

Approved: 2-15-11
Date

MINUTES OF THE SENATE FINANCIAL INSTITUTIONS & INSURANCE COMMITTEE

The meeting was called to order by Chairman Ruth Teichman at 9:30 am. on February 10, 2011, in Room 152-S of the Capitol.

All members were present.

Committee staff present:

Ken Wilke, Office of the Revisor of Statutes
Melissa Calderwood, Kansas Legislative Research Department
Heather O'Hara, Kansas Legislative Research Department
Beverly Beam, Committee Assistant

Conferees appearing before the Committee:

Jim Hall, American Council of Life Insurers

Others attending:
See attached list.

Chairman Teichman welcomed everyone to the meeting.

Hearing on

SB 85 – Removal of mandatory participation requirements for group life insurance

Melissa Calderwood gave an overview of the bill. She said that **SB 85** would remove mandatory participation requirements on premium payments of group life insurance policies. She said the bill would also expand the amount of insurance coverage available to the family members of an employee from 50.0 percent of the insurance available on the life of the insured employee to 100.0 percent of the insurance available on the life of the insured employee. She added that the Kansas Insurance Department said that implementation of **SB 85** would increase the workload of the department; however, the additional workload is within the scope of expertise and training of the existing staff and could be handled within existing resources.

Jim Hall, Regional Vice President, State Relations, testified in support of **SB 85**. Mr. Hall stated that the group life insurance modernization provided by **SB 85** is not a new development. He said the changes in the group insurance statutes have been occurring over the last twenty years in over forty states. He noted that at present, only three states, including Kansas, have not modernized their group life insurance laws. He said many Americans receive their life, health and disability insurance benefits through their employers. He said it is important that employers have the option of offering group insurance benefits as a way of attracting and keeping employees. In conclusion, Mr. Hall stated that group life insurance is a necessary vehicle of protection for those workers who can't afford individual insurance or can't buy it because of their health status. Mr. Hall said group life insurance and individual life insurance serve different markets. He said modernization of the group life insurance law will not adversely affect the individual life insurance market. He said by offering these voluntary life insurance products through an employer group, the employer can continue to offer their employees the advantages of payroll deduction, group rates, limited underwriting, and other efficiencies in administration. He said the enactment of **SB 85** will make these opportunities available to Kansans. (Attachment 1)

Following brief discussion, the Chair closed the hearing on **SB 85**.

The Chair reopened the hearing on **SB 71**.

Melissa Calderwood refreshed the committee on the content of **SB 71**.

All conferees from the previous day were in attendance and were given an opportunity to speak.

CONTINUATION SHEET

Minutes of the Senate Judiciary Committee at 9:30 a.m. on February 10, 2011 in Room 548-S of the Capitol.

Following lengthy Q & A, the Chair suggested the proponents and opponents look at compromise with regard to the following: increase in Webinars and their availability; define clerical; are the full 24 hours of continuing education necessary; the issue of reciprocity; whether "company" classes could be offered with approval of the Kansas Insurance Department.

The next meeting is scheduled for February 15, 2011.

The meeting was adjourned at 10:25 am.

SENATE FINANCIAL INSTITUTIONS & INS. COMMITTEE GUEST LIST

DATE: 2-10-11

[illegible]



James D. Hall
Regional Vice President, State Relations

February 17, 2011

The Honorable Ruth Teichman
Chair
Senate Financial Institutions and Insurance Committee
Room 236-E
State Capitol
300 SW 10th Street
Topeka, KS 66612

Re: Senate Bill 85 – Support

Madam Chair:

I am writing on behalf of the American Council of Life Insurers (ACLI), a national trade association whose over 300 members account for over 90 percent of the total life insurance premiums and annuity considerations in the United States. ACLI has 270 members licensed in Kansas.

Thank you for the opportunity to appear in support of SB 85. With this bill, the life insurance industry hopes to modernize the state's existing group insurance law.

