

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 26, 2009, in Room 136-N of the Capitol.

All members were present except:

Senator Jeff Colyer- excused

Committee staff present:

Bruce Kinzie, Office of the Revisor of Statutes

Melissa Calderwood, Kansas Legislative Research Department

Terri Weber, Kansas Legislative Research Department

Beverly Beam, Committee Assistant

Conferees appearing before the committee:

Melissa Calderwood, Principal Analyst, Research Department

Jim Hall, American Council of Life Insurers ([Attachment 1](#))

John Meetz, Legislative Liaison, Kansas Insurance Department

Kevin Glendening, Administrator, Office of the State Bank Commissioner ([Attachment 2](#))

Rick Fleming, General Counsel, Office of the Securities Commissioner ([Attachment 3](#))

Others attending:

See attached list.

The Chair called the meeting to order.

Hearing on

SB 174 - Removal of mandatory participation requirements for group life insurance.

Melissa Calderwood, Principal Analyst, Research Department, gave an overview of the bill. Ms. Calderwood stated that under current law, group life insurance premiums are paid by the policyholder. She said **SB 174** would allow the premiums to be paid by the policyholder, the insured employee or both. She explained that this bill eliminates mandatory participation percentages from covered employees to place a group life policy in effect. She said also under current law, a group life insurance policy for dependents is limited to 50.0 percent of the employee's insurance coverage. This bill would increase the limit to 100.0 percent of the employee's coverage, she said. She noted that the Kansas Insurance Department indicates there would be no fiscal effect associated with the enactment of **SB 174**.

Jim Hall, Regional Vice President, State Relations, American Council of Life Insurers, testified in support of **SB 174**. Mr. Hall said with this bill, the life insurance industry hopes to modernize the state's existing group insurance law. He said in recent years, employee benefits have changed significantly. He noted that there was a time when employers paid a substantial portion of the cost of employee benefits and many still do, he said. However, he said 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. Mr. Hall said in light of the employers' reduced ability to fund a vast array of employee benefits, they have sought voluntary benefits for their employees. He said these are benefits for which employees can pay 100% of the premiums or at least share the cost with employers. He noted that today, 25% of the group life insurance market is fully voluntary and 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. He said in this bill they are seeking to modernize Kansas law by repealing or amending four categories of limitations within group laws. They are: 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. He said 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. ([Attachment 1](#))

CONTINUATION SHEET

Minutes of the Senate Financial Institutions And Insurance Committee at 9:30 a.m. on February 26, 2009, in Room 136-N of the Capitol.

John Meetz, Kansas Insurance Department, offered no written testimony; however, he said the Kansas Insurance Department stands in agreement with comments made by Jim Hall.

The Chair closed the hearing on **SB 174**.

Hearing on

SB 241 - Regulating distressed property consulting services.

Melissa Calderwood gave an overview of the bill. She stated **SB 241** would amend the Kansas Credit Services Organization Act to place additional requirements for individuals engaged in distressed property consulting services and would address activities related to “foreclosure avoidance” scams perpetrated on consumers and legitimate mortgage lenders. She said in addition, the bill transfers oversight of loan brokers from the Office of the Securities Commissioner to the Office of the State Bank Commissioner.

Kevin Glendening, Administrator, Office of the State Bank Commissioner testified in support of **SB 241**. He said the amendments to the CSO Act contained in **SB 241** place certain restrictions on activities sometimes referred to as Distressed Property Consulting or Foreclosure Rescue. He said based on their experience, these activities often involve convincing the consumer that the person engaging in this activity can save the consumer from losing their home, or that they have some foolproof method of solving everything with the consumer’s lender. He said to compound the situation, the consumer is often told not to respond to any communication from the lender. He noted that these plans appear to accomplish little more than take advantage of an already financially strapped consumer and create additional expense and unwarranted delays for lenders seeking to exercise their rights to the collateral for the loan. Mr. Glendening said the remainder of **SB 241** transfers enforcement of the Kansas Loan Broker Act from the Office of the Securities Commissioner to the Office of the State Bank Commissioner and updates certain sections of that act. (Attachment 2)

Rick Fleming, General Counsel, Office of the Securities Commissioner, testified in support of **SB 241**. Mr. Fleming said the Office of the Securities Commissioner has administered and enforced the Kansas Loan Broker Act since its original adoption in 1988. He said Section 2 through 11 of **SB 241** transfers these functions to the Office of the State Bank Commissioner. He said the time is right to transfer the Loan Broker Act to the Office of the State Bank Commissioner. He noted that the Act more naturally fits with that agency, and the transfer will prevent unscrupulous individuals from taking advantage of possible gaps between their regulation of loan brokers and the Bank Commissioner’s regulation of other lenders. Mr. Fleming offered the attached amendment. (Attachment 3)

The Chair closed the hearing on **SB 241**.

Action on

SB 49 - Relating to insurance; concerning mental health and alcoholism, drug abuse or other substance use disorder benefits.

Senator Barnett moved SB 49 be passed out favorably and placed on the Consent Calendar. Senator Steineger seconded. Motion passed.

Action on

SB 174 - Removal of mandatory participation requirements for group life insurance

Senator Barnett moved SB 174 be passed out favorably. Senator Masterson seconded. Motion passed.

The next meeting is scheduled for March 3, 2009.

The meeting was adjourned at 10:20 a.m.