

SESSION OF 2008

SUPPLEMENTAL NOTE ON SENATE BILL NO. 561

As Recommended by Senate Committee on
Financial Institutions and Insurance

Brief*

SB 561 would amend a statute governing coverage limitations for creditor/debtor group life insurance to remove the statutory limitation of \$100,000 on the payments to the creditor. The law would instead state that the amount of life insurance of any debtor cannot exceed the amount owed by that debtor, which is repayable in installments to the creditor.

Current law limits the amount of the debtor's life insurance to the amount owed to the creditor, or \$100,000, whichever is less.

Background

SB 561 was requested by the Kansas Association of Financial Services whose representative indicated that credit life insurance is intended to pay off a person's entire mortgage balance should the homeowner pass away during the term of the loan. In Kansas, the representative testified, the average home of value is nearly \$135,000 and with the removal of the statutory cap of \$100,000, the new statutory cap would be the value of the outstanding mortgage. The bill was supported by the Kansas Insurance Department. There were no opponents to the bill at the time of the Committee hearing.

The fiscal note prepared by the Division of the Budget states the Kansas Insurance Department indicates that passage of the bill would have no fiscal effect.

*Supplemental notes are prepared by the Legislative Research Department and do not express legislative intent. The supplemental note and fiscal note for this bill may be accessed on the Internet at <http://www.kslegislature.org>