

Approved: February 11, 2008

Date

MINUTES OF THE HOUSE INSURANCE AND FINANCIAL INSTITUTIONS COMMITTEE

The meeting was called to order by Chairman Clark Shultz at 3:30 P.M. on February 5, 2008 in Room 527-S of the Capitol.

All members were present except:

Representative Tom Burroughs- excused
Representative Jeff Colyer- excused
Representative Oletha Faust-Goudeau- excused
Representative Joe Humerickhouse- excused
Representative Mike Kiegerl- excused
Representative Brenda Landwehr- excused

Committee staff present:

Melissa Calderwood, Kansas Legislative Research Department
Bruce Kinzie, Revisor of Statutes Office
Ken Wilke, Revisor of Statutes Office
Sue Fowler, Committee Assistant

Conferees appearing before the committee:

John Meetz, Kansas Insurance Department
James D. Hall, American Council of Life Insurers

Others attending:

See attached list.

Introduction of Bills:

Natalie Bright, representing Alliance of Healthcare Sharing Ministries, (Attachment #1), requested a bill regarding exemption from State insurance codes. Representative Goico moved for introduction of the bill. Seconded by Representative M. Holmes. Motion carried.

Brad Smoot, representing First American Title Insurance Company, (Attachment #2), introduced a conceptual bill regarding title insurance. Representative Carlson moved for introduction of the bill. Seconded by Representative Grant. Motion carried.

Hearing on:

HB 2687 **Removal of mandatory participation requirements for group life insurance**

Melissa Calderwood, Legislative Research Department, provided a brief overview on **HB 2687**.

Proponents:

John Meetz, Kansas Insurance Department, (Attachment #3), presented testimony before the committee in support of **HB 2687**.

James D. Hall, American Council of Life Insurers (ACLI), (Attachment #4), gave testimony in support of **HB 2687**.

Hearing closed on **HB 2687**.

Representative Grant moved without objection the committee minutes of February 4, 2008 be accepted.

Next meeting will be Monday, February 11, 2008, 3:30 PM, in Room 527-S.

Meeting adjourned at 4:20 PM.

40-202

Chapter 40.--INSURANCE

Article 2.--GENERAL PROVISIONS

40-202. Code inapplicable to certain lodges, societies, persons and associations. Nothing contained in this code shall apply to:

(a) Grand or subordinate lodges of any fraternal benefit society which admits to membership only persons engaged in one or more hazardous occupations in the same or similar line of business or to fraternal benefit societies as defined in and organized under article 7 of chapter 40 of the Kansas Statutes Annotated and amendments thereto, unless they be expressly designated;

(b) the employees of a particular person, firm, or corporation;

(c) mercantile associations which simply guarantee insurance to each other in the same lines of trade and do not solicit insurance from the general public;

(d) the Swedish Mutual Aid Association of Rapp, Osage county, Kansas;

(e) the Scandia Mutual Protective Insurance Company, of Chanute, Kansas;

(f) the Seneca and St. Benedict Mutual Fire Insurance Company of Nemaha county, Kansas;

(g) the mutual insurance system practiced in the Mennonite church, in accordance with an old custom, either by the congregation themselves or by special associations, of its members in Kansas;

(h) the Kansas State High-School Activities Association;

(i) the Mutual Aid Association of the Church of the Brethren; or

(j) a voluntary noncontractual mutual aid arrangement founded on or before ~~December 31, 1982~~, whereby the needs of participants are announced and accommodated through subscriptions to a monthly publication.

History: L. 1927, ch. 231, 40-202; L. 1931, ch. 202, § 1; L. 1935, ch. 194, § 1; L. 1941, ch. 256, § 1; L. 1947, ch. 271, § 1; L. 1951, ch. 291, § 1; L. 1970, ch. 173, § 1; L. 1994, ch. 108, § 1; July 1.



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Statement of Brad Smoot, Legislative Counsel
First American Title Insurance Company
House Insurance & Financial Institutions Committee
February 5, 2008

Mr. Chairman and Members:

On behalf of First American Title Insurance Company, a title insurer licensed in Kansas and across the nation, I respectfully request introduction of a bill to update Kansas laws concerning unearned premium reserves. Specifically, we suggest the amendment of K.S.A. 40-234b and 40-234c. We will be suggesting inclusion of language from Section 10 of the Title Insurers Model Act and would like the committee's indulgence to work with the Revisor of Statutes to prepare the final version.

