

Approved 2-12-87  
Date

MINUTES OF THE House COMMITTEE ON Insurance

The meeting was called to order by Rep. Dale M. Sprague at  
Chairperson

3:30 XX a.m./p.m. on February 4, 1987 in room 521-S of the Capitol.

All members were present except:

Rep. Littlejohn, excused  
Committee Staff present, excused

Emalene Correll, Chris Courtwright, Research Department  
Bill Edds, Revisor's Office  
Deanna Willard, Committee Secretary

Conferees appearing before the committee:

Bill Pitsenberger, Kansas Group Life Insurance Company  
Terry Burton, Kansas Group Life Insurance Company  
Darrell H. Schultz, Alliance Life Insurance Company  
Bud Cornish, Kansas Life Association

The meeting was called to order by the Chairman.

Staff briefed the Committee on a bill which has been requested as a Committee bill. It would alter a situation in the motor vehicle liability insurance law. Law enforcement can now request proof of liability insurance coverage in the form of a card or certificate. The bill draft would require that such a card show the expiration date of the policy. Rep. Brady made a motion that such a bill be introduced; Rep. Neufeld seconded the motion. The motion carried.

Hearing on: HB 2113 - requirements governing a group life insurance contract

Staff explained that the bill would provide that the definition of employers would include elected or appointed officials.

Mr. Bill Pitsenberger, Kansas Group Life Insurance Company, explained their endorsement of the bill. They have encountered a problem trying to arrange for group life coverage for employers who have from five to nine employees. Several employers can form a multiple employer trust to enable them to purchase life coverage, which is then issued in Missouri or another state with similar laws. The law would benefit Kansas life insurers. There is a cleanup in lines 55-57 related to public officials. (Att. 1.)

Mr. Terry Burton, Kansas Group Life Insurance, stated that this bill is important to Kansas insurers. It will allow more parallel group life and health laws and prevent some of the confusion of employers with five to nine employees. A transcript of his remarks is attached. (Att. 2.)

He said the change in the multi-employer trusts is to simplify the language; it would provide the ability to issue directly to the employer.

Mr. Dick Brock said that the health and life statutes were developed at two different times. Attempts were made to define "group" in a meaningful way in regard to rate structure. They would prefer that all states had uniform regulations, though the provisions of this bill are more desirable than the NAIC

CONTINUATION SHEET

MINUTES OF THE House COMMITTEE ON Insurance,  
room 521-S, Statehouse, at 3:30 XX a.m./p.m. on February 4, 1987.

recommendations.

Hearing on: HB 2128 - amending limit of group credit life insurance

Staff said that this bill would amend K.S.A. 40-433 which deals with group life insurance policies; it would raise the amount of insurance allowed on the life of a debtor from \$25,000 to \$50,000.

Mr. Darrell Schultz, Alliance Life Insurance Company, said that the proliferation of lines of credit, particularly home equity loans, through financial institutions has created a need for insurance on loans above the \$25,000 maximum. His testimony is attached. (Att. 3.)

He distributed information showing the maximum limits for group credit life in the 50 states. (Att. 4.)

He clarified that we are referring to credit life that is an optional purchase. He said that usually there are no evidence of insurability requirements for the credit life coverage; the selection process is for the loan itself. The insurance companies have the right to set limitations. Group credit life is a convenient way to handle life insurance.

Staff mentioned that a bill has been introduced in the Senate by credit union representatives that would take the limit off completely and allow coverage at the amount of the loan. (SB 133.)

Mr. Dick Brock said that we are talking about all companies doing business in Kansas, not just domestic companies.

Mr. Bud Cornish said that the Kansas Life Association introduced this bill. They would have no objection to SB 133 instead. He made the point that SB 133 is limited by the amount of the debt.

The minutes of the February 3, 1987, meeting were approved.

The meeting was adjourned at 4:15 p.m.



1133 Topeka Avenue, P.O. Box 239, Topeka, Kansas 66629 (913) 233-0155

February 3, 1987

Dale Sprague, Chairman  
House Insurance Committee  
Capitol Building, Room 521  
Topeka, Kansas 66612

RE: HOUSE BILL 2113

Dear Chairman Sprague:

Kansas Group Life Insurance Company strongly endorses House Bill 2113 for one primary reason: it will encourage the return of life insurance business to Kansas.

