lives of a group of individuals may be insured under a policy issued to an association of professional persons, which shall be deemed the policyholder, to insure members of the association for the benefit of persons other than the association or any of its officials subject to the following requirements:

- (1) The association must have been formed for purposes other than obtaining insurance and have when the policy is placed in force, a membership in the classes eligible for insurance of not less than seventy-five per cent of the number of professional persons eligible for membership in such classes.
- (2) The members eligible for insurance under the policy shall be all of the members of the association, or all of any class of classes thereof determined by conditions pertaining to their profession or to membership in the association, or both.
- (3) The premium for the policy shall be paid by the policyholder, either from the association's own funds or from charges collected from the insured members specifically for the insurance, or from both. No policy may be placed in force unless and until at least seventy-five per cent of the then eligible members of the association, excluding any as to whom evidence of individual insurability is not satisfactory to the insurer, have elected to be covered and have arranged for payment of their individual contributions to the association. A policy on which no part of the premium is to be derived from funds contributed by the insured members specifically for their insurance must insure all eligible members, or all except any as to whom evidence of individual insurability is not satisfactory to the insurer.
- (4) Charges collected from the insured members specifically for the insurance, and the dues of the association if they include the cost of insurance, may be determined according to each attained age or in not less than four reasonable spaced attained age groups.

- (5) The policy must cover at least twenty-five persons at date of issue.
- (6) The amounts of insurance under the policy must be based upon some plan precluding individual selection either by the members or by the association.
- (7) As used herein "professional persons" means persons practicing a profession requiring examination and licensing under chapters 448, 453, 464, 466 and 605."

SECTION 7. Section 431-580, of the Hawaii Revised Statutes is amended to read as follows:

**"Sec. 431-580 Occupation, industry, or trade association groups.** The lives of a group of individuals may be insured under a policy issued to an association of individuals belonging to a single occupation, industry, or trade association, which shall be deemed the policyholder, to insure members of the association for the benefit of persons other than the association or any of its officials subject to the following requirements:

- (1) The association must have been formed for purposes other than obtaining insurance.
- (2) The members eligible for insurance under the policy shall be all of the members of the association.
- (3) The premium for the policy shall be paid by the policyholder, either from the association's own funds or from charges collected from the insured members specifically for the insurance, or from both. No policy may be placed in force unless and until at least seventy-five per cent of the then eligible members of the association, excluding any as to whom evidence of individual insurability is not satisfactory to the insurer, have elected to be covered and have arranged for payment of their individual contributions to the association.
- (4) Charges collected from the insured members specifically for the insurance, and the dues of the association if they include the cost of insurance, may be determined according to each attained age or in not less than four reasonably spaced attained age groups.
- (5) The policy must cover at least twenty-five persons at date of issue.
- (6) The amounts of insurance under the policy must be based upon some plan precluding individual selection either by the members or by the association.

SECTION 8. Statutory material to be repealed is bracketed. In printing this Act, the revisor of statutes need not include the brackets or the bracketed material.\*

SECTION 9. This Act shall take effect upon its approval.

(Approved May 31, 1977.)

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\*Edited accordingly.