

Approved February 24, 1987
Date

MINUTES OF THE SENATE COMMITTEE ON FINANCIAL INSTITUTIONS AND INSURANCE

The meeting was called to order by Sen. Joseph Harder at
Vice Chairperson

9:00 a.m./~~p.m.~~ on February 19, 1987 in room 529-S of the Capitol.

All members were present except:

Senators Gannon, Werts, and Arasmith - Excused

Committee staff present:

Bill Wolff, Legislative Research
Bill Edds, Revisor of Statutes

Conferees appearing before the committee:

Jerel Wright, Kansas Credit Union League
Mark Bennett, American Insurance Association

Sen. Harder served as chairman due to the absence of Sen. Arasmith. He began the meeting by calling on Jerel Wright, Kansas Credit Union League, for his testimony in support of SB 133. (See Attachment I.)

Sen. Gordon asked Mr. Wright how many would take advantage of this opportunity if the ceiling were removed. Mr. Wright said there would not be many and that it would be used mostly by farmers or for a commercial account.

Mr. Wright confirmed Sen. Strick's statement that credit life insurance is not mandatory and clarified his questions as to if the bill removes limitations altogether and if one could get a rider on another policy if he so desired.

Mr. Wright informed the committee that HB 2128 raises credit life insurance from \$25,000 to \$50,000, and there is some opposition to this. This is the reason the Credit Union League is running SB 133. This concluded the hearing on SB 133, and it was taken under advisement.

Mark Bennett, American Insurance Association, testified in support of SB 177. He said that this repeals an original bill that was passed some years ago. After the original bill was passed, another bill was passed to replace it, but the repeal of the original bill was eliminated from that bill. Consequently, insurance companies are making double reports, and the cost of duplicate filing is substantial. The new bill is 40-1132 and 40-1133 which repeals 40-1130 and 40-1131.

Sen. Burke made a motion to report SB 177 favorably and that it be placed on the consent calendar, Sen. Kerr seconded, and the motion carried.

The minutes of February 18 were approved.

The meeting was adjourned.

SENATE COMMITTEE

ON

FINANCIAL INSTITUTIONS AND INSURANCE

OBSERVERS
(Please print)

DATE	NAME	ADDRESS	REPRESENTING
2-17	Terel Wright	Topeka	KCUK
	Jon Paton	Topeka	SLSE
	Richard Harmon	Topeka	KS Life Assoc
	Mark Bennett	Topeka	Am Ins Assoc
	LINDA MOORE	TOPEKA	DIV. PERSONNEL SERVICES

TESTIMONY ON

SENATE BILL 133

SENATE FINANCIAL INSTITUTIONS AND

INSURANCE COMMITTEE

FEBRUARY 19, 1987

I am Jerel Wright, legislative representative for the Kansas Credit Union League (KCUL) which is the financial trade association for credit unions in Kansas. Approximately 96% of all Kansas credit unions, state and federally chartered, are members of KCUL.

One of the many services offered to credit union members is credit life insurance. Most credit unions allow each member the option to establish credit life insurance on each loan received through the credit union. This insurance is offered through a group credit life insurance policy issued to the credit union making the loan. We are here today to request an amendment to K.S.A. 40-433(2)(d) to remove the \$25,000 ceiling on credit life insurance offered through a group credit life insurance policy.

Current Law

Kansas law permits group credit life insurance to be written in an amount not exceeding the amount of indebtedness or \$25,000, whichever is less. Individual credit life insurance can be written in an amount not exceeding the indebtedness. The repeal of the \$25,000 ceiling would provide equal treatment for all credit life insurance, whether individual or group.

Purpose of Limits

The original purpose of dollar amount limits on group insurance policies was to insure the safety and soundness of insurers by

imposing statutory underwriting restrictions when group insurance was a revolutionary and untested insurance product. Such dollar amount limits have long since been demonstrated to be unnecessary. The Model Group Life Insurance Bill of the National Association of Insurance Commissioners, on which the Kansas statute is patterned, contained similar limitations for all group life insurance policies when it was initially adopted in 1956. This Model was substantially amended by the National Association of Insurance Commissioners in 1980 and all reference to dollar amount limits was deleted. In Kansas, dollar amount limits no longer apply to any kind of group insurance except group credit life insurance.

Other States

In other states, the updating of group life insurance laws has occurred in a piecemeal, but rather steady, fashion over approximately the last 20 years. Currently, only 20 other states have any group credit life insurance dollar amount limits and only 6 have dollar amount limits as low as \$25,000. Of the 4 states adjoining Kansas, only Oklahoma has a dollar amount limit for group credit life insurance and the Oklahoma limit is \$100,000. Clearly, the \$25,000 limit in Kansas is outdated and should be repealed.

Credit insurance may be written using either group forms or individual forms. Group forms and individual forms are subject to identical or parallel statutes and regulations, except for the

current \$25,000 statutory limit on the amount that can be written under a group form. Use of group forms for credit life insurance is significantly more efficient than is the use of individual policy forms and existence of an amount limit for group forms deprives Kansas insurers, creditors and consumers alike of the benefits derived from greater efficiency.

The current Kansas dollar amount limits can be avoided by some larger groups having multi-state operations by use of a group policy issued in another state. Thus, the statutory amount limits also unfairly discriminate against smaller, local creditors (including all or virtually all credit unions located in Kansas) and the people they were designed to serve.

Many credit unions, in fact, provide group credit life insurance on all eligible loans without a specific charge to the borrowers. The statutory limit effectively prevents these credit unions from insuring that part of any loan balance exceeding \$25,000, even though there would be no charge to the debtor for such coverage.

Mr. Chairman, these problems can be eliminated by approving our proposed amendments to this law. For these reasons, we urge the favorable consideration of our proposal.

Attachment I
Senate F I & I - 2/19/87