

MINUTES OF THE House COMMITTEE ON Insurance

The meeting was called to order by Rep. Rex B. Hoy at
Chairperson

3:30 ~~a.m.~~/p.m. on January 23, 1986 in room 521-S of the Capitol.

All members were present except: Rep. Cribbs

Committee staff present: Emalene Correll, Research Department
Melinda Hanson, Research Department
Gordon Self, Revisor of Statutes Office
Deanna Willard, Secretary

Conferees appearing before the committee:

Dan Cunningham, African Development Bank
Jack Roberts, Blue Cross Blue Shield

Chairman Hoy introduced the staff.

Dan Cunningham requested legislation to permit investments by insurance companies in the African Development Bank to promote development in the African nations, excepting South Africa. The proposal would not require allocation; similar legislation has been adopted in 22 states. (Attachment 1.)

Jack Roberts requested legislation which would make it permissible for Blue Cross Blue Shield to become a mutual life insurance company. It was moved and seconded that both requests be drawn up and presented. The motion carried. (Attachment 2.)

Melinda Hanson gave a synopsis of each bill still in the committee.

Proposal 15 has to do with the bonding of state employees. The Interim Committee has recommended that more study be done to determine the result of such bonding. SB 408 requires that all employee-related losses (bonded) be reported to the Insurance Commissioner.

Sub. for SB 121 provides for a risk-pooling mechanism for medically uninsurables. The Commissioner would compile information about these cases and present plan to legislature.

SB 283 concerns preferred provider organizations and establishes a regulatory environment.

SB 307 Under present law, a DUI charge is considered a conviction for motor vehicle liability insurance purposes. Under this bill, it is not.

SCR 1621 would require the Insurance Department to study the cost of coverage for diabetic treatment.

HB 2011 is a means of amending the current no-fault law.

HB 2167 related to Proposal 14; it gives the Insurance Commissioner a mechanism for setting up assigned risk plan for medically uninsurables.

HB 2169 prohibits insurance companies from age rating relating to medicare supplement policies.

HB 2170 would require that group health policies provide coverage for treatment of alcoholism and drug abuse.

HB 2172 sets up a penalty for health care providers if surcharges are not paid on time.

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HB 2290 would require written notice from an insurance company before insurance contract was terminated.

HB 2302 relates to continuation and conversion privileges of insurance policies of persons who reside or who are employed in Kansas; policies would be under jurisdiction of Kansas law.

HB 2315 addresses the Supreme Court decision as to what income is considered "monthly earnings" for purposes of no-fault payments.

HB 2324 concerns recovery of damages against uninsured motorist coverage. It allows stacking of uninsured and under-insured benefits. (HB 2645 is an extension of this bill.)

HB 2399 provides for professional liability insurance for lawyers engaged in private practice.

HB 2448 makes a health insurance policy the primary payer for claims of recipients of medical assistance.

HB 2482 mandates that individual health policies offer coverage for treatment of drug abuse, alcoholism, and nervous or mental conditions.

HB 2495 relates to alternative providers of dental coverage when an employer contributes to the benefit plan.

HB 2496 defines practices to be "fraudulent misrepresentations" relating to licensure or disciplinary procedures for dentists.

HB 2499 provides for certain acts the Commissioner could take to help insurance companies in hazardous financial condition.

HB 2532 requires insurers to offer a reduced premium for families who habitually use seat belts and restraint systems. It provides that a reduced settlement be made in the event of a claim occurring when safety restraint was not in use.

HB 2565 shortens time period for which certain violations can be considered grounds for cancellation of automobile liability insurance policies.

Meeting was adjourned at 4:15 p.m.

S. B./H. B. _____
Offered: _____ (Date)
By: Senator/Representative _____

A Bill amending the Kansas Statutes Annotated §§40-2a17 and 40-2b17, to permit investments in obligations issued, assumed or guaranteed by the African Development Bank.

BE IT ENACTED BY THE KANSAS LEGISLATURE THAT THE KANSAS STATUTES ANNOTATED BE AMENDED AS FOLLOWS:

Section 1: Kansas Statutes Annotated §40-2a17 is amended to read:

§40-2a17. International bank for reconstruction and development and inter-American development and African Development Bank obligations.

Any insurance company other than life heretofore or hereafter organized under any law of this state may invest with the direction or approval of a majority of its board of directors or authorized committee thereof, any of its funds, or any part thereof in bonds or other evidences of indebtedness issued, assumed or guaranteed by the international bank for reconstruction and development; or by the inter-American development bank; or by the African Development Bank."