House Bill 2113 basically seeks to conform the requirements governing the issuance of group life insurance contracts to the same parameters currently governing issuance of group health contracts under K.S.A. 40-2209. The following provides a comparison of current group laws:

	<u>HEALTH</u>	<u>LIFE</u>	<u>PROPOSED LIFE</u>
<u>Employer groups</u>	minimum of 5 employees	minimum of 10 employees	minimum of 5 employees
<u>Multi-employer trusts</u>	No minimum	minimum of 100 persons - not less than average of 5 persons per employer unit at least 60% of uncovered employees or 600 persons at date of issue	minimum of 100 persons - not less than average of 5 persons per employer unit
<u>Associations</u>	minimum of 25 members	minimum of 25 members at least 60% of uncovered association membership or not less than 600 persons on date of issue	minimum of 25 members

House Insurance Committee  
February 4, 1987  
Att. 1

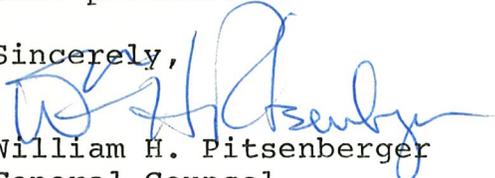
There is a large market for group insurance in the 5-9 employee category. The current Kansas law doesn't really keep these employers from obtaining group coverage. Instead, they obtain coverage under a contract issued to a multiple employer trust in Missouri or other states with less stringent group size minimums than Kansas.

What this means is that these persons are obtaining coverage under a contract not subject to Kansas laws or Kansas Insurance Department supervision. We don't think this is good public policy.

The current restrictions in Kansas insurance laws generally inhibit only Kansas domestic insurers who don't have Missouri or other certificates of authority, but rather confine their operations to Kansas.

House Bill 2113 also contains one clarification at lines 55-57, that elected or appointed officials of a public body, such as school boards or other bodies, are eligible for coverage under an employer group policy. Special authority for many such bodies to acquire group life coverage already exists outside the insurance code; this merely clarifies the authority to cover such persons.

Sincerely,



William H. Pitsenberger  
General Counsel

WHP:kr

Thank you, Mr. Chairman. Thank you, ladies and gentlemen of the Committee for the opportunity to speak in support of House Bill 2113. My name is Terry Burton. I am Vice President of Life Insurance Services for Blue Cross and Blue Shield of Kansas. In that role I serve as the Executive Vice President of Kansas Group Life Insurance Company, a wholly-owned subsidiary of Blue Cross and Blue Shield of Kansas. Kansas Group Life Insurance Company is just a little over one year old, licensed only in Kansas, and specializes in group and payroll deduction products.

As background, I would like to review a brief description of the current situation regarding Kansas group insurance statutes. KSA 40-2209 sets forth the limitations concerning group health coverage. Within those limitations, it provides that group health coverage may be made available to groups of five or more employees in size. The statute also specifies certain limitations on how associations may sponsor group health programs for their members and their members' employees.

KSA 40-433 is a similar statute concerning group life insurance. However, within that statute it sets the limitation for a regular group at groups of ten or more in size and is much more restrictive in determining the availability of association coverage.

House Bill 2113 amends the life statute (40-433) to provide similar limitations for group life as exists for group health. That is, specifically it makes group life coverages available to groups down to five in size and sets forth similar association requirements. One other point is that it permits including elected or appointed officials within the definition of an "employee". Again, similar language exists in 40-2209 concerning elected or appointed officials, but no such language exists in 40-433.

I'd like to make the following comments in support of this change. First of all, and the most obvious, is it would permit more uniform treatment and availability of life as well as health coverages to groups of five to nine in size. There does exist some confusion with their ability to buy group health insurance but not group life insurance. Secondly, it does give the smaller employers the opportunity to provide a significant fringe benefit to their employees on the same basis as the larger employers. This is particularly important when they're competing in the job market place for those employees. This fringe benefit is important in that group life insurance is non-taxable for the employee to the extent that the employer pays for up to the first \$50,000 in coverage.

The 1984 County Business Patterns, a United States Census publication, reported that there were 12,711 business in the five to nine size category within the State of Kansas. This would involve between 75,000 and 100,000 employees.

Currently, some parts of this market segment are purchasing coverages through multiple employer trust arrangements, which for the most part have been established outside of Kansas. This is

because many of the other states have less stringent regulations regarding multiple employer trusts, providing a means of getting around the current Kansas restrictions. However, this capability is only available to those insurers who are domiciled or licensed outside of the state. This results in premium dollars flowing outside of Kansas.

