

Approved: 1/25/96  
Date

MINUTES OF THE Senate Committee on Financial Institutions and Insurance.

The meeting was called to order by Chairperson Dick Bond at 9:11 a.m. on January 24, 1996 in Room 529-S of the Capitol.

Members present were: Senator Clark, Senator Corbin, Senator Emert, Senator Lee, Senator Petty, Senator Praeger, Senator Steffes

Committee staff present: Fred Carman, Revisor of Statutes  
June Kossover, Committee Secretary

Conferees appearing before the committee: Tom Wilder, Kansas Insurance Department

Others attending: See attached list

Senator Corbin made a motion, seconded by Senator Clark, to approve the minutes of the meeting of January 23 as submitted. The motion carried.

The chairman opened the hearing on **SB 442**, concerning medicare supplement policies. Tom Wilder, Kansas Insurance Department, appeared as a proponent of this legislation and explained to the committee that the intent of the bill is to provide for state regulations to exceed the standards and requirements set out in the Social Security Act. (Attachment #1) Senator Steffes questioned whether the state wished to have tougher requirements and Mr. Wilder responded that in the future the state may wish to exceed the minimum standards of the Social Security Act. There were no further questions and no other conferees; the hearing was closed.

Senator Corbin made a motion to pass **SB 442** favorably and place it on the Consent Calendar. Senator Clark seconded the motion. The motion carried.

The hearing was opened on **SB 449**, relating to group life insurance coverage for dependents. Mr. Wilder also appeared as a proponent of this bill and advised the committee that this legislation would expand the definition of insurable interest to include any child of an employee or their spouse under 21 years of age or any person over 21 years of age who relies primarily on the insured employee for financial support or maintenance. (Attachment #2) Mr. Wilder also pointed out that the bill will require an amendment to correct a drafting error on page 5, section (b), line 12, to add "dependent," after the word "spouse" and to provide that the insurance amount taken out by the employee on the life of their spouse or child shall not exceed 50% of the amount of life insurance taken out on the employee.

Senator Emert questioned whether the bill should be amended to include children in a guardianship situation; however, after further discussion, this was not considered to be necessary at this point.

In response to Senator Clark's question, Mr. Wilder stated that the bill would allow inclusion of significant others but that the language is not mandatory--that issuing of coverage is up to the insurance company.

There were no further questions and no other conferees; the hearing was closed. Senator Praeger made a motion to amend the bill as requested by Mr. Wilder. Senator Steffes seconded the motion. The motion carried.

Senator Praeger made a motion, seconded by Senator Lee, to recommend **SB 449** favorably as amended. The motion carried.

The committee adjourned at 9:25 a.m. The next meeting is scheduled for January 25.





Kathleen Sebelius  
Commissioner of Insurance  
**Kansas Insurance Department**

**MEMORANDUM**

To: Senate Financial Institutions  
and Insurance Committee

From: Tom Wilder, Director of  
Government and Public Affairs

Re: S.B. 442 (Medicare Supplement Regulations)

Date: January 24, 1996

Senate Bill 442 amends K.S.A. 40-2221 which grants authority to the Kansas Insurance Department to develop regulations for the sale of Medicare supplement insurance policies in the state. These policies are governed by standards set out in federal law under the Social Security Act. That law permits states to establish rules for the sale of Medicare supplement policies. The federal statute also provides that state regulations may exceed the standards and requirements set out in the Social Security Act.

The Kansas statute, which was first passed in 1981, was incorrectly drafted because it states the regulations passed by the Insurance Department may not exceed the minimum standards set out in federal law. The amendment set out in Senate Bill 442 was prepared at the request of the Legal Division to clarify that the Kansas rules for the sale of Medicare supplement policies may exceed the minimum standards of the Social Security Act. In addition, the bill corrects an incorrect statutory citation to the federal law in the current statute..

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Attachment #1*



Kathleen Sebelius  
Commissioner of Insurance  
**Kansas Insurance Department**

**MEMORANDUM**

To: Senate Financial Institutions  
and Insurance Committee

From: Tom Wilder, Director of  
Government and Public Affairs

Re: S.B.449 (Group Life Insurance/Insurable Interest)

Date: January 24, 1996

This bill amends the group life insurance statute to add additional persons who may be considered as an insurable interest under such insurance policies. An "insurable interest" is the person whose life is insured. Under the current statute (K.S.A. 40-433), a group policy may provide for an insurable interest in (a) the employee, (b) the employee's spouse, (c) the employee's children who are under 21 years of age or (d) the employee's children over 21 years of age who are attending an education institution and who rely upon the employee for financial support. This statute is permissive and life insurers who sell group life insurance are not required to provide for an insurable interest in anyone other than the employee unless they want to have such provision in their policies.

The provisions of Senate Bill 449 would expand the definition of insurable interest to include any child of the employee or their spouse under 21 years of age and any person over 21 years of age who relies primarily on the insured employee for financial support and maintenance. There have been a number of life insurance companies who have wanted to sell group life policies which are excluded under the current statutory definition. For example, one company provides coverage for an

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insurable interest in a child over 21 years of age who is away from home on a church mission. Because the child is not attending an educational institution, that policy does not comply with our statute. There are also policies which allow an insurable interest in a disabled child who is over 21 years of age but still living with their parents. The changes set out in S.B. 449 will provide more flexibility to life insurance companies which offer group life insurance in Kansas. The amendments are patterned after similar statutes in other states.

There is one amendment which needs to be made to S.B. 449 due to a drafting error. On page 5, Section (b), line 12, the word "dependent" needs to be added after the word "spouse" so that provision will reflect the changes made by the bill to K.S.A. 40-433. That section provides the insurance amount taken out by the employee on the life of their spouse or child shall not exceed 50% of the amount of life insurance on their own life.

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