Attachment 1
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Section 2: Kansas Statutes Annotated §40-2b17 is amended to read:

"40-2b17. International bank for reconstruction and development and inter-American development bank and African Development Bank obligations.

Any life insurance company heretofore or hereafter organized under any law of this state may invest by loans or otherwise, with the direction or approval of a majority of its board of directors or authorized committee thereof, any of its funds, or any part thereof in bonds or other evidences of indebtedness issued, assumed or guaranteed by the international bank for reconstruction and development; or by the inter-American development bank; or by the African Development Bank."

Section 3: Be it further enacted that this legislation shall take effect immediately upon passage.

collateral securities pledged to the payment of loans authorized in this section.

History: L. 1972, ch. 173, § 14; July 1.

40-2a15. Data processing equipment.

Any insurance company other than life heretofore or hereafter organized under any law of this state may invest with the direction or approval of a majority of its board of directors or authorized committee thereof, any of its funds, or any part thereof in the purchase of electric or mechanical machines constituting a data processing system, and thereafter may hold the system as an admitted asset for use in connection with the business of the company if, (1) the system shall have an aggregate cost of not less than twenty-five thousand dollars (\$25,000) and its aggregate cost shall not exceed five percent (5%) of the admitted assets of the company;

(2) the cost of the component machines constituting the system shall be fully amortized over a period of not to exceed ten (10) years. If a data processing system consists of separate component machines which are acquired at different times, then the cost of each component shall be amortized over a period not to exceed ten (10) years commencing with the date of acquisition of each component. Data processing equipment investments are not deemed eligible for deposit with the commissioner of insurance as part of the legal reserve of the company.

History: L. 1972, ch. 173, § 15; July 1.

40-2a16. Leeway clause. Any insurance company other than life heretofore or hereafter organized under any law of this state may invest with the direction or approval of a majority of its board of directors or authorized committee thereof, any of its funds, or any part thereof in investments whether or not qualified and permitted under this act and notwithstanding any conditions or limitations prescribed therein, except that investments shall not be permitted in insolvent organizations or organizations in default with respect to the payment of principal or interest, and subject to the provisions of K.S.A. 17-3004, in an aggregate amount not more than five percent (5%) of its admitted assets as shown by the company's last annual report as filed with the commissioner of insurance.

History: L. 1972, ch. 173, § 16; July 1.

40-2a17. International bank for reconstruction and development and inter-American development bank obligations. Any insurance company other than life heretofore or hereafter organized under any law of this state may invest with the direction or approval of a majority of its board of directors or authorized committee thereof, any of its funds, or any part thereof in bonds or other evidences of indebtedness issued, assumed, or guaranteed by the international bank for reconstruction and development; or by the inter-American development bank.

History: L. 1972, ch. 173, § 17; July 1.

40-2a18. Real estate investment trusts.

Any insurance company other than life heretofore or hereafter organized under any law of this state may invest with the direction or approval of a majority of its board of directors or authorized committee thereof, any of its funds, or any part thereof in shares of beneficial interest in or obligations issued by a real estate investment trust qualified under sections 856 through 858 of the federal internal revenue code which meet the following qualifications:

(a) The obligations shown on the last published annual statement of such trust must meet the qualifications specified for corporate obligations in subsections (a) through (d) of K.S.A. 40-2a05.

(b) Cash dividends have been paid during each of the last three (3) years preceding the date of acquisition.

(c) The shares are registered on a national securities exchange regulated under the securities exchange act of 1934, as amended, or regularly traded on a national or regional basis.

(d) The trust shall have earnings in three (3) of the last five (5) years preceding date of acquisition.

(e) No insurance company shall own more than five percent (5%) of the total number of shares of any one such trust, nor invest more than two percent (2%) of its admitted assets in shares of any one such trust.

Shares in each such trust which has over one-half (½) of its assets invested in ownership of real estate or which has such ownership as its stated investment objective shall be considered a real estate investment for purposes of conforming with the limitation

the direction or approval of a majority of its board of directors or authorized committee thereof, any of its funds, or any part thereof in the purchase of electric or mechanical machines constituting a data processing system, and thereafter may hold the system as an admitted asset for use in connection with the business of the company if, (1) the system shall have an aggregate cost of not less than twenty-five thousand dollars (\$25,000) and its aggregate cost shall not exceed five percent (5%) of the admitted assets of the company; (2) the cost of the component machines constituting the system shall be fully amortized over a period of not to exceed ten (10) years. If a data processing system consists of separate component machines which are acquired at different times, then the cost of each component shall be amortized over a period not to exceed ten (10) years commencing with the date of acquisition of each component. Data processing equipment investments are not deemed eligible for deposit under K.S.A. 40-404.