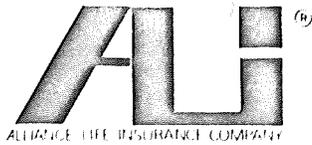
I don't know when these limitations might have been originally imposed in Kansas, or for that matter why the figure was set at 10 employees or more. However, the demands of the market place and the ability to meet those demands has become much more sophisticated in recent years resulting in a need to bring the statutes up to date and to introduce uniformity with the health statutes.

This shouldn't be something that results in any undue financial risk for insurers with their ability to identify and underwrite their risk through appropriate underwriting regulations and limitations.

The NAIC, The National Association of Insurance Commissioners, has developed model legislation providing for standardization of the two group statutes. However, I believe the State could be served by just modifying the life statute at this time. I would like to also point out that the model legislation is, in my opinion, extremely loose, has virtually no numerical restrictions and changes many other segments of these two statutes. Under the model legislation, it would seem possible to call almost any arrangement of two or more people a group. That, I believe, could be misleading to the public.

I would like to also note that the Insurance Department is requesting legislation concerning regulations for long term care coverages. As a point of information, their proposal includes a group definition that simply refers to 40-2209. Not only does this contribute to the uniformity that we're seeking, but may lend some support for the need for House Bill 2113 in the future. Some recent developments in long term care have been built around group life concepts rather than group health.

Ladies and gentlemen, that concludes my remarks and I respectfully request your favorable consideration of House Bill 2113.



Darrell H. Schultz, CLU, FLMI  
President

Kansas General Statute 17:100 Section 40-433

This statute allows for a maximum of \$25,000 group credit life insurance coverage for consumer loans insured on a monthly outstanding balance basis. The \$25,000 limit has been adequate in the past. However, the proliferation of lines of credit through financial institutions has left many consumers and lenders without a convenient way to insure their loans above the \$25,000 maximum. This is particularly true for Home Equity Loans.

Our latest information shows that only six states, including Kansas, have maximum limits for group credit life at \$25,000 or below. All other states have maximums exceeding \$25,000 or no limit whatsoever. Attached is a copy of this information by state.

The change requested is to have the maximum raised to \$50,000 so that a majority of consumer lines of credit can be covered by group credit insurance. The group credit outstanding balance product allows the consumer a convenient way to pay off the debt created by his borrowing against his line of credit, should he die during the term of coverage. The premium charge does not vary by age or amount which allows the consumer to purchase a product he can understand. It is not priced by the insurance company, but by the State Legislature through the credit insurance statutes.

This change has been unanimously endorsed by the Kansas Life Association. This is the association of domestic life insurance companies.

Your support is appreciated and if there is anything you need, please let me know. Thank you.

7309 East 21st Street  
Post Office Box 8906

Phone (316) 686-2600

Wichita, Kansas  
67208-8906

House Insurance Committee  
- February 4, 1987  
Att. 3

## MAXIMUM LIMITS FOR GROUP CREDIT LIFE

\$20,000 Limit - One State:	Hawaii
\$25,000 Limit - Five States:	District of Columbia (e) Kansas South Dakota Massachusetts Vermont (a)
\$30,000 Limit - One State:	Florida
\$40,000 Limit - Three States:	Kentucky Georgia New Jersey (e)
\$50,000 Limit - Eight States:	California (c) Ohio Iowa Puerto Rico Louisiana Texas (d) Maryland Virginia (b)
\$55,000 Limit - One State:	New York (f)
\$60,000 Limit - One State:	Pennsylvania
\$75,000 Limit - One State:	Idaho
\$100,000 Limit - One State:	Oklahoma

## 10. No Maximum Limit - Thirty-one States:

Alabama	Minnesota	Oregon
Alaska	Mississippi	Rhode Island
Arizona	Missouri	South Carolina
Arkansas	Montana	Tennessee
Colorado	Nebraska	Utah
Connecticut	Nevada	Virgin Islands
Delaware	New Hampshire	Washington
Illinois	New Mexico	West Virginia
Indiana	North Carolina	Wisconsin
Maine	North Dakota	Wyoming
Michigan (g)		

## NOTES

- \$50,000 on loans secured by a mortgage on real estate.
- Limit imposed by credit regulations for loans up to 10 years.
- \$100,000 on loans for agricultural, or horticultural purposes not exceeding 18 months or payable in one lump sum.
- \$100,000 limit on agricultural, horticultural or educational loans.
- \$75,000 on loans secured by real estate.
- \$110,000 on loans secured by real estate.
- Section 4416 of the Michigan Code, which imposes a \$20,000 limit, ruled unconstitutional.

SOURCE: Consumer Credit Insurance Association Information Bulletin, Volume XXXIV, Number 83, dated November 25, 1985.