

Approved March 26, 1986
Date

MINUTES OF THE SENATE COMMITTEE ON FINANCIAL INSTITUTIONS AND INSURANCE

The meeting was called to order by Sen. Neil H. Arasmith at
Chairperson

9:00 a.m. ~~p.m.~~ on March 25, 1986 in room 529-S of the Capitol.

All members were present except:

Committee staff present:

Bill Wolff, Legislative Research
Myrta Anderson, Legislative Research
Bruce Kinzie, Revisor of Statutes

Conferees appearing before the committee:

Representative Alfred Ramirez
Representative Clyde Graeber
Lyndon Drew, Kansas Department on Aging
Ron Todd, Kansas Insurance Department
Steve Robertson, Health Insurance Association of America
Charlotte Liptak, HIAA/Combined Insurance Company
Richard Harmon, American Family Life and Property and Casualty Companies
Jack Roberts, Blue Cross/Blue Shield
Wayne Morris, Security Benefit Life
Gary Scott, Kansas Trial Lawyers Association
Lee Wright, Farmers Insurance Group
Dick Scott, State Farm Insurance
Richard Wilburn, Alliance Insurance Companies

The minutes of March 24 were approved.

The hearing began on Substitute for HB 2290 with the testimony of Representative Ramirez in support of the bill. (See Attachment I.) Representative Graeber followed with further support for the bill saying that Kansas has a 17.6% senior citizen population, and health care insurance is very important to them. As we get older, we tend to be forgetful, and this bill will provide that a notice be given to senior citizens to insure that they have an opportunity to renew.

Lyndon Drew, Kansas Department of Aging, testified in support of the bill. (See Attachment II.) The chairman asked if Mr. Drew knew the percentage of times that insurance is cancelled due to an oversight in paying the premiums, and Mr. Drew said he had no statistics on this.

Ron Todd, Kansas Insurance Department, testified that the department had helped draft the bill to make it workable. They have been receiving complaints and requests for assistance with this problem. He feels that the notice requirement should not be offensive to companies.

Steve Robertson, Health Insurance Association of America, followed with testimony in opposition to Sub. for HB 2290. He said he represents 340 insurance companies and is in opposition to the contents of the bill but not to those over 65. One objection is that it involves a certified letter which is the type of thing he does not like to get because it involves going to the post office to get it. Also, he feels the companies are doing an excellent job of maintaining policies. They send out notices of premium due 30 days before they are due with "Notice of Premium Due" on the envelope, and another notice is sent at a later date. He had asked two companies how many people are affected, and the estimate was 12½%. One company had 72 policyholders in Kansas but did not know if the reason for nonrenewal was due to oversight or if they might have gotten other insurance. A second objection to the bill is that it will involve a costly process to set up a computerized program, and any cost will have to be passed on to policyholders. He concluded that he thinks that the companies do a good job of getting business and holding business, and certified mail is not the answer to the problem. The envelop marked "Premium Due" is the best that can be done.

CONTINUATION SHEET

MINUTES OF THE SENATE COMMITTEE ON FINANCIAL INSTITUTIONS AND INSURANCE,
room 529-S, Statehouse, at 9:00 a.m./~~xxx~~ p.m. on March 25, 19 86

Charlotte Liptak, HIAA/Combined Insurance Company, testified further in opposition to the bill. She explained that their agents work certain times of the year to renew policies in certain areas where they contact persons with premiums due. If they cannot find a person, the card on them is returned to the company, and a late payment card is then sent out for a past due notice and latest renewal date. All notices sent offer reinstatement without lapse if the premium is paid within a certain time. Also, the system takes into account the reason why the policy is not renewed. The cost per premium notice is 30 cents. If the bill were enacted, it could cause confusion because it would be possible that the notice was sent after the premium was paid. Also, her companies have different kinds of policies, and the bill would apply to some but not all of them. Her final argument against the bill was that it would cost \$33,000 to change their data processing, and the cost for each policyholder would increase from 30 cents to \$1.10.

