

MINUTES OF THE SENATE COMMITTEE ON FINANCIAL INSTITUTIONS AND INSURANCE

The meeting was called to order by SENATOR RICHARD L. BOND at
Chairperson

9:00 a.m./~~p.m.~~ on TUESDAY, MARCH 28, 1989 in room 529-S of the Capitol.

All members were present ~~except~~:

Committee staff present:

- Bill Wolff, Legislative Research
- Bill Edds, Revisors Office
- Louise Bobo, Committee Secretary

Conferees appearing before the committee:

- Representative Hank Turnbaugh
- Ron Todd, Assistant Commissioner of Insurance
- Jim Hall, Security Benefit Life Insurance Company
- L. M. Cornish, Kansas Assc. of Domestic Life Insurance Companies

Chairman Bond called the meeting to order at 9:14 a.m.

HB 2324 - Representative Hank Turnbaugh appeared before the committee in support of this bill which would raise the minimum fine for persons who drive without auto insurance from the present \$100 to \$200. Representative Turnbaugh stated that those who have auto insurance have to pay the deductibility so it is only fair that the non-insured should have to pay a stiffer fine. (attachment 1) A committee member remarked that the fine was still not stiff enough.

HB 2062 - Ron Todd, Assistant Commissioner of Insurance, spoke briefly in favor of this bill. He stated that this bill does follow the recommendations of the National Association of Insurance Commissioners and increases the amount applicable to beneficiaries on group life insurance.

Jim Hall, Security Benefit Life Insurance Company, also spoke before the committee in support of HB 2062. Mr. Hall informed the committee that the bill removes the limitations for coverage of a spouse or child under a life insurance group contract. He explained that the \$4000 limitation under present law was enacted in 1972 while the \$250 limit on a child younger than six months has been on the books since 1967. The proposed amendment to the present law would allow coverage of up to 50% of the amount held on the employee. This percentage amount, rather than a dollar amount, will provide future flexibility as the economy changes. (attachment 2)

L. M. Cornish, Kansas Association of Domestic Life Insurance Companies, spoke briefly in support of HB 2062.

A brief discussion followed. A committee member inquired the origin of the dollar limits now on the books. Mr. Hall advised that he had inquired the same thing of Dick Brock, Kansas Insurance Department, and was told that they just chose those figures for no particular reason.

Since there were no other conferees, Chairman Bond announced the hearing closed.

HB 2383 - Ron Todd, Assistant Commissioner of Insurance, appeared before the committee in support of this proposal which would allow long term care contracts to be included in life insurance policies. Passage of this bill would permit an exchange of all or a portion of the death benefit for long term care benefits of equivalent value. Mr. Todd stated that the Department thought it wise to include long term care in the life insurance contract rather than combining life, accident, and health in one policy. (attachment 3)

Discussion followed. A committee member asked Mr. Todd if this plan could work as a conversion policy. Mr. Todd responded that it could be handled as term life--the policy

Unless specifically noted, the individual remarks recorded herein have not been transcribed verbatim. Individual remarks as reported herein have not been submitted to the individuals appearing before the committee for editing or corrections.

CONTINUATION SHEET

MINUTES OF THE SENATE COMMITTEE ON FINANCIAL INSTITUTIONS AND INSURANCE,

room 529-S, Statehouse, at 9:00 a.m./~~p.m.~~ on TUESDAY, MARCH 28, 1989.

premium could be used for long term care instead of as a death benefit. Another committee member inquired of Mr. Todd why we needed this bill. Mr. Todd replied that medicare supplemental policies do not supply custodial care as a rule. A committee member inquired if this type of policy would automatically "kick over." Mr. Todd replied that it would be difficult to make it automatic--someone would have to notify the company. Mr. Hall added that when the event occurs, the person who owns the policy sends in notice to the company and a form is sent to them to be filled out. Mr. Hall said the payment is usually in a lump sum and is an accelerated disposition of a death benefit. He also added that if the person who needs the care cannot handle their affairs, the person who has the power of attorney or a guardian could handle the affair. He stated that his company would be reasonable under such circumstances and he was sure other companies would also. A committee member inquired of Mr. Todd if this was a "salable product." Mr. Todd replied that most people do not want to think about such a need until they are ready for the nursing home. He said that six to ten companies are selling long term care under the law. The committee member continued that a very small percentage of people end up in a nursing home and he is concerned that they were making it more attractive to buy something that most of us will not need. A committee member stated that she did not understand the continued prohibition against health and accident coverage being included in life policies. Mr. Todd remarked that different types of policies require different management and different skills to write various types of policies. Mr. Hall added that the difference in the surplus and reserve requirements is rather pronounced. He said it would be possible for companies to "come in on lesser requirements of life, then begin to do health business."

