

MINUTES OF THE House COMMITTEE ON InsuranceThe meeting was called to order by Rep. Rex B. Hoy at _____
Chairperson3:30 xx a.m./p.m. on February 11, 1986 in room 521-S of the Capitol.

All members were present except:

Rep. Neufeld, excused

Committee staff present:

Melinda Hanson, Research Department
Gordon Self, Revisor's Office
Deanna Willard, Committee Secretary

Conferees appearing before the committee:

Rep. Al Ramirez
Rep. Bill Reardon
Mr. Clarence Arndt
Ms. Judy Hollinger, Dept. on Aging
Mr. Harry Helser, AFL-CIO
Mr. Jack Roberts, Blue Cross Blue Shield
Mr. Richard Harmon, Ks. Assoc. Property/Casualty Co.
Mr. Wayne Morris, Security Benefit Life

The Chairman called the meeting to order.

Hearing on: House Bill 2290 - An act relating to notice of premium due on an insurance policy.

Rep. Al Ramirez, sponsor of the bill, was the first conferee. He stated that this applied to accident and sickness insurance policies. His primary purpose for introducing the bill was to help older persons who might forget to send in premiums and have coverage terminated. When an insurance company has determined that a policy was being cancelled, they would have to send a certified notice to insured.
(Attachment 1.)

Rep. Bill Reardon spoke of an experience he had of overlooking a bill that had been sent to his mother who subsequently had a claim that was not covered.

Silver Haired Legislature House Speaker Clarence Arndt said that nonpayment of premium is not always due to policyholder's refusal to pay; notice may never reach the insured. This special delivery method would insure that the notice is received and emphasize that it is important.
(Attachment 2.)The next conferee was Judy Hollinger, Department on Aging. She distributed testimony from Margaret Gebhardt who cited problems an older person might have in receiving notices, especially if the need arises to temporarily live with relatives or in a nursing home. (Attachment 3.) Ms. Hollinger also mentioned examples of premiums not being paid, which were not the fault of the policyholder and recommended passage of this bill to guarantee that policyholders receive adequate notice of termination. (Attachment 4.)

CONTINUATION SHEET

MINUTES OF THE House COMMITTEE ON Insurance,
room 521-S, Statehouse, at 3:30 xx a.m./p.m. on February 11, 1986

Page Two

The next conferee was Mr. Harry Helser, representing the Kansas AFL-CIO. He stated that with the deluge of mail received by persons, it would be easy to overlook an insurance premium notice.

There was discussion as to whether the proponents were wanting this requirement to apply just to "medigap" policies, as this is the group the bulk of the testimony targeted, though it is not the way the bill is currently drafted.

Rep. Jack Lacey, a long-time postal employee, was asked to discuss the various types of certified mail. He explained that the basic certified letter (an additional \$.75 postage) provides proof of mailing and a form signed by the person who received it. The post office keeps the signed form for three years, and they will produce it for a \$4.50 charge. For an additional \$.70, a signed form will be returned automatically for each letter showing the receiver of the mailing. (Attachment 5.)

Mr. Jack Roberts, Blue Cross Blue Shield, was the next conferee. He discussed their methods of informing insureds that premiums had not been received and explained their grace periods. He stated that a bank draft system has been most effective in helping persons make timely premium payments and suggested that perhaps some incentive should be offered to insurance companies to establish bank draft systems. (Attachment 6.)

The next conferee was Mr. Richard Harmon, representing Kansas Association of Property and Casualty Companies and the Kansas Life Association. He stated that both the bill and the insurance companies are trying to redress the problem of elderly persons who fail to remit premiums. The insurance companies are trying to solve the problem by use of bank draft systems. Renewal premiums do not have to be sent out when the insured is on a bank draft system, and renewal policies are automatic. He stated that it would cost Kansas insurance companies between \$3-- and \$6 million annually to comply with the bill as written.

