

ACT 46

S.B. NO. 2081-80

A Bill for an Act Relating to Insurance.

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

SECTION 1. Section 431-538, Hawaii Revised Statutes, is amended by amending subsection (b) to read as follows:

“(b) In the case of policies issued on or after the operative date of the Standard Nonforfeiture Law (section 431-561), a provision that after the policy has a cash surrender value and while no premium is in default, the insurer will advance, on proper assignment or pledge of the policy and on the sole security thereof, at a rate of interest not exceeding eight per cent a year, an amount at the option of the party entitled thereto, not to exceed the loan value less any prior indebtedness on the policy. If the policy shall provide for a rate of return in excess of six per cent a year, the

## ACT 46

insurance commissioner may require of the insurers that the holders of such policies will benefit through higher dividends or lower premiums. The policy shall provide for a loan value at least equal to the cash surrender value of the policy without indebtedness at the end of the then current policy year, less any unpaid balance of the premium for the current policy year, and less interest on the loan to the end of the current policy year. The policy may also provide that if interest on any indebtedness is not paid when due it shall then be added to the existing indebtedness and shall bear interest at the same rate, and that if and when the total indebtedness on the policy including interest due or accrued, equals or exceeds the amount of the loan value thereof, then the policy shall terminate and become void. The policy shall reserve to the insurer the right to defer the granting of a loan, other than for the payment of any premium to the insurer, for six months after application therefor is made. This subsection shall not apply to term policies nor to term insurance benefits provided by rider or supplemental policy provisions.”

SECTION 2. This Act does not affect the present six per cent interest ceiling on policy loans in effect at the time of the effective date of this Act.

SECTION 3. Statutory material to be repealed is bracketed. New material is underscored.\*

SECTION 4. This Act shall take effect on June 1, 1980.

(Approved April 25, 1980.)

---

\*The text has been edited pursuant to HRS §23G-16.5, authorizing omission of the brackets, bracketed material, and underscoring.