

Approved 3-30-88 Date

MINUTES OF THE HOUSE COMMITTEE ON INSURANCE

The meeting was called to order by REPRESENTATIVE DALE SPRAGUE at  
Chairperson

3:30 XX a.m./p.m. on MARCH 29, 1988 in room 531-N of the Capitol.

All members were present except:

Representative Schauf - EXCUSED  
Representative Sawyer - EXCUSED

Committee staff present:

Emaline Correll, Research Department  
Chris Courtwright, Research Department  
Bill Edds, Revisor of Statutes Office  
Nancy Wolff, Secretary

Conferees appearing before the committee:

The meeting was called to order by the Chairman.

Representative Littlejohn made a motion that the minutes of March 24, 1988 and March 28, 1988 be approved as written and Representative seconded the motion. The motion carried.

The committee met to discuss bills that have previously been heard and to take action.

The first bill discussed was Senate Bill 668 which would require mammogram and pap smear coverage be offered for inclusion in certain health and accident policies.

Representative Brown made a motion that the amendments incorporated in the balloon (Exhibit I) be amended into Senate Bill 668. Representative Cribbs seconded the motion and the motion carried.

Representative Gross made a motion that the amendments outlined on the balloon (Exhibit II) be adopted and Representative Bryant seconded the motion. The motion carried.

Representative Gross made a motion that Senate Bill 668 be reported favorable as amended and Representative Brown seconded the motion. The motion carried.

The next bill to be discussed was Senate Bill 677 which would create a new insurance law to allow for the creation of mutual insurance companies by certain associations of health care providers.

Representative Gross made a motion that the amendments reflected in the balloon (Exhibit III) be adopted and Representative Hoy seconded the motion. The motion carried.

Representative Gross then made a motion that Senate Bill 677 be reported favorable for passage as amended and Representative Cribbs seconded the motion. The motion carried.

SCR 1617 was the next item up for discussion. SCR 1617 would request a legislative study on accident and sickness insurance for uninsurable persons.

Representative Beauchamp made a motion that SCR 1617 be adopted. Representative Cribbs seconded the motion and the motion carried.

The committee then discussed HB 3080 which relates to uninsured and underinsured motorist coverage.

Representative Gross made a motion that HB 3080 be passed favorably and placed on the consent calendar. Representative Bryant seconded the motion and it carried.

CONTINUATION SHEET

MINUTES OF THE HOUSE COMMITTEE ON INSURANCE,  
room 531-N, Statehouse, at 3:30 XXV a.m./p.m. on MARCH 29, 1988

The last bill to be discussed by the committee was SB 489 which would regulate the formation and operation of captive insurance companies within the State of Kansas.

Representative Neufeld made a specific conceptual motion to strip the Senate Committee of the Whole amendments from SB 489 with the exception of the 15 company limitation. Representative Harper seconded the motion. The motion carried.

Representative Neufeld name a motion the delete the words "or licensed" in line 47 of page 1 of the bill. Representative Brown seconded the motion and it carried.

Representative Cribbs made a motion to delete the words "if organized under the laws of any other state, territory or country" and make the appropriate adjustments in punctuation on page 11, line 384. Representative Brown seconded the motion and the motion carried.

Representative Cribbs made a motion to remove the word "association" from line 271 on page 8. Representative Littlejohn seconded the motion and the motion carried.

Representative Neufeld made a motion to insert the word "product liability and completed operations liability" following the word "for" on line 55 and deleting the words "on all risks" in the same line. Representative Harper seconded the motion and the motion passed.

Representative Hoy made a conceptual motion to amend SB 489 by incorporating the contents of HB 2955 into the bill to make one bill. Representative Gross seconded the motion and the motion carried.

Representative Brady made a motion to increase the number of employees in line 57 from 25 to 50 and Representative Turnquist seconded the motion. The motion failed.

Representative Gross made a motion that SB 489 be reported favorable for passage as amended and Representative Bryant seconded the motion. The motion carried.

The meeting was adjourned.

[As Amended by Senate Committee of the Whole]

As Amended by Senate Committee

Session of 1988

## SENATE BILL No. 668

By Committee on Federal and State Affairs

2-17

0020 AN ACT relating to insurance; requiring mammogram and pap  
0021 smear coverage to be offered for inclusion in certain health  
0022 and accident policies *and contracts*; amending K.S.A. 40-  
0023 19c09 and repealing the existing section.

