

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 March 19, 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:

Sandy Praeger, Insurance Commissioner

Others attending:

See attached list.

The Chair called the meeting to order. She began the meeting by telling the Committee how she was involved in the STOLI issue at the national level. She said she feels she has a good understanding of what STOLIS are and what they do. She said she has gone around her district and talked about STOLIS and people are amazed that there are STOLIS out there and that they can take advantage of unsuspecting people. She said she has been involved with NCOIL and the NCOIL process and has been in committee meetings trying to decide what to do with this situation. The Chair of the Subcommittee on STOLI at NCOIL is George Keiser from North Dakota. She said he has spent an enormous amount of time on the STOLI issue. She said when the STOLI bill came out of NCOIL, Representative Keiser was concerned about some of the issues in the bill. She said some of the issues that are in the NCOIL model were compromises that Mr. Kaiser was not necessarily in favor of, but like everything else, to get a compromise out, you have to give up some of your beliefs and positions and I believe that is what happened with the STOLI bill they put out. The Chair said we are going to take up these two bills today.

The Chair called on the Insurance Commissioner for her comments. The Commissioner said she would only comment briefly before Ken Wilke gives an overview of the proposed substitute bill. She said they took SB 601, which was the life settlement industry bill, and thought it would be helpful to amend from that bill and to point out where we are putting in increased consumer protections from the life settlement bill.

Ken Wilke, Revisor, gave an overview of the proposed substitute bill.

The Chair called again on the Insurance Commissioner for her testimony. The Commissioner said life settlements have a legitimate role to play. She said the Kansas Insurance Department has no problem with life settlements. She said we are not trying to impact life settlements negatively. We want people to be able to sell their life insurance policies on the secondary market and get more than just the cash build up. She said what they are concerned about is life insurance policies being originated for the express purpose of cashing them in. She said you are gambling on life. You are making a person's life a commodity to be bought and traded by strangers who have no insurance interest in that person living. She said in fact, they have just the opposite. The sooner that person dies, the more money those people who are investing can make. She said they took SB 601 and I think you have heard that the life settlement folks who introduced us to SB 601 liked the NCOIL version that the Chair referenced. The NCOIL's definition of STOLI is not what was in the original SB 601. STOLIS are taking advantage of and creating wealth for some folks. They are schemes designed to create wealth but we believe they get around the original intent of life insurance.

Marlyn Burch, Life Insurance Department, Kansas Insurance Department, said that STOLI like life settlement situations occurring now are through a broker who will go to a person who can't afford a million, two million or five million in insurance and say they will pay the premiums on the first two years and at the end of the two years, they will take over the premiums and they will pay you for a \$5 million contract maybe \$200,000 for allowing them to have the insurance on your life. That is taxable to the insured, which hopefully, they are told

CONTINUATION SHEET

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at the time it is sold. That is a very important factor. The STOLI industry is not going after the small policies, it is not worth their time. One other point I would like to make that has not been brought out during any of the testimony, is the urgency of this bill. In the past ten years I have admitted three to five viatical companies. A year ago we had five viatical companies. We now have nineteen and I am having on the average of one or two a month apply. Very obviously, this is getting to be a big business and we really need to get in on the ground floor.

Following lengthy discussion, the Chair said she is not going to work the bill at this time, but will work it later.

The meeting adjourned at 10:30 a.m.

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

DATE: 3-19-08

NAME	REPRESENTING
Natalie Haag	Security Benefit
Alex Kotoyantz	P. F. A.
Jim Hacc	ACHI
Cindy Hermes	KID
Marilyn Burch	KID
John Conshell	
Jeff Bottorby	ACLF
Bill Sneed	State Farm
LARRY MAGILL	KAIA
KERRI SPIELMAN	KAIA
John Meets	KID
Sandy Praeger	KID
Wiley Kamarr	KSC
Erin Hoestje	KSC