Richard Harmon, American Family Life, testified for Sandra Koning who requested that the bill be amended to limit its effect to medicare supplement policies. (See Attachment III.)

Jack Roberts, Blue Cross/Blue Shield, testified that he has no objection to the bill in its present form. Blue Cross/Blue Shield has 150,000 medicare policyholders. The bill will assure that more people get notice. Under the current system cards of intent are sent, and if the policyholder says he did not intend to drop insurance, he will be renewed. Mr. Roberts said that the statute, however, will create a lot of rigidity and that currently they will accept three or four months delinquency.

Wayne Morris, Security Benefit Life, briefly testified that there may be a problem of failure to understand the notice, and certified mail will not help. Also, most companies have bank draft plans which are ideal for these people. This concluded the hearing on Substitute for HB 2290.

Attention was turned to HB 2645 dealing with uninsured and underinsured motorist coverage. Gary Scott, Kansas Trial Lawyers Association, testified in support of the bill. He said currently the statutes contain two types, uninsured when the other driver has no insurance and underinsured when their insurance is higher than the wrongdoer's. Often times, an impasse is reached in collection of damages the injured can collect from both companies involving a complication due to subrogation rights. Then there is litigation. The bill removes the possibility of an impasse by establishing a procedure, which he explained, to protect the subrogation rights of the underinsured.

Lee Wright, Farmers Insurance Group, followed with testimony in support of HB 2645. (See Attachment IV.)

Dick Scott, State Farm Insurance, gave further testimony in support of the bill. He felt the bill had been described well by previous conferees. However, he had some diagrams illustrating an example of an accident to further clarify the bill.

Richard Harmon, Property and Casualty Companies, testified in support of HB 2645. He feels the bill clarifies what has been ambiguous law regarding insurance companies' subrogation rights.

Ron Todd of the insurance department said he feels this is a good solution to a problem that does exist.

Richard Wilburn, Alliance Insurance Companies, briefly stated his support of the bill.

The meeting was adjourned.

SENATE COMMITTEE

ON

FINANCIAL INSTITUTIONS AND INSURANCE

OBSERVERS
(Please print)

| DATE | NAME | ADDRESS | REPRESENTING |
|------|----------------------|------------------|----------------------------|
| 3-25 | Lyndon Drew | Topeka | KDOA |
| 3-25 | Charlotte S. Liptak | Evanston, IL | HIAA/Combined |
| 3-25 | Stephen W. Robertson | Des Plaines, Ill | Health Ins Assn of America |
| " | Ben Todd | Topeka | Ins. dept. |
| 3-25 | Richard Harmon | Topeka | American Family Life |
| 3-25 | Richard DeWilbers | Maize | Alliance Ins. Companies |
| 3-25 | Lee WRIGHT | MISSION | FARMERS INS. GROUP |
| 3-25 | Kelle Boesch | Lawrence | K.T.L.A. |
| 3-25 | Gerald W. Scott | Wichita | K.T.L.A. |
| | Harold C. Pitts | Topeka | TARTA |
| | Pam Syholm | Topeka | Kansas Insurance Dept |
| | J.M. Conyich | " | Ks Life Assn |
| | Wayne Morris | " | Security Benefit Life |
| | Bill Fitzbeneger | " | Blue Cross - Blue Shield |
| | JACK ROBERTS | " | " " |

STATE OF KANSAS

ALFRED RAMIREZ
REPRESENTATIVE, FORTIETH DISTRICT
LEAVENWORTH AND WYANDOTTE COUNTIES
913 SHEIDLEY
BONNER SPRINGS, KANSAS 66012



TOPEKA

HOUSE OF
REPRESENTATIVES

COMMITTEE ASSIGNMENTS
MEMBER EDUCATION
FEDERAL AND STATE AFFAIRS
GOVERNMENTAL ORGANIZATION

Testimony before the Senate Financial Institutions & Insurance Committee.
March 25, 1986

Thank you, Mr. Chairman and Committee Members

I appreciate the opportunity to speak to you regarding Sub.
for H.B. 2290.