0024 *Be it enacted by the Legislature of the State of Kansas:*

0025 New Section 1. *Except as otherwise provided*, this act ap-  
0026 plies to any individual, group or blanket policy of accident and  
0027 sickness, medical or surgical expense coverage; ~~or~~ *and* any  
0028 provision of a policy, contract, plan or agreement for medical  
0029 service; ~~issued; issued for delivery; continued or renewed; cov-~~  
0030 ~~ering Kansas residents including any contract of a health main-~~  
0031 ~~tenance organization as defined by K.S.A. 40-3202, and amend-~~  
0032 ~~ments thereto, delivered, renewed or issued for delivery on or~~  
0033 after the effective date of this act *within or outside of this state or*  
0034 *used within this state by or for an individual who resides or is*  
0035 *employed in this state. The provisions of this act shall not apply*  
0036 *to any medicare supplement policy of insurance, as defined by*  
0037 *the commissioner of insurance by rule and regulation, or any*  
0038 *policy of long-term care insurance, as defined by K.S.A. 1987*  
0039 *Supp. 40-2227, and amendments thereto.*

0040 New Sec. 2. Notwithstanding any provision of any policy,  
0041 provision, contract, plan or agreement to which this act applies,  
0042 whenever reimbursement or indemnity for *diagnostic*, [labora-  
0043 tory], [x-ray] ~~or~~ *both* [any of such] services are covered, reimburse- OR  
0044 ment or indemnification shall not be denied for mammograms or  
0045 pap smears when performed at the direction of a licensed prac-  
0046 titioner *person licensed [to practice medicine and surgery] by the*

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0033 *after the effective date of this act within or outside of this state or*  
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0045 pap smears when performed at the direction of a ~~licensed pra-~~  
0046 ~~itioner~~ *person licensed [to practice medicine and surgery] by the*

Delete.

any specified disease or specified accident coverage or any accident only coverage as defined by the commissioner of insurance by rule and regulation whether written on a group, blanket or individual basis,

Delete.

0047 *board of healing arts* within the lawful scope of such ~~practi-~~  
0048 ~~itioner's person's~~ license. *A policy, provision, contract, plan or*  
0049 *agreement may apply to mammograms or pap smears the same*  
0050 *deductibles, coinsurance and other limitations as apply to other*  
0051 *covered services.*

0052 Sec. 3. K.S.A. 40-19c09 is hereby amended to read as fol-  
0053 lows: 40-19c09. Corporations organized under the nonprofit  
0054 medical and hospital service corporation act shall be subject to  
0055 the provisions of the Kansas general corporation code, articles 60  
0056 to 74, inclusive, of chapter 17 of the Kansas Statutes Annotated,  
0057 applicable to nonprofit corporations, to the provisions of ~~K.S.A.~~  
0058 ~~40-2,116 and 40-2,117~~ *sections 1 and 2 of this act* and to the  
0059 provisions of K.S.A. 40-214, 40-215, 40-216, 40-218, 40-219, 40-  
0060 222, 40-223, 40-224, 40-225, 40-226, 40-229, 40-230, 40-231, 40-  
0061 235, 40-236, 40-237, 40-247, 40-248, 40-249, 40-250, 40-251, 40-  
0062 252, 40-254, 40-2,100, 40-2,101, 40-2,102, 40-2,103, 40-2,104,  
0063 40-2,105, ~~40-2,116, 40-2,117~~, 40-2a01 to 40-2a19, inclusive, 40-  
0064 2111 to 40-2116, inclusive, 40-2216 to 40-2220, inclusive, 40-  
0065 2401 to 40-2421, inclusive, and 40-3301 to 40-3313, inclusive,  
0066 and amendments thereto, except as the context otherwise re-  
0067 quires, and shall not be subject to any other provisions of the  
0068 insurance code except as expressly provided in this act.

0069 Sec. 4. K.S.A. 40-19c09 is hereby repealed.

0070 Sec. 5. This act shall take effect and be in force from and  
0071 after its publication in the statute book.

SENATE BILL No. 677

By Committee on Financial Institutions and Insurance

2-19

0017 AN ACT relating to insurance; authorizing certain associations of
0018 health care providers to establish mutual insurance companies
0019 under the assessment plan; providing for the regulation and
0020 operation of such companies; authorizing public hospitals to
0021 invest in and acquire insurance from such companies;
0022 amending K.S.A. 13-14b11, 14-605 and 80-2511 and K.S.A.
0023 1987 Supp. 19-4610 and repealing the existing sections.