History: L. 1972, ch. 179, § 14; July 1.

40-2b15. Savings and loan shares or deposits. Any life insurance company heretofore or hereafter organized under any law of this state may invest by loans or otherwise, with the direction or approval of a majority of its board of directors or authorized committee thereof, any of its funds, or any part thereof in shares or savings deposits in a federally insured savings and loan association.

History: L. 1972, ch. 179, § 15; July 1.

40-2b16. Bank certificates of deposit. Any life insurance company heretofore or hereafter organized under any law of this state may invest by loans or otherwise, with the direction or approval of a majority of its board of directors or authorized committee thereof, any of its funds, or any part thereof in certificates of deposit in a federally insured bank.

History: L. 1972, ch. 179, § 16; July 1.

40-2b17. International bank for reconstruction and development and inter-American development bank obligations. Any life insurance company heretofore or hereafter organized under any law of this state may invest by loans or otherwise, with the direction or approval of a majority of its board of

directors or authorized committee thereof, any of its funds, or any part thereof in bonds or other evidences of indebtedness issued, assumed or guaranteed by the international bank for reconstruction and development; or by the inter-American development bank.

History: L. 1972, ch. 179, § 17; July 1.

40-2b18. Real estate investment trusts. Any life insurance company heretofore or hereafter organized under any law of this state may invest by loans or otherwise, with the direction or approval of a majority of its board of directors or authorized committee thereof, any of its funds, or any part thereof in shares of beneficial interest in or obligations issued by a real estate investment trust qualified under sections 856 through 858 of the federal internal revenue code which meet the following qualifications:

(a) The obligations shown on the last published annual statement of such trust must meet the qualifications specified for corporate obligations in subsections (a) through (d) of K.S.A. 40-2b05;

(b) cash dividends have been paid during each of the last three (3) years preceding the date of acquisition;

(c) the shares are registered on a national securities exchange regulated under the securities exchange act of 1934 as amended;

(d) the trust shall have earnings in three (3) of the last five (5) years preceding date of acquisition;

(e) no insurance company shall own more than five percent (5%) of the total number of shares of any one such trust, nor invest more than two percent (2%) of its admitted assets in shares of any one such trust.

Shares in each trust which has over one-half ($\frac{1}{2}$) of its assets invested in ownership of real estate or which has such ownership as its stated investment objective shall be considered a real estate investment for purposes of conforming with the limitation on real estate ownership imposed in K.S.A. 40-2b10.

History: L. 1972, ch. 179, § 18; July 1.

40-2b19. Prior lawful investments. All investments owned by any life insurance company at the time this act becomes effective and purchased pursuant to and in accordance with prior investment laws of this state shall be deemed in compliance with this act.

AN ACT relating to insurance; concerning the conversion of a nonprofit medical and hospital service corporation to a mutual life insurance company.

Be it enacted by the Legislature of the State of Kansas:

Section 1. Any nonprofit medical and hospital service corporation organized pursuant to the provisions of K.S.A. 40-19c01 et seq., and amendments thereto, may, at its option and without reincorporation, by a 2/3 vote of its board of directors, amend its articles of incorporation and bylaws in such a manner as to convert itself into a mutual life insurance company. A detailed plan of conversion shall be developed and the plan for the proposed conversion shall be submitted to and approved by the commissioner of insurance. After procuring from the commissioner of insurance a certificate of authority, as prescribed by law to transact business in this state as a mutual life insurance company, the company shall be subject to all the laws relating to mutual life insurance companies as though originally incorporated as a mutual life insurance company. The converted corporation under its articles and bylaws, as amended or adopted, shall be a continuation of the original corporation and the officers shall serve their respective terms as provided in the original articles or bylaws, but their successors shall be elected and served as the laws of this state and bylaws of such converted corporation provide. The existing contract rights and obligations of subscribers and other persons with whom the corporation has contracted shall not be impaired by the conversion to a mutual life insurance company.

Sec. 2. This act shall take effect and be in force from and after its publication in the Kansas register.