

MINUTES OF THE SENATE FINANCIAL INSTITUTIONS AND INSURANCE COMMITTEE

The meeting was called to order by Chairman Ruth Teichman at 9:30 A.M. on February 13, 2008 in Room 136-N of the Capitol.

All members were present.

Committee staff present:

Melissa Calderwood, Kansas Legislative Research Department
Ken Wilke, Office of Revisor of Statutes
Bev Beam, Committee Secretary
Jill Shelley, Kansas Legislative Research Department

Conferees appearing before the committee:

Others attending:

See attached list.

The Chair called the meeting to order and opened the hearing on **SB 561 - concerning life insurance, pertaining to coverage limits on creditor/debtor group life insurance..**

Melissa Calderwood gave an overview of the bill. She stated that SB 561 was requested by the Kansas Association of Financial Services. The bill would amend the statute governing coverage limitations for creditor/debtor group life insurance to remove the statutory limitation of \$100,000 on a payment to creditor. The law would instead state that the amount of life insurance of any debtor could not exceed the amount owed by that debtor which is repayable in its element to the creditor. The current law limits the amount to the debtor's life insurance to the amount owed to the creditor or \$100,000, whichever is less. The fiscal note indicates there would be no ill effect.

Ron Gaches of Gaches, Braden and Barbee testified in support of SB 561. Mr. Gaches testified that protecting the family home in case of untimely death is a high priority for many families. Credit life insurance is intended to pay off a person's entire mortgage balance should the home owner pass away during the term of the loan. He said in Kansas, the average home value is nearly \$140,000. He said this value is substantially more than the current statutory cap of \$100,000 on credit life insurance. He noted that when the statutory cap of \$100,000 is removed, the new statutory cap will be the value of the outstanding mortgage. As the mortgage balance decreases, the amount of the insurance decreases, and the premiums decrease. He said that according to the Life Insurance and Market Research Association, only 68 percent of United States adults have life insurance. Nearly a third of all adults have no life insurance, he said. He continued that many people qualify for credit life insurance who would not qualify for individual life insurance policies. He said this is especially advantageous for individuals who are older or who may have pre-existing health conditions. He noted that the Kansas Insurance Department regulates these policies. He said the purchase of credit life insurance is completely optional; it is not a condition for receiving a loan. Premiums are typically paid on a monthly basis as part of the monthly mortgage payment, he said. (Attachment 1)

John Meetz, Kansas Insurance Department, appeared in support of SB 561. He said The Kansas Insurance Department supports removal of the \$100,000 cap.

The Chair closed the hearing on SB 561.

Action on

SB 511 - relating to health care; concerning the study on bariatric surgery for the morbidly obese and its effect on medical expenses and health care insurance.

The Chair offered an amendment to SB 511. Line 28 will state the Kansas health policy authority shall present a report on its findings to the joint committee on health policy oversight in both houses by February 1, 2009.

CONTINUATION SHEET

MINUTES OF THE Senate Financial Institutions and Insurance Committee at 9:30 A.M. on February 13, 2008 in Room 136-N of the Capitol.

Senator Schmidt moved passage of the amendment to SB 511. Senator Barone seconded. Motion passed.

Senator Barnett moved to advance the bill favorably as amended. Senator Brownlee seconded. The bill was moved out favorably.

Action on

SB 464 - concerning insurance; relating to waiving certain requirements regarding reinsurance agreements when an insurance company ceases to do business

Senator Wilson moved to pass SB 464 out favorably. Senator Barone seconded. Motion passed.

Action on

SB 561 - concerning life insurance, pertaining to coverage limits on creditor/debtor group life insurance.

Senator Steineger moved to pass the bill out favorably. Senator Barnett seconded. Motion passed.

The meeting adjourned at 10 a.m.

**SENATE FINANCIAL INSTITUTIONS & INS. COMMITTEE
GUEST LIST**

DATE: 2-13-08

NAME	REPRESENTING
<i>Paul Jones</i>	UHG
Alex Kotoyantz	P.I.A.
John Meek	KID
Cory Sheedy	KHPA
Patricia Lightner	HSBC
Bill Sneed	Am. Inv Life
LARRY MAGILL	KAIA
KERRI SPIELMAN	KAIA
JAY KRAMER	CARTER GROUP
<i>Jimmy Stack</i>	<i>federico Consulting</i>
Ron Gaches	KAFS
Dill Carter	Carter Group



GACHES, BRADEN, BARBEE & ASSOCIATES
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**Testimony of Kansas Association of Financial Services
Presented by Ron Gaches, Executive Director
Supporting Enactment of SB 561: Pertaining to
Coverage Limits on Creditor/Debtor Group Life Insurance
Submitted to Senate Financial Institutions and Insurance Committee
Wednesday, February 13, 2008**

Thank you Madam Chairman for this opportunity to speak in support of SB 561, a proposal to eliminate the cap on coverage limits of creditor/debtor group life insurance.

A person's home is usually their greatest asset and their monthly mortgage expense is usually their largest monthly expense. Protecting the family's home in case of untimely death is a high priority for many families. Credit life insurance is intended to pay off a person's entire mortgage balance should the home owner pass away during the term of the loan.

In Kansas, the average home value in Kansas was nearly \$135,000 in Kansas, according to HomeRoute.com. This value is substantially more than the current statutory cap of \$100,000 on credit life insurance. When the statutory cap of \$100,000 is removed the new statutory cap will be the value of the outstanding mortgage. As the mortgage balance decreases the amount of the insurance decreases, and the premiums decrease.

According to the Life Insurance and Market Research Association only 68 percent of United States adults have life insurance. Nearly a third of all adults have no life insurance.

Many people qualify for credit life insurance who would not qualify for individual life insurance policies. This is especially advantageous for individuals who are older or who may have pre-existing health conditions. No physicals are required to obtain credit life insurance, whereas pre-existing health conditions may disqualify an individual from purchasing coverage in the regular life insurance market.

The Kansas Insurance Department regulates these policies. The purchase of credit life insurance is completely optional; it is not a condition of receiving a loan. Premiums are typically paid on a monthly basis as part of the monthly mortgage payment.

Thank you for your time and consideration. KAFS urges you to support passage of SB 561. I'll respond to any questions.

*FI&I Committee
February 13, 2008
Attachment 1*