0024 Be it enacted by the Legislature of the State of Kansas:

0025 New Section 1. As used in this act: (a) "Health care pro-
0026 vider" means any person licensed to practice any healing art by
0027 the board of healing arts or any health care facility hospital
0028 licensed by the secretary of health and environment under the
0029 provisions of K.S.A. 65-425 et seq., and amendments thereto, or a
0030 private psychiatric hospital authorized under K.S.A. 75-3307b
0031 and amendments thereto;

0032 (b) "person" means an individual, corporation, partnership,
0033 association, joint stock company, trust, unincorporated organiza-
0034 tion or any similar entity;

0035 (c) "affiliate" means a person that directly or indirectly,
0036 through one or more intermediaries, employs, controls or is
0037 controlled by, or is under common control with a health care
0038 provider; and

0039 (d) "commissioner" means the commissioner of insurance.
0040 New Sec. 2. (a) Except as otherwise provided in this act, the
0041 provisions of article 12 of chapter 40 of the Kansas Statutes
0042 Annotated shall control the formation and operation of compa-
0043 nies organized under this act.

0044 (b) Any association of health care providers domiciled within
0045 the state of Kansas which has been in existence for 10 years or

(e) "association" means any organization whose income
is exempt from taxation pursuant to Section 501(a)
of the Internal Revenue Code and amendments thereto
due to such association's compliance with Section
501(c)(6) of such Code and amendments.

as it existed on the
date of the act

0120 which application has been made. The total of such considera-  
 0121 tion shall be held in cash or securities in which such insurance  
 0122 companies are authorized to invest, and it shall possess and  
 0123 thereafter maintain a surplus of lawful assets over and above  
 0124 liabilities in an amount not less than the capital and surplus  
 0125 required of a domestic stock insurance company transacting the  
 0126 same kinds of insurance. The company shall deposit with the  
 0127 state treasurer and commissioner, as joint custodians, securities  
 0128 in which such insurance companies are authorized to invest, or  
 0129 one or more irrevocable letters of credit issued by a bank char-  
 0130 ~~tered by this state or by a member bank of the federal reserve~~  
 0131 ~~system, for the benefit of the state treasurer and commissioner, as~~  
 0132 ~~joint eustodians, in an amount not less than the minimum capital~~  
 0133 ~~stock required of a domestic stock insurance company.~~  
 0134 New Sec. 8. No insured shall be liable for any amounts other  
 0135 than the annual premium and all assessments as provided in the  
 0136 articles of incorporation or bylaws. The business of the company  
 0137 shall be conducted so as to preclude any distribution of income,  
 0138 profit or property of the company to the individual members  
 0139 thereof except in payment of dividends, debts, claims or indem-  
 0140 nities or upon the final dissolution of the company.  
 0141 New Sec. 9. Each company organized pursuant to this act  
 0142 shall file an annual statement each year in accordance with the  
 0143 requirements for domestic insurers writing the same kind of  
 0144 insurance. ~~The commissioner shall permit any company orga-~~  
 0145 ~~nized pursuant to this act to state its liabilities for losses and loss~~  
 0146 ~~adjustment expenses on a present value basis in any statement or~~  
 0147 ~~report which the company is required to file, unless the commis-~~  
 0148 ~~sioner determines that such a method of valuation endangers the~~  
 0149 ~~financial condition of the company, given the condition of such~~  
 0150 ~~company, an requires that it be stated otherwise.~~  
 0151 Sec. 10. K.S.A. 13-14b11 is hereby amended to read as fol-  
 0152 lows: 13-14b11. The board of trustees shall have exclusive con-  
 0153 trol of the management and operation of the hospital and shall  
 0154 make and adopt such rules and regulations for the government of  
 0155 the hospital as may be deemed expedient for the economical and  
 0156 proper conduct thereof: *Provided*, The board of hospital trustees

-----one or more clean and irrevocable letters of credit,

-----or letters of credit

-----clean and

-----, for the benefit of the state treasurer and commissioner,  
in an amount not less than the minimum capital stock  
required of a domestic stock insurance company. For the  
purpose of this act, letters of credit shall be in the  
form allowed by K.S.A. 40-221a(b)(2) drawn on the account  
of a health care provider for the benefit of the company,  
or for the benefit of the state treasurer and commissioner  
if the letter of credit is on deposit in accordance with  
this section.

-----Any

-----may

-----so long as the company's surplus as reported upon such  
basis remains above \$1 million, unless the Commissioner  
determines the method used by the company to arrive at  
the present value of its liabilities for losses and loss  
adjustment expense is based upon unreasonable assumptions.