



## Kansas Department of Insurance

Commissioner Vicki Schmidt

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### Proponent Testimony for HB 2562 The Protect Vulnerable Adults from Financial Exploitation Act March 6, 2024

Chairman Longbine and Members of the Committee,

Thank you for the opportunity to testify in support of House Bill 2562.

House Bill 2562 amends K.S.A. 17-12a412 and creates a new law, concerning the protection of elderly and vulnerable adults from financial exploitation. The legislation is based on a model law from the North American Securities Administrators Association (NASAA), which has been adopted in some form in 41 other states.

This legislation seeks to protect elder persons and other adults who need and already have other extra protections under Kansas law,<sup>1</sup> such as residents of adult care homes and individuals with intellectual or developmental disabilities. Financial exploitation includes the things you would expect—abuse of trust relationships, undue influence, and extortion—and the bill clearly defines it to be consistent with existing law protecting these adults from abuse, neglect, and financial exploitation.<sup>2</sup>

This bill is integrated with existing regulatory and criminal protections and gives financial professionals additional tools to promote their clients' best interests when they are subjected to unlawful financial exploitation. When securities professionals have evidence that their elderly or vulnerable clients are being victimized, the bill provides them two uniform and tested approaches to combat exploitation. First, it makes it easier for these professionals to report financial exploitation to the authorities dedicated to preventing it. Second, the bill allows the professional to slow a requested transaction or disbursement down long enough to verify its legitimacy. The provisions that permit delay are essential to the bill and are structured to minimize the length of delay to the extent possible.

Under the bill, authorities work shoulder-to-shoulder with securities professionals already bound by law to protect their clients' best interests, often as fiduciaries. These firms and professionals share and pursue their clients' financial objectives and have requested these additional tools to help protect their clients from transactions that look like investment opportunities but are often just plain theft. Authorities, firms, and clients alike all want legitimate transactions to go through as quickly as possible. No one wants hard-earned retirement savings to be taken by scammers who utilize social media and other get rich quick schemes to mask their wrongdoing. This bill is tailored to slow down disbursements and

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<sup>1</sup> See, K.S.A. 21-5417 defining "dependent adult"

<sup>2</sup> Cf. New Sec. 2(f) with K.S.A. 39-1430

transactions only long enough to verify their legitimacy and prevent fraud and theft. It does not give investment advisers, broker-dealers, and their employees too much power and discretion over eligible adults' disbursements and transactions because the interests of these financial professionals and their clients are aligned throughout the process.

The Department recommends passage of the Protect Vulnerable Adults from Financial Exploitation Act to prevent scammers and fraudsters from targeting Kansas as one of the few remaining states without these protections.

House Bill 2562 passed the House Committee of the Whole unanimously with a vote of 120-0.

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