

## 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 14, 2006 in Room 234-N of the Capitol.

All members were present except:

Dennis Wilson- excused

Committee staff present:

Melissa Calderwood, Kansas Legislative Research Department

Terri Weber, Kansas Legislative Research Department

Ken Wilke, Office of Revisor of Statutes

Bev Beam, Committee Secretary

Conferees appearing before the committee:

Cynthia Smith, Sisters of Charity of Leavenworth

Dale McAllister, SBG

Robert J. Vancrum, Service Contract Industry Council, Inc.

Pam Scott, National Funeral Directors and Embalmers Assn.

Others attending:

See attached list.

The Chair called the meeting to order. The Chair said Minutes of March 7, 8, and 9 would be approved at the end of the meeting.

The Chair called Cynthia Smith, Sisters of Charity of Leavenworth Health System, to testify on **(HB 2669) - an act concerning automatic enrollment retirement plans; relating to the withholding of wages.**

Ms. Smith said a 403(b) retirement plan is like a 401(k) retirement plan for 501(c)(3) tax exempt organizations like Sisters of Charity. She said generally, these plans allow employees to deposit an amount of wages pre-tax into investment funds and a certain percentage is often matched by the employer. She said according to annual studies, automatic enrollment is becoming more commonly utilized by companies offering 401(k) retirement plans for their employees. Instead of employees being required to take the initiative to get enrolled in the plan and choose investment options, new employees are automatically enrolled. Generally, only one or two percent would be withdrawn from their wages and invested in one of the plan's lower risk options. Mr. Smith said Sisters of Charity requested **(HB 2669)** based on advice from legal counsel that a change to state law was necessary to offer an automatic enrollment program for employees.

Ms. Smith said Security Benefit Group supported the bill during hearings before the House Financial Institutions Committee, and spearheaded amendments to expand it beyond 403(b) plans. Leadership of Sisters of Charity believe strongly that taking this action is doing the right thing for employees and urges its favorable passage. (Attachment 1)

The Chair called Dale McAllister, SBG for his testimony. Mr. McAllister said SBG urges the committee to support national efforts to promote financial security of the Kansas workforce by supporting **(HB 2669)**. He said this bill can make a big difference in the retirement prospects of a lot of people. It will cost no taxpayer money, will not require a new regulatory mandate, and will not force employers or their employees to do anything. It will simply give Kansas employers a green light to offer a new, promising retirement program that is currently being promoted by Congress and federal authorities. (Attachment 2)

The Chair closed the hearing on **(HB 2669)** and opened the hearing on **(HB 2858) - An act concerning service contracts; pertaining to the definition thereof.** The Chair asked Melissa Calderwood for an overview of **(HB 2858)**.

## CONTINUATION SHEET

MINUTES OF THE Senate Financial Institutions and Insurance Committee at 9:30 A.M. on March 14, 2006 in Room 234-N of the Capitol.

Ms. Calderwood said (**HB 2858**), as amended, would amend the requirements for service contracts provided under current law. Specifically, the bill would amend the term “service contract” to remove the phrase “handling of property damaged by power surges” and to expand the definition to allow for the accidental damage caused from the handling of any consumer good or other property. She said the proponent of the bill, the Service Contract Industry Council, Inc., indicated the amendment to the 2005 law would allow services, which include Accidental Damage by Handling (ADH), to be exempt from regulation as insurance products. There were no opponents to the bill at the House Committee hearing, she said.

The Chair called Robert Vancrum, Service Contract Industry Council, Inc., to testify. Mr. Vancrum said the Kansas Insurance Department supports (**HB 2858**). He said this bill would put Kansas in line with nearly 40 other jurisdictions that have held that service contracts which include accidental damage by handling should be exempt from regulation as insurance products. Mr. Vancrum said (**HB 2858**) would amend the language defining service contracts from last year’s bill to delete the power surge limitation, which will finally resolve the issue as it will then accurately describe the contracts in the marketplace, ones that may either offer protection for failure of a product resulting from a power surge or from accidental damage from handling. (Attachment 3)

The Chair closed the hearing on (**HB 2858**) and opened the hearing on (**HB 2824**) - **An act concerning pre-arranged funeral agreement accounts; eliminating the waiting requirement.**

The Chair asked Melissa Calderwood for an overview of (**HB 2824**). Ms. Calderwood said (**HB 2824**) would amend existing requirements for pre-arranged funeral agreements by eliminating the waiting requirement. The requirement allowed the balance remaining in the individual’s account which the pre-arranged agreement paid would not be paid until the expiration of at least five days after the date of death of the individual for whose services the funds were paid.

The Chair called Pam Scott, National Funeral Directors and Embalmers Association for her testimony. Ms. Scott said under current law, funds cannot be paid out of a pre-arranged funeral agreement account held by a bank, credit union, or savings and loan association until at least five days have expired after the date of death of the person for whose services the funds were paid. She said she was uncertain as to why the five-day waiting period was originally included in the statute. The result is that the waiting requirement makes it more difficult for financial institutions to compete with insurance companies to fund prearranged funeral agreements. Insurance companies often allow funds to be paid immediately to the funeral provider. She said if the waiting period is removed, protections remain in place to assure funds are not wrongfully paid of a pre-arranged funeral account. The statute would continue to require that acceptable proof of death and a verified statement setting forth that all of the terms and conditions of the agreement have been fully performed and have been provided to the financial institution. Ms. Scott urged the committee’s support of (**HB 2824**). (Attachment 4)

### Final Action

The Chair called for final action on (**HB 2858**). Senator Barnett moved to pass the bill out favorably. Senator Wysong seconded. The bill was passed out favorably.

The Chair called for final action on (**HB 2824**). Senator Schmidt moved to pass the bill out favorably and placed on the consent calendar, HB 2824. Senator Barone seconded. Motion was favorably passed.

The Chair called for final action on (**HB 2669**). Senator Barnett moved to pass (HB 2669) out favorably. Senator Brownlee seconded. Motion passed.

The Chair called for a motion to approve Minutes of March 7, 8 and 9. Senator Brungardt so moved. Senator Schmidt seconded. Motion passed.

The meeting adjourned at 10:30 a.m. The next meeting of this Committee is scheduled for March 15, 2006.