The last conferee was Mr. Wayne Morris, Security Benefit Life. He stated that the bill says certified notices must be sent out before the contract period has expired, which would, in effect, require all premium due notices to be sent by certified mail. He said it would also involve a lot of administrative expense to separate out Kansas policies for this special treatment.

The minutes of the previous meeting were approved.

The meeting was adjourned at 4:45 p.m. by the Chairman.

GUEST LIST

COMMITTEE: Insurance

DATE: Feb. 11, 1986

NAME	ADDRESS	COMPANY/ORGANIZATION
Mr + Mrs Kenneth R. Thompson	111 E Kump Apt 201	Bonner Springs Ks 66011
MR + MRS Elmer R. Grigsby Sr	801 N. 80th St.	Manassas City Va 22112
Roy R Rung	531 S. 4	Edwardsville Ks
Opal Ruston	319 Cornell Ave	Bonner Springs Ks
Florence Bowen	RT 1 Box 16	BASEHOR Ks
June Baker	307 Alcott	Bonner Springs Ks
Kate Ulrick	11016 Parallel	KE Ks 66109
Dorothy Ruston	1366 N 75th St	KE Ks 66112
Helen Walter	1200 N 75th Pl Apt 305	KE Ks 66112
Lucy Lobb	5625 S. 142nd	Bonner Springs Kans 66012
Delma La Fleur	1200 N 75th Pl Apt 303	KE Kans 66112
Irene Brown	1200 N 75th Pl apt 406	Kansas City Kan 66112
Harry W. Nelsner	Wichita Ks.	AFL-CIO
Frances Mount	Edwardsville Ks.	Bonner Springs Summit Citizens 66012
Arthur Mount	" " "	" " "
Marjorie Jantz	Prairie Village Ks	Jo. Co. Comm. on Aging
Doris Eichenwald	Overland Park, Ks.	Older Women's League
Virginia Fields	" " "	" " "
Ira Windt	O.P. Ks.	
Mary Markle	Shawnee Ks.	AARP
Alvie M. Light	Mission, KS	AARP
Est Hagan	Idaho Ks	Learn Handed Leg AARP Speaker Pres-Tem
Brie Reed & B. McMillon	R.R. 3 Logansville	Chairman, KY WY Co. - 1979

HOUSE BILL NO. 2290

By Representatives Ramirez, Barr, Chronister, Crumbaker, DeBaun, Dillon, Eckert, Graeber, Guldner, Harper, Hassler, Jenkins, Love, Peterson, Reardon, Rolfs, Rosenau, Sallee, Smith and Wisdom

Attachment 1
House Insurance 2/11/86

AN ACT concerning insurance; relating to notice of premium due of an insurance policy.

accident and sickness

; amending K.S.A. 1985 Supp. 40-19c09 and repealing the existing section

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

Section 1. Notwithstanding any provisions of an insurance contract to the contrary, coverage under any insurance contract in this state shall not be terminated unless the insurer sends to the insured by certified mail prior to the expiration of the contract period a notice stating when the premium is due and when coverage under ~~the~~ insurance contract will be terminated if such premium is not paid by the insured.

accident and sickness

such

such

(SEE ATTACHED, Sec. 2)

Sec. ~~2.~~ This act shall take effect and be in force from and

4.

after its publication in the statute book.

Sec. 2. K.S.A. 1985 Supp. 40-19c09 is hereby amended to read as follows: 40-19c09. Corporations organized under the nonprofit medical and hospital service corporation act shall be subject to the provisions of the Kansas general corporation code, articles 60 to 74, inclusive, of chapter 17 of the Kansas Statutes Annotated, applicable to nonprofit corporations, to the provisions of section 1 of this act and to the provisions of K.S.A. ~~1984~~ 1985 Supp. 40-2,116 and 40-2,117 and to the provisions of K.S.A. 40-214, 40-215, 40-216, 40-218, 40-219, 40-222, 40-223, 40-224, 40-225, 40-226, 40-229, 40-230, 40-231, 40-235, 40-236, 40-237, 40-247, 40-248, 40-249, 40-250, 40-251, 40-252, 40-254, 40-2,100, 40-2,101, 40-2,102, 40-2,103, 40-2,104, 40-2,105, 40-2a01 to 40-2a19, inclusive, 40-2216 to 40-2220, inclusive, 40-2401 to 40-2421, inclusive, and 40-3301 to 40-3313, inclusive, and amendments thereto, except as the context otherwise requires, and shall not be subject to any other provisions of the insurance code except as expressly provided in this act.

