

House Committee on Insurance

February 18, 2013

Testimony by Doug Mays
On behalf of the
Allstate Insurance Company

House Bill 2126

HB 2126 would make a statutory change to permit the combination sale of certain health insurance and life insurance coverage in Kansas. Life insurance companies wish to add, in the form of a rider, certain limited health insurance coverage to life insurance policies. These combination policies are an efficient way of providing coverage for a specific disease or critical illness including, for example, a lump sum payment to the policyholder if he or she suffers a heart attack, stroke or coma

The lump sum coverage provided by the rider can already be sold separately in Kansas, and so can the life policy. This bill would merely make a technical change in the law to permit these two coverages to be sold together.

Currently 49 states allow for the combination of certain health insurance riders with life insurance policies. Under current Kansas insurance law, however, coverage for a "specified disease or illness" cannot be combined as an additional benefit in a life insurance policy. Technically it is an "Accident & Sickness" (A&S) benefit, as opposed to a "Life Insurance" benefit. It matters not that the insurance company is licensed to write both A&S insurance and Life insurance.

The Kansas Department of Insurance has been consulted to make certain that all coverages and combinations of coverage contemplated by this legislation continue to meet all insurance regulatory standards required under Kansas law. The bill establishes that the specified disease and critical illness coverages must:

- Otherwise comply with the health insurance standards applicable to such coverages, and
- Give the policy owner the option to cancel the health insurance coverage and continue only the life insurance coverage.

In addition, the bill contains multiple safeguards to assure appropriate regulation:

- The insurer must be licensed to write both Life insurance and A&S insurance.
- The specified disease or illness product must comply with the Minimum Standards imposed by the Department of Insurance on all A&S coverages.
- The product must comply with all rate and form filing requirements applicable to A&S coverages.

I urge you to support the passage of HB 2126.

House Insurance
Date: 2-18-13
Attachment # 1

HOUSE BILL No. 2126

By Committee on Insurance

1-29

1 AN ACT concerning life insurance; providing for certain additional riders
2 on life insurance policies; amending K.S.A. 2012 Supp. 40-401 and
3 repealing the existing section.
4

5 *Be it enacted by the Legislature of the State of Kansas:*

6 Section 1. K.S.A. 2012 Supp. 40-401 is hereby amended to read as
7 follows: 40-401. Any 10 or more persons, a majority of whom are citizens
8 of this state, may associate in accordance with the provisions of this code
9 and form an incorporated company, upon either the stock or mutual plan,
10 to make insurance upon the lives of persons and every insurance
11 appertaining thereto or connected therewith and to grant, purchase or
12 dispose of annuities, and to issue funding agreements, guaranteed
13 investment contracts and synthetic guaranteed investment contracts. Such
14 companies may incorporate: (a) In their policies provisions or conditions
15 for the waiver of premiums or for the granting of an annuity to the insured,
16 or for special surrender values or other benefits in the event the insured
17 shall from any cause become unemployed or totally and permanently
18 disabled; (b) in their policies provisions for acceleration of life or annuity
19 benefits in advance of the time they would otherwise be payable subject to
20 such reserve and other regulatory standards as the commissioner may
21 prescribe by rules and regulations, except that any provision providing for
22 acceleration of life or annuity benefits for persons diagnosed as having a
23 medical condition usually requiring continuous confinement for the rest of
24 the person's life in a nursing home or other eligible facility as defined in
25 the policy, may also provide for acceleration of benefits upon diagnosis of
26 such condition even if the person is not confined in a nursing home or
27 similar facility; (c) in their policies and annuity contracts provisions or
28 conditions for waiver of surrender charges upon terms and conditions as
29 specified in the policy or contract, subject to rules and regulations adopted
30 by the commissioner of insurance; ~~or (d) in their policies provisions for the~~
31 ~~payment of a larger sum if death is caused by accident than if it results~~
32 ~~from any other causes; or (e) in their policies which combine insurance on~~
33 ~~lives of persons with coverage for any of the following categories of~~
34 ~~coverage whenever all the prescribed minimum standards for each~~
35 ~~additional category of coverage has been met: Specified illness or disease,~~
36 ~~hospital indemnity or other fixed indemnity.~~