Chairman Bond recognized Mr. Cornish who stood briefly and stated that his organization had studied the bill and supported it. The committee member inquired again why the prohibition against combining life and accident and health in one policy. She said that she did not feel her question had been answered. Chairman Bond asked Mr. Cornish if he would like to comment. Mr. Cornish advised that the capitalization is different for each type of company and there is also a difference in the degree of expertise. Robert Frey, Kansas Trial Lawyers, advised the committee that his organization was interested in this bill because they deal with the claims made against insurance companies. Mr. Frey continued by saying that the insurance industry had "grown up--they now have the ability to figure out how they can offer these products without losing their shirts."

There being no further conferees, Chairman Bond announced the hearing on HB 2383 closed.

HB 2324 was passed out of committee favorably on a motion by Senator Strick with Senator McClure seconding the motion. The motion carried. Senator Strick will carry the bill on the Senate floor.

HB 2062 was passed out of committee favorably on a motion by Senator Kerr. Senator Salisbury seconded the motion. The motion carried. Senator Salisbury will carry the bill on the Senate floor.

Senator Salisbury made a motion to pass HB 2383 out of committee favorably. Senator Kerr seconded the motion. The motion carried. Senator Anderson volunteered to carry the bill before the Committee of the Whole.

Chairman Bond adjourned the meeting at 10:00 a.m.



TOPEKA

HOUSE OF
REPRESENTATIVESCOMMITTEE ASSIGNMENTS
MEMBER: GOVERNMENTAL ORGANIZATION
INSURANCE
LOCAL GOVERNMENTHANK TURNBAUGH
REPRESENTATIVE, 39TH DISTRICT
WYANDOTTE COUNTY
5044 COUNTY LINE ROAD
KANSAS CITY, KANSAS 66106
(913) 722-1236 KANSAS CITY OFFICE
(913) 296-7676 CAPITOL OFFICE

TO: Chairman Bond and Members of the Senate Financial Institutions
and Insurance Committee

RE: HB 2324

Being an insurance agent for the past twelve years has brought me in contact with many of my insureds that have been involved in accidents with persons who do not have auto insurance.

Many of these insureds have complained to me that these people are getting off almost 'scott free' by paying just a \$100 fine at the time of the hearing.

The purpose in changing the minimum fine from \$100 to \$200 is to impress upon these folks that driving an auto without auto insurance is a serious situation and if they insist on being non-insureds the penalty will be stiffer.

This bill passed the House with no one voting against it. There were no opponents.

I would urge your committee to pass the bill favorably to the Senate floor.

If I can be of additional assistance or want me to testify, please contact me.

Hank Turnbaugh

Hank Turnbaugh

*Attachment 1
Sen. F. I. & I
3/28/89*



Security Benefit Life Insurance Company

A Member of The Security Benefit Group of Companies

Date: March 28, 1989

To: SENATE COMMITTEE ON FINANCIAL INSTITUTIONS AND 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

Attachment 2
Sen. F. H. I.
3/28/89

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

TESTIMONY BY

RON TODD
ASSISTANT COMMISSIONER
KANSAS INSURANCE DEPARTMENT

BEFORE THE

SENATE FINANCIAL INSTITUTIONS AND INSURANCE COMMITTEE

HOUSE BILL NO. 2383

MARCH 22, 1989

*Attachment 3
Sen. F. I. & I
3/28/89*

House Bill No. 2383 recommends an exception to the current statutory prohibition against the inclusion of health and accident insurance coverage in a life insurance policy.

In 1987 the Kansas Legislature enacted new statutory guidelines governing the sale and development of long term care insurance. In addition, such legislation authorized the Commissioner to establish minimum standards for long term care insurance policies which, among other things: "recognize the unique, developing and experimental nature ..." of such insurance. Since current law will not permit a combination of life and accident and health coverage in one contract, enactment of House Bill No. 2383 would open up one potentially fruitful area of experimentation that is not now available. Specifically, it would permit long term care coverage meeting the standards and guidelines imposed by the 1987 legislation to be incorporated in a life insurance contract.

Some insurers have expressed an interest in developing a life insurance product that would permit an exchange of all or a portion of the death benefit for long term care benefits of equivalent value at the option of the insured. This kind of product would offer several advantages not the least of which is the fact that it would permit purchasers to accommodate long term care needs on a contingency basis without forcing a decision at the time of purchase. Whether or not this interest will be translated into an actual product by enactment of House Bill No. 2383 is not known but without such enactment, products of this nature cannot be considered in Kansas.

It is perhaps worthy of note that the only exception we are adding is for long term care coverage. We gave some thought to simply removing the prohibition against combining life and accident and health in one policy but because of the necessity of maintaining separate reserves and other solvency considerations it was decided that removing the prohibition entirely could easily present some unknown and unforeseen difficulties. Therefore, it was determined that, at least for the immediate future exceptions should be limited to those necessary to accomplish or promote a known public policy objective.