Sec. 3. K.S.A. 1985 Supp. 40-19c09 is hereby repealed.

Att. 2

TESTIMONY ON HOUSE BILL 2290
NOTICE TO POLICYHOLDERS OF PREMIUMS DUE
BY CLARENCE ARNDT
FEBRUARY 11, 1986

Requirements of Bill:

Notice by certified mail must be sent to policyholders informing them of the premium due date and termination date. Termination of coverage is prohibited unless this is done.

Testimony:

H.B. 2290 would protect policyholders from becoming uninsured and perhaps uninsurable due to nonpayment of premium. For older citizens continuation of coverage is vitally important. Premium rates with another company may be so high that coverage would not be affordable. Or other companies may refuse to insure the individual.

Nonpayment of premium is not always due to the policyholder's willful refusal to pay. Notice may never reach the insured.

With so much at stake it would be helpful to receive certified notice before the coverage ends. This special method of delivery would not only insure that notice is actually received but also that this piece of mail is important and needs special attention.

I would like to encourage the Committee to act favorably on H.B. 2290. Requiring insurance companies to use certified mail notices would not be a great burden when balanced against the protection it would offer policyholders.

AH. 3

TESTIMONY ON HOUSE BILL 2290
NOTICE TO POLICY HOLDERS OF PREMIUMS DUE
BY MARGARET GEBHARDT
FEBRUARY 11, 1986

H.B. 2290 represents a significant effort to avoid the potential tragedy of people finding themselves in a position of being uninsured or uninsurable because a premium was not paid. Having not received a notice of premium due or termination date they may not have paid their premium. Thus they find, perhaps tragically, that they are not covered through no willful act of their own.

There are many reasons that a policyholder may not receive notice of premium due or of a policy termination if the premium is not paid. I understand that some companies have printed on their notices "THIS IS THE ONLY NOTICE THAT YOU WILL RECEIVE". If this is the case and if the notice never arrives, then the policyholder could be left without coverage through no fault of his own.

Problems in receiving notices is a concern, especially for older persons who may temporarily need to live with relatives or be in a nursing home for a short period of time. In these cases the notice would probably be sent to one address and may have to be forwarded to a second address, either by the postal service or by a friend or neighbor who is helping with the person's mail. These are only two examples of ways by which mail may be delayed or perhaps not received.

H.B. 2290 would provide that premium due dates and termination notices be sent by certified mail, thus increasing the likelihood that the policyholder would receive the notice. This process also would highlight the importance of this piece of mail. Considering the importance to the insured, any added cost would seem to be justified.

I would like to recommend that the Committee act favorably on H.B. 2290 since it would protect the insured person from accidental loss of coverage due to not having received notice of premium due or termination if premium is not paid. The requirement that insurance companies give notification through the use of certified mail as provided for in this bill would add a needed measure of protection to the insured. Also, the importance of the notice would be more readily recognized by the policy holder.

244

Testimony on H.B. 2290
Notice of Premium Due: Insurance Policies
Kansas Department on Aging
February 11, 1986

Bill Brief:

Requires certified mail notice of premium due before cancellation of policy.

Bill Provision:

Prohibits termination of an insurance policy unless the insured has been sent by certified mail a notice informing the insured that the policy will be terminated unless the premium is paid by the premium due date.

Background:

Insurance policies are intended to provide specified coverage to the insured in return for premium paid. Even though premiums may have been paid over extended periods of time, policyholders may find they are not covered when the need to file a claim arises. This loss of coverage may be due to unintentional nonpayment of premium.