The bill would require an insurer, including health maintenance organizations, to send to an insured notice by certified mail before termination of coverage under a medicare supplement policy because of failure to pay premiums when due. The notice would have to be sent not later than 45 days after the premium due date, with the policy automatically reinstated upon payment of the delinquent amount by the insured within 15 days of notice.

I introduced this legislation after being informed by one of my elderly constituents that her policy had been terminated for nonpayment of premium. She was not aware she had failed to remit her premium until she reviewed her checking account. To her knowledge she never received notice that her premium was overdue.

Hopefully we are all aware of the possibility of oversight regarding some of our financial matters, especially our elderly.

I hope that after reviewing this piece of legislation, you will give it favorable consideration, and help protect our elderly.

Thank you Mr. Chairman and members of the Committee.

S. FII 3/25/86
Attachment I

TESTIMONY ON H.B. 2290
(Substitute for H.B. 2290)
NOTICE OF PREMIUM DUE: INSURANCE POLICIES
KANSAS DEPARTMENT ON AGING
MARCH 25, 1986

Bill Brief:

Requires certified mail notice of premium due before cancellation of Medicare supplement policies and other accident and sickness policies insuring persons age 65 and over.

Bill Provisions:

1. Prohibits termination of insurance policies issued or delivered in this state unless the insurer has sent a certified notice of termination for failure to pay the premium.
2. Requires automatic reinstatement as continuous coverage without lapse if premium paid within 15 days of notice being mailed.
3. Certified mail requirements are not applicable when payment is made through pre-authorized check or bank drafts; two certified notices are sent within the preceding 12-month period; or if the billing is sent to someone rather than the insured, a guardian, conservator or trustee of the insured.
4. Requirements also apply to health maintenance organizations.

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 premiums.

Testimony:

Owning a Medicare supplement policy or another type of health insurance coverage is a necessity for most Medicare beneficiaries since Medicare pays less than one-half of the total health care bill of the 65 and older population. The result of termination of coverage could therefore be disastrous for people who suddenly find themselves uninsured or in some incidences uninsurable.

Premium notices may not reach the insured; premium payments may not reach the insurance company. Substitute for H.B. 2290 would help protect policyholders from loss of coverage due to unintentional nonpayment of premium.

Recommendation:

The Kansas Department on Aging recommends passage of substitute for H.B. 2290. The ability of Older Kansans to not only obtain insurance coverage but retain that coverage is vitally important. 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
3/25/86

S.F.II 3/25/86
Attachment II



**American
Family Life
Assurance**

Sandra S. Koning, Vice President, Regulatory Counsel

March 24, 1986

Senator Neil Arasmith, Chairman
Senate Financial Institutions
and Insurance Committee
State Capitol
Topeka, Kansas 66612

RE: House Bill 2290

Dear Mr. Chairman:

It is my understanding that your Committee will be considering this bill during your meeting tomorrow morning. I apologize for not being able to attend that meeting to offer testimony on behalf of my Company, and would therefore appreciate your consideration of these written remarks.

American Family Life Assurance Company of Columbus is a Georgia domestic life and health insurer which has been authorized to transact business in Kansas since 1969. We sell individual, guaranteed renewable health insurance policies which are designed and sold to provide supplemental benefits in the event of serious illness or hospitalization. Our specified disease policy provides supplemental benefits to help the insured and his or her family members meet the high medical and non-medical costs associated with the diagnosis of cancer. Our hospital intensive care policy provides similar benefits payable on an indemnity basis for intensive care confinement.

These policies are not medicare supplement policies; they are sold to all age groups. For example, only 5.26% of the specified disease policies we issued last year were sold to people over age 65. But because our policies are guaranteed renewable, policyholders may keep them in force for life.

The substitute for House Bill 2290 would require notification by certified mail before any health insurance policy "insuring a person age 65 or over" may be terminated for non-payment of premium. While we can fully appreciate the intent behind this legislative measure, we respectfully request that the bill be limited to medicare supplement policies for the following reasons.

