

Approved February 7, 1989
Date

MINUTES OF THE House COMMITTEE ON Insurance

The meeting was called to order by Dale Sprague at
Chairperson

3:30 a.m. p.m. on February 1, 1989 in room 531-n of the Capitol.

All members were present except: Representative Larry Turnquist, excused
Representative Delbert Gross, excused
Representative Rex Hoy, excused
Representative Michael Sawyer, excused

Committee staff present: Chris Courtwright, Research Department
Bill Edds, Revisor of Statutes
Patti Kruggel, Committee Secretary

Conferees appearing before the committee:

Others present: see attached list.

The Chairman called the meeting to order at 3:30 p.m.

A motion was made to approve the minutes of January 24, 25 and 26, by Rep. Littlejohn. Rep. Cribbs seconded. The motion carried.

Bill Mitchell, Kansas Association of School Boards, requested the Committee introduce a bill concerning bond and insurance requirements, liabilities and limitations of licensed abstractors. (Attachment 1)

Rep. Littlejohn made a motion to introduce the bill and Rep. Flower seconded. The motion carried.

The Chairman then opened hearing on HB 2061.

HB 2061-- An act amending the Kansas municipal group-funded pool act; relating to boards of trustees of pools; amending K.S.A. 1988 Supp. 12-2627 and repealing the existing section.

Bill Curtis, Kansas Association of School Boards testified in support of HB 2061, (Attachment 2) and explained that the bill pertains to the maximum number of people that may serve on the board of trustees of a group-funded pool.

The Chairman asked if anyone else wished to testify on this bill, there were none and hearings were closed on HB 2061.

HB 2062 -- An act relating to insurance; concerning spouse and child coverage under group life insurance policies; amending K.S.A. 1988 Supp. 40-433 and repealing the existing sections.

Jim Hall, Security Benefit Life Insurance Company, testified in support of HB 2062 and provided written testimony (Attachment 3).

Also appearing in support of HB 2062 was Dave Hanson, Kansas Life Association.

There were no other conferees wishing to testify to the bill and the hearings were concluded.

The meeting was adjourned at 4:00 p.m.

PROPOSED BILL

An Act concerning Bond and insurance requirements, liabilities, limitations of licensed abstracters; amending KSA 58-2802.

a. No license shall be issued to any applicant until the applicant files with the board a bond and a policy of insurance as provided in this section. The bond shall be in an amount established by the board of not less than \$25,000.00. "Such insurance shall be a policy of errors and omissions in an amount not less than \$25,000.00, with a deductible permitted of not to exceed 10% of the amount of the insurance coverage, as determined by the abstracters' board of examiners, and shall be issued by a company authorized to transact business in the state of Kansas."

NEED FOR CHANGE: Present law allows only a \$2,500.00 deductible, regardless of the amount of the insurance (i.e. if insured carries a \$1,000,000.00 policy, only permitted a \$2,500.00 deductible). This low deductible requirement causes a great increase in policy premium and is a substantial burden to all abstract licensees.



Testimony before the House Insurance Committee

by

Bill Curtis, Assistant Executive Director
Kansas Association of School Boards

February 1, 1989

Mr. Chairman and members of the committee, we appreciate the opportunity to testify today on HB 2061 on behalf of the Kansas Association of School Boards. This bill was introduced at the request of our association. It simply strikes the maximum number of people that may serve on the board of trustees of a group-funded pool.

As KASB expands the number of pools, the question of creating a separate board for each pool becomes important. Our current board, governing the workers' compensation pool, would like to see the same board for all pools. However, that creates a problem in terms of orientation and information, if all trustees must become familiar with all lines of insurance. Most of the trustees are not knowledgeable about insurance matters. It takes a great deal of time and effort to educate them. Instead, we have decided to pursue a committee structure within the existing board of trustees. Each pool would be governed by the same board but many of the decisions regarding each pool would be resolved by a committee of approximately five people. Those five would then report back to the full board.

If our plans for expanding are successful, there will be four or five different pools. That could mean a board of trustees with as many as 25 people. Each trustee then would only need to be familiar with one type of insurance. One board for all pools would be more efficient and economical.

We appreciate the attention of the committee and urge your support for HB 2061.



Security Benefit Life Insurance Company

A Member of The Security Benefit Group of Companies

Date: February 6, 1989
To: HOUSE COMMITTEE ON INSURANCE
Re: HOUSE BILL 2062 - Amendment of group life insurance statute to allow for greater insurance coverage for spouses and children of members of a group life insurance contract.

Statement by

Jim Hall
Assistant Counsel

The Security Benefit Group of Companies Inc.

Members of the Committee, I would like to thank you for the opportunity to appear and testify on behalf of the Security Benefit Group of Companies in support of the amendment to K.S.A. 40-433 contained in House Bill 2062.

House Bill 2062 would amend K.S.A. 40-433 by repealing the specific dollar limits on how much a member of a group life insurance contract could insure his or her spouse or child for under the contract. Under the present law, a member of a life insurance group contract could only insure a spouse or child under the contract for not more than 50% of the amount the member is insured for or \$4000.00, whichever is less. If the child was younger than six months, the maximum coverage would be \$250.

The \$4000.00 figure was placed in the law in 1972. The \$250 limit has been on the books since 1967. We believe these figures are woefully low in today's economy.

Our proposed amendment would repeal the specific dollar limits on spouses and children and would leave the limit at not greater than 50% of the amount of insurance on the life of the member of the group life contract.

In practical terms, here is how the amendment would change things. Suppose a person has coverage on his or her life through the group life contract provided by his or her employer. The amount of coverage is \$50,000.00. The person wishes to add their spouse or child to be covered under the same contract. Under the present law, the spouse or child could be covered for not more than 50% of the amount of

coverage on the life of the insured employee (\$25,000) or \$4000.00, whichever is less. Clearly, in most cases the lesser amount is almost always going to be \$4000.00. The proposed amendment would allow coverage of up to 50% of the amount held on the employee which in this case would allow up to \$25,000.00. The exact amount of additional coverage for spouses and children would depend on the amount offered by the insurance company and employer and on what the employee wished to pay in additional premium. In most cases the additional premiums would be less than \$10.00 per month.

The amendment does not require employees to take out coverage on their spouses or children nor does it require that employers offer such coverage. The amendment simply raises the amount of coverage that may be offered or purchased.

We submit the proposed amendment will have three beneficial results:

1. Employees will be able to obtain greater life insurance coverage for their spouses and children.
2. Having a percentage figure rather than a specific dollar limit will provide future flexibility as the economy changes and the amounts of coverage in life insurance contracts change. The need to come back and re-amend the coverage limits every few years would be greatly reduced.
3. Adopting the 50% limit would bring Kansas in line with the law in the majority of states and would have our law follow the model approved by the National Association of Insurance Commissioners.

I have discussed the proposed amendment with representatives of both the Kansas Insurance Department and the Kansas Association of Life Companies. Each supports the proposed amendment.

Based on the foregoing reasons, we ask that the Committee favorably recommend the amendment to K.S.A. 40-433 contained in House Bill 2062.

JDH/sl