

MINUTES OF THE SENATE FINANCIAL INSTITUTIONS AND INSURANCE COMMITTEE

The meeting was called to order by Chairman Ruth Teichman at 9:30 A.M. on February 25, 2008 in Room 136-N of the Capitol.

All members were present.

Committee staff present:

Melissa Calderwood, Kansas Legislative Research Department
Ken Wilke, Office of Revisor of Statutes
Bev Beam, Committee Secretary
Jill Shelley, Kansas Legislative Research Department

Conferees appearing before the committee:

Jim Hall; ACLI
Michael Freedman, Life Settlement Institute
Steve Washington, Life Settlement Institute

Others attending:

See attached list.

Hearing on:

Continued hearing on: **SB 624 - concerning viatical settlements**

The Chair called the meeting to order. Jim Hall, Regional Vice President, American Council of Life Insurers (ACLI), testified in support of SB 624 and in opposition to SB 601. Mr. Hall stated that unlike SB 624, which contains a combination of amendments developed by the NAIC and NCOIL for the purpose of stopping a practice known as “stranger originated life insurance” or STOLI, SB 601 is a group of amendments developed by the life settlement industry for the purpose of thwarting the prevention of STOLI and instead, ensuring STOLI’s continued existence. Mr. Hall continued that both SB 624 and SB 601 offer amendments to Kansas’ existing viatical settlements act, which is the 2000 version of the NAIC Viatical Settlements Model Act. The difference is, he said, SB 624 incorporates the latest consumer protection and STOLI prevention amendments developed by the NAIC and NCOIL. SB 601 does not. Instead, SB 601 omits the consumer protections and offers a definition of STOLI that merely restates existing law, thereby preserving the ability of STOLI perpetrators to stay in business by continuing to circumvent current law. (Attachment 1)

Michael Freedman, Senior Vice President, Coventry, testified in opposition to SB 624 and in support of SB 601. Mr. Freedman said based on key provisions from the well-regarded model act of the National Conference of Insurance Legislators (NCOIL) it is a focused approach to concerns about stranger-originated life insurance (STOLI). SB 601 protects citizens against STOLI while preserving the property rights of Kansas insurance policy owners. SB 601 attacks STOLI while preserving the current settlement law that has demonstrably protected consumers who exercise their lawful right to sell their policy in a competitive market. He noted that if the motivation of SB 624 is consumer protection in life settlements, the change in law is not needed, as the current law is working to protect consumers. If the motivation is to stop STOLI, SB 624 fails in that regard, as it is based on the model of the National Association of Insurance Commissioners (NAIC), which model has been criticized by state legislators, by the NAIC’s own insurance consumer advocates and by the life insurance industry’s own trade association. He said a radical rewriting of the Kansas settlement law in the name of STOLI or consumer protection is simply not warranted. (Attachment 2)

Steven L. Washington, Managing Director of Business Development Life Equity, LLC, on behalf of The Life Settlement Institute, testified in opposition to SB 624 and in support of SB 601. Mr. Washington said while LSI believes SB 624 has some commendable improvements to add to Kansas’ life settlement statute, we, both Life Equity and the other members of LSI, have significant concerns about certain provisions contained in SB 624. He continued that they also have concerns with other provisions that might appropriately be considered “technical amendments.” (Attachment 3)

CONTINUATION SHEET

MINUTES OF THE Senate Financial Institutions and Insurance Committee at 9:30 A.M. on February 26, 2008 in Room 136-N of the Capitol.

Following Q & A, the Chair said she has asked that SB 601 and SB 624 be blessed in an attempt to reach an agreement or compromise between the parties before these bills are worked.

The meeting adjourned at 10:30 a.m.