Senator Neil Arasmith
Page Two

Unlike companies issuing medicare supplement policies, we have no immediate way of knowing when our computer-generated lapse letter is sent to a policyholder 65 years of age or older, and it would involve considerable time and expense to obtain that information.

In 1985, we had 52,300 policies in force and 7,065 which lapsed in the state of Kansas. Of the lapsed policies, 1,700 involved policyholders who were over age 65. While we do not have an estimate of the cost to re-program our computer system to pull all lapse notices mailed to Kansas, extract the policyholder's birthdate and segregate the lapse notices by age, it is estimated that \$1,000 per year in computer time would be expended to prepare the letters. This is in addition to the cost of sending the letters by certified mail.

Further, our policies are issued on an individual or family basis. The premium is the same for family policies regardless of the number of dependents covered. While we may be able to extract the age of the named insured, it may not always be possible to know when a covered dependent is 65 years old or over requiring a notice to the policyholder by certified mail.

In view of these problems, we are most appreciative for any consideration you and your Committee will give to amending House Bill 2290 to limit its effect to the appropriate types of policies such as medicare supplement.

Sincerely,


Sandra S. Koning

AMERICAN FAMILY LIFE ASSURANCE COMPANY
FAMILY CANCER PLAN INSURANCE COMPANY IN TEXAS
AMERICAN FAMILY LAWS LIFE ASSURANCE COMPANY

DONNA J. LOTT
ASSISTANT VICE PRESIDENT
POLICYHOLDER SERVICE

Dear Policyholder:

As you probably realize, the cost of medical treatment continues to increase. This is especially so in the case of cancer and hospital intensive care costs. Therefore, supplemental health insurance, such as you have been carrying with American Family Life, helps to protect you against financial difficulties in the event such treatment is required. Also, we pay benefits directly to you, unless assigned to a doctor or a hospital. You decide how to use the money.

According to our records, as of _____ we had not received the premium for your policy. We believe that you want to keep this important protection. If received by _____, we will accept your payment and continue your coverage without evidence of insurability. To prevent lapse of your policy and to keep your coverage current, please return your premium payment with the enclosed notice card immediately.

If you have mailed your premium since _____ kindly disregard this reminder.

Sincerely yours,

Donna J. Lott

DJL/blc

Enclosure

Testimony on HB 2645

Senate Financial Institutions and Insurance Committee

By: Lee Wright

Legislative Representative for Farmers Insurance Group

Thank you Mr. Chairman and members of the committee. My name is Lee Wright and I am here today representing Farmers Insurance Group. I appreciate this opportunity to speak in support of House Bill 2645.

This bill, if enacted, will hopefully bring to an end the current confusion and difficulty encountered in the settlement and subrogation of underinsured motorist cases. The new procedure for maintaining subrogation rights as described in the second paragraph of the bill brief should eliminate the settlement stalemate which sometimes occurs in these types of cases.

We believe these measures will allow the party injured by a wrongful underinsured driver to receive compensation for their injury in a more expedient manner, while helping to avoid costly and unnecessary litigation for all parties involved.

The House Amendment on lines 93 through 98 was requested by the insurance industry to simply clarify what would constitute written notice. The language agreed upon comes from a collaboration between the Insurance Department, the Trial Lawyers Association and the insurance industry.

Two other House amendments industry requested are found on lines 53 through 55 and lines 57 through 61 of the bill. They relate to the current option insureds' have to reject, in writing,

S. FII 3/25/86
Attachments IV

uninsured motorist coverage down to the minimum statute requirement of \$25,000, whenever they purchase higher liability coverage.

From an administrative standpoint, these amendments will end any question regarding whether it is necessary to require a written rejection from every party who might be insured under the policy and that we need not require our policyholders to come in and sign such a rejection again whenever they renew or reinstate their policies or change or add cars.

Thank you Mr. Chairman, that concludes my remarks. I will be pleased to try and answer any questions the committee might have.