In recent years, employee benefits have changed significantly. There was a time when employers paid a substantial portion of the cost of employee benefits. Many corporations still do. But due to the increasing burden of health insurance costs, employers of all sizes have reduced or leveled their contributions to health care and to ancillary benefits in order to continue to afford employee health coverage.

In light of the employers' reduced ability to fund a vast array of employee benefits, they have sought voluntary benefits for their employees. These are benefits for which employees can pay 100% of the premiums or at least share the cost with employers. Today, 25% of the group life insurance market is fully voluntary.

By offering these voluntary products through an employer group, the employer can continue to offer their employees the advantages of payroll deduction, group rates, limited underwriting, and other efficiencies in administration.

In considering how best to meet the changing demands of the market place, and in particular how to help small businesses, insurers discovered restrictions in the older group insurance laws of many states. Written many years ago, these older provisions have since created an impediment to a number of otherwise common group insurance offerings. These limitations restrict employee and dependent access to voluntary coverage. The Kansas group insurance law was originally enacted in

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Attachment 1

1951. It was updated to adopt the NAIC Model in 1972. It has been amended periodically since then, but the older restrictions were never removed. Given the realities of today's employer group market, the outdated group insurance law appears ill-suited to protect and benefit consumers. In SB 85, we are seeking to modernize Kansas law by repealing or amending four categories of limitations within group laws: 1) minimum number of lives requirements; 2) group participation requirements; 3) prohibitions on fully employee-paid group insurance; and 4) limitations on ability of dependents to obtain group life insurance.

The above mentioned limitations were originally written years ago, in part to protect insurers from adverse selection. They were also written at a time when it was believed that the employer must pay part, or all, of the premium for the coverage in order for the contract to be legitimately an employer group plan. State insurance regulators and the life insurance industry agree that these assumptions no longer hold true.

The group life insurance modernization provided by SB 85 is not a new development. The changes in the group insurance statutes have been occurring over the last twenty years in over forty states. At present, only 3 states (including Kansas) have not modernized their group life insurance laws. Our neighbors Missouri, Nebraska, Oklahoma and Colorado have all modernized their group life laws.

Many Americans receive their life, health and disability insurance benefits through their employers. It is important that employers have the option of offering group insurance benefits as a way of attracting and keeping employees.

It should be noted that modernization of the group life insurance laws will not harm the individual life insurance product. The two products serve different markets. Indeed, many companies that support group life modernization also write individual life insurance. These companies would not support legislation that helps one of their products lines at the expense of another. Companies that write both individual and group life insurance view the two product lines as complimentary to each other.

Most states have permitted the key elements of group life modernization for years and there has been no movement toward group and away from individual insurance because of it. Individual life sales continue to represent a significant portion of the market.

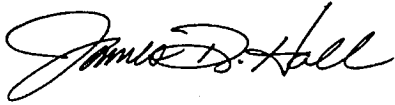
Group life insurance is a necessary vehicle of protection for those workers who can't afford individual insurance or can't buy it because of their health status. It is important to remember that most group insurance is provided without the applicant having to provide evidence of insurability. While individual coverage can be a favorable option for individuals who have no major medical issues, group insurance generally provides coverage for all individuals regardless of health status. Group insurance is generally offered subject to certain limitations, such as limits on death benefit amounts and limits on the types of additional benefits that may be offered. Individual life insurance is more flexible in these areas. In summary, as noted above, group life insurance and individual life insurance serve different markets. Modernization of the group life insurance law will not adversely affect the individual life insurance market.

The Honorable Ruth Teichman
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By offering these voluntary life insurance products through an employer group, the employer can continue to offer their employees the advantages of payroll deduction, group rates, limited underwriting, and other efficiencies in administration. The enactment of SB 85 will make these opportunities available to Kansans.

Thank you for the opportunity to comment in support of SB 85.

Very truly yours,

A handwritten signature in black ink, appearing to read "James D. Hall". The signature is fluid and cursive, with the first name "James" being more prominent than the last name "Hall".

James D. Hall