

Senate Committee on Financial Institutions and Insurance

March, 2012

Testimony by Doug Mays
On behalf of the
Allstate Insurance Company

House Bill 2373

HB 2373 would make a statutory change to permit the combination sale of certain health insurance and life insurance coverage in Kansas. Life insurance companies wish to add, in the form of a rider, certain limited health insurance coverage to life insurance policies. These combination policies are an efficient way of providing coverage for a specific disease or critical illness including, for example, a lump sum payment to the policyholder if he or she suffers a heart attack, stroke or coma

The lump sum coverage provided by the rider can already be sold separately in Kansas, and so can the life policy. This bill would merely make a technical change in the law to permit these two coverages to be sold together.

Currently 49 states allow for the combination of certain health insurance riders with life insurance policies. Under current Kansas insurance law, however, coverage for a "specified disease or illness" cannot be combined as an additional benefit in a life insurance policy. Technically it is an "Accident & Sickness" (A&S) benefit, as opposed to a "Life Insurance" benefit. It matters not that the insurance company is licensed to write both A&S insurance and Life insurance.

The Kansas Department of Insurance has been consulted to make certain that all coverages and combinations of coverage contemplated by this legislation continue to meet all insurance regulatory standards required under Kansas law. The bill establishes that the specified disease and critical illness coverages must:

- Otherwise comply with the health insurance standards applicable to such coverages, and
- Give the policy owner the option to cancel the health insurance coverage and continue only the life insurance coverage.

In addition, the bill contains multiple safeguards to assure appropriate regulation:

- The insurer must be licensed to write both Life insurance and A&S insurance.
- The specified disease or illness product must comply with the Minimum Standards imposed by the Department of Insurance on all A&S coverages.
- The product must comply with all rate and form filing requirements applicable to A&S coverages.

I urge you to support the passage of HB 2373.

**Senate Financial Institutions and
Insurance Committee**

Date 3-14-12

Attachment # 1-1

The business of life insurance in this state shall not be in any way conducted or transacted by any company which in this state makes insurance on marine, fire, inland or any other like risks, except that: (a) life, health and accident insurance on the group or industrial plan may be combined in one policy, which shall show the premium charged for life insurance and the premium charged for health and accident insurance, and the insured, at the insured's option, may discontinue either and by payment of the stated premium continue the other and (b)(1) specified disease and or critical illness riders meeting the applicable requirements of K.S.A. 40-2201 et. seq. and amendments thereto and Article 4 of Kansas Administrative Regulations and amendments thereto, may be incorporated in life insurance policies which shall show the premium charged for specified disease and or critical illness insurance and the premium charged for life insurance; and (2) the insured, at the insured's option, may discontinue the disease and or critical illness rider and continue the life insurance policy by payment of the stated premium.