Don't
strike

1 Prior to the payment of any accelerated benefit, the insurer shall receive
 2 from any assignee or irrevocable beneficiary of the policy a signed
 3 acknowledgment of concurrence for the payment. For the purposes of this
 4 section, "totally and permanently disabled" means disabled continuously
 5 for a period, such period to be specified in any such provision, of not less
 6 than 60 days nor more than one year, except this provision shall not apply
 7 to and specifically excludes group life insurance. Such company may
 8 make insurance on the health of individuals, against accidental personal
 9 injury, disablement or death and against loss, liability or expense on
 10 account thereof. Such company so transacting such health and accident
 11 insurance business, or either kind, shall maintain statutory and separate
 12 reserves for such business, shall issue such contracts only in separate
 13 policies except as otherwise permitted herein and shall make separate
 14 reports to the commissioner of insurance of the premiums received and
 15 expenses and losses incurred in connection with such business, except that
 16 such reports will not be required for accelerated benefits incorporated in a
 17 life or annuity policy. Long-term care insurance meeting the applicable
 18 requirements of K.S.A. 40-2227 and 40-2228, and amendments thereto,
 19 may be incorporated in life insurance policies and annuities if approved by
 20 the commissioner.

21 The business of life insurance in this state shall not be in any way
 22 conducted or transacted by any company which in this state makes
 23 insurance on marine, fire, inland or any other like risks, except that, ~~life,~~
 24 health and accident insurance on the group or industrial plan may be
 25 combined in one policy, which shall show the premium charged for life
 26 insurance and the premium charged for health and accident insurance, and
 27 the insured, at the insured's option, may discontinue either and by payment
 28 of the stated premium continue the other. The amount of capital stock of a
 29 company organized on the stock plan shall be not less than \$600,000.

30 Companies organized on the mutual plan shall be required to have
 31 applications from at least 200 persons for insurance upon their lives,
 32 aggregating not less than \$400,000, upon which one full annual premium
 33 in cash shall have been paid. No such company shall transact any business
 34 of insurance until, if a stock company, all the capital stock named in its
 35 charter has been paid in cash including all contributions to surplus to be
 36 made by the original purchasers of such stock. The surplus shall be at least
 37 \$600,000, and at least \$400,000 in securities authorized by this code shall
 38 have been deposited with the commissioner of insurance pursuant to
 39 K.S.A. 40-229a, and amendments thereto, and if a mutual company, a
 40 guaranty fund of at least \$1,200,000, and at least \$400,000 of which shall
 41 be in securities as authorized in this code and deposited with the
 42 commissioner of insurance pursuant to K.S.A. 40-229a, and amendments
 43 thereto. The guaranty fund may be returned to the contributors with

: (a) Life

; and (b) (1) specified disease or critical illness riders,
 or both, meeting the applicable requirements of K.S.A.
 40-2201 et seq., and amendments thereto, and article 4
 of Kansas administrative regulations, and amendments
 thereto, may be incorporated in life insurance policies
 which shall show the premium charged for specified
 disease or critical illness, or both, insurance and the
 premium charged for life insurance; and (2) the insured,
 at the insured's option, may discontinue the disease or
 critical illness rider, or both, and continue the life
 insurance policy by payment of the stated premium.

1 interest at 6% per annum whenever the surplus shall equal the amount of
2 such guaranty fund and interest, and no company shall transact any
3 business of insurance unless it shall maintain the capital or surplus or both
4 required of a company commencing to transact business, or, if a mutual
5 company, the required number and amount of applications for insurance
6 have been received and the annual premiums collected in cash. The
7 securities deposited pursuant to this section shall be held by the
8 commissioner of insurance in trust for the benefit and protection of the
9 policyholders or creditors, or both, of the company depositing the same
10 and may be withdrawn only upon order of the commissioner of insurance.

11 The commissioner of insurance may adopt rules and regulations to
12 implement the provisions of this section.

13 Sec. 2. K.S.A. 2012 Supp. 40-401 is hereby repealed.

14 Sec. 3. This act shall take effect and be in force from and after its
15 publication in the statute book.