Thank you and I would be pleased to respond to questions.

House Insurance
Date: 2-5-08
Attachment # 2



Kansas Insurance Department

Sandy Praeger, Commissioner of Insurance

TESTIMONY ON HB 2687

HOUSE INSURANCE AND FINANCIAL INSTITUTIONS February 5, 2008

Mr. Chairman and Members of the Committee

Thank you for the opportunity to appear today in support of House Bill 2687. The Insurance Department was asked to propose this bill by the American Council of Life Insurers (ACLI) in order to remove unnecessary participation requirements in group life insurance policies.

The bill removes mandatory participation requirements that put undue restrictions on companies and consumers. The current statute is extremely rigid as to how many eligible employees of a company must participate in a plan before it may be placed in force. The bill would also allow the employee to pay the full premium in the event that the employer was unable to bear the cost.

HB 2687 also allows employees to opt out of the group life policy, if they indicate they wish to do so in writing. It is our understanding that ACLI has a balloon that clarifies to employees what type of insurance is being declined. We consider this to be a friendly amendment that makes the provisions of this act crystal clear.

The bill also removes language that restricts coverage on dependents to 50% of the employees' insurance policy.

In short, this bill removes antiquated participation requirements that restrict employee participation in group life insurance policies. The Insurance Department would strongly encourage the favorable passage of this bill.

Thank you for the opportunity to speak to you today and I would now be happy to stand for any questions.

John Meetz
Government Affairs Liaison

House Insurance
Date: 2-5-08
Attachment # 3

February 5, 2008

The Honorable Clark Shultz
Chair
Financial Institutions and Insurance Committee
Room 141-W, State Capitol
300 SW 10th Street
Topeka, KS 66612

Re: **House Bill 2687 – Support**

Dear Chairman Shultz:

I am writing on behalf of the American Council of Life Insurers (ACLI), a national trade association whose 353 members account for 93 percent of the total life insurance premiums and 95 percent of the annuity considerations in the United States. ACLI has 299 members licensed in Kansas.

Thank you for the opportunity to express our strong support for House Bill 2687. With this bill, the Kansas Department of Insurance will modernize the state's existing group insurance law by adding the latest provisions of the National Association of Insurance Commissioners Group Life Insurance Model Act.

In recent years, employee benefits have changed significantly. There was a time when employers paid a substantial portion of the cost of employee benefits. Many corporations still do. But due to the increasing burden of health insurance costs, employers of all sizes have reduced or leveled their contributions to health care and to ancillary benefits in order to afford employee health coverage.

In light of the employer's inability to fund a vast array of employee benefits, they have sought voluntary benefits for their employees. These are benefits for which employees pay 100% of the premiums or at least share the cost with employers. Today, 25% of the group life insurance market is fully voluntary.

By offering these voluntary products through an employer group, the employer can continue to offer their employees the advantages of payroll deduction, group rates, limited underwriting, and other efficiencies in administration. The enactment of House Bill 2687 will make these opportunities available to Kansans.



t in support of House Bill 2687.

James D. Hall

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House Insurance
Date: 2-5-08
Attachment # 4

issued on which the entire premium is to be derived from funds contributed by the insured employees. A policy on which part of the premium is to be derived from funds contributed by the insured employees may be placed in force only if at least 75% of the then eligible employees, excluding any as to whom evidence of individual insurability is not satisfactory to the insurer, elect to make the required contribution *the insured employee or from funds contributed by both*. A policy on which no part of the premium is to be derived from funds contributed by the insured employees shall insure all eligible employees, or all except any as to whom evidence of individual insurability is not satisfactory to the insurer *or except those who reject the coverage in writing and the rejection of coverage must specify the type of insurance being declined.* (c) The policy shall cover at least two employees at date of issue. (d) The amounts of insurance under the policy shall be based upon some plan, precluding individual selection either by the employees or by the employer or trustees.