

Approved 2-13-85  
Date

MINUTES OF THE House COMMITTEE ON Insurance

The meeting was called to order by Vice-Chairman Sprague at ~~Chairman~~

3:30 ~~XX~~ a.m./p.m. on Tuesday, February 12, 1985 in room 521-S of the Capitol.

All members were present except:

Rep. King and Rep. Hoy, both excused.

Committee staff present:

Gordon Self, Revisor of Statutes Office  
Melinda Hanson, Research Department  
Emalene Correll, Research Department  
Helen Carlson, Secretary

Conferees appearing before the committee:

Mr. Dick Brock, Insurance Dept.

The minutes of February 7, 1985 were approved.

Melinda Hanson presented background information on HB 2166 regarding unearned premiums or reserves stating the bill would permit use of the "sum of the digits" method of accounting when determining amounts to be required in the unearned premium reserve fund. The method is basically parallel to that of accelerated depreciation. The method would allow insurers to earn the premium more quickly, with the unearned portion decreasing as exposure to risk decreased. The use of the method would be limited to policies where exposure to risk is decreasing in equal amounts over the duration of the contract.

Mr. Brock said that HB 2166 was one of the proposals introduced by the Committee at the Insurance Department's request. The reason for the bill was that two or three insurance companies applied for admission to Kansas which permits them to use "sum of the digits" amounts to be required in the unearned premium reserves. The pro rata method requires a greater amount of reserves and consequently could not permit them to do business in Kansas. Mr. Brock said the question is whether or not to liberalize our reserves method so additional companies could be admitted if they want to be. Mr. Brock's final comment was that the strike out in Line 25 has no impact on the bill, nor does the bill have any impact on the insured or the public.

Ms. Hanson explained HB 2172 saying the bill would provide for a penalty of 18% per year simple interest on surcharge levied under the health care provider insurance availability act. The penalty would be triggered if surcharge were not received by the Insurance Commissioner within 60 days of the effective date of the policy.

Mr. Brock said the only penalty now is suspension of certificate and they then can pay surcharge and the Insurance Department has to reinstate the policy. Mr. Brock said the solution is to change the date that the time starts for payment of surcharge and he feels that 60 days is a reasonable time.

No one appeared in opposition to the bill.

Meeting adjourned at 4 PM.

*Rex B Hoy*

