

Approved February 15, 1989

Date

MINUTES OF THE House COMMITTEE ON Insurance

The meeting was called to order by Dale Sprague at
Chairperson

3:30 ~~xx~~ a.m./p.m. on February 14, 19 89 in room 531-n of the Capitol.

All members were present except:

Committee staff present: Chris Courtwright, Research Department
Bill Edds, Revisor of Statutes
Patti Kruggel, Committee Secretary

Conferees appearing