Testimony:

House Bill 2290 is designed to protect policyholders from a lapse or loss of coverage due to nonpayment of premium. There are many reasons, not all of which are the fault of the policyholder, for premiums not being paid by the due date. Examples that are illustrative, but not exhaustive, include:

- 1) failure of premium notice to arrive;
- 2) failure of payment to arrive at the company;
- 3) mail not being forwarded following a move;
- 4) death or illness in the family and another person being responsible for handling bill payments.

The results of termination could be a disastrous situation for the person who suddenly finds himself or herself uninsured and in some cases uninsurable as the result of situations beyond their own control.

H.B. 2290 would require that the insured be notified by certified mail prior to the expiration of the contract period. Further it specifies that the notice contain the date on which the premium is due and a statement that the contract will be terminated if the premium is not paid.

Recommendation:

The Kansas Department on Aging recommends passage of House Bill No. 2290 to protect the insured from accidental loss of coverage due to unintentional lack of premium payment. It seems only fair that insurance companies take this step to "ensure" that their policyholders receive notice of potential policy termination and that there is not a serious unintended loss of coverage. Certified mail guarantees that these people receive adequate notice.

JH:mj
2/11/86

Attachment 4
House Insurance 2/11/86

Corporate Office (913) 232-1000
Customer Service (913) 232-1622, or
(In-State Toll Free) 1 (800) 432-3990
State Employees 1 (800) 332-0307



Blue Cross and Blue Shield
of Kansas
1133 Topeka Avenue
P. O. Box 239
Topeka, Kansas 66629

Plan 65 Claims (913) 232-1000
SWB Employees (913) 232-1727
Federal Employees (913) 232-3379, or
(In-State Toll Free) 1 (800) 432-0379

MAY 03, 1982

JOHN E. DOE
1234 CHURCH STREET
ANYTOWN, KANSAS 12345

IDENTIFICATION # 123456789
GROUP #12345

OUR RECORDS INDICATE THAT YOUR COVERAGE WITH BLUE CROSS AND
BLUE SHIELD OF KANSAS TERMINATED AS OF APRIL 01, 1982.
WE REGRET TO LOSE YOU AS ONE OF OUR SUBSCRIBERS.

BECAUSE WE ARE INTERESTED IN IMPROVING OUR SERVICE IN ANY WAY
POSSIBLE, WE WOULD APPRECIATE IT IF YOU WOULD TAKE A FEW MINUTES
AND TELL US WHY YOUR MEMBERSHIP WAS TERMINATED. PLEASE COMPLETE
THE ENCLOSED CARD AND RETURN IT TO US.

IF YOU HAVE ANY QUESTIONS CONCERNING YOUR COVERAGE WITH
BLUE CROSS AND BLUE SHIELD OF KANSAS, PLEASE CONTACT
MS. JENNIE TOWLE OF OUR CUSTOMER SERVICE CENTER AT 1-800-432-3990
OR 232-1000 FOR TOPEKA.

THANK YOU FOR YOUR ASSISTANCE.

Charlene Scott

CHARLENE SCOTT
DIRECTOR, CUSTOMER SERVICE CENTER

Attachment 6
House Insurance 2/11/86

NAME _____ ID NUMBER _____

ADDRESS _____

TELEPHONE # _____

- _____ 1. Dues were too high.
- _____ 2. Poor service; please explain _____
- _____ 3. I moved out of state.
- _____ 4. I now have **YOUR** coverage through a new group.
- _____ 5. I now have **OTHER** coverage through a new company.
- _____ 6. I didn't intend to cancel my coverage. Please contact me.
- _____ 7. Other _____



NO POSTAGE
NECESSARY
IF MAILED
IN THE
UNITED STATES

BUSINESS REPLY CARD

FIRST CLASS

PERMIT NO. 3047

TOPEKA, KANSAS

POSTAGE WILL BE PAID BY ADDRESSEE

BLUE CROSS AND BLUE SHIELD

ATTN.: CHARLENE SCOTT

P.O. BOX 239

TOPEKA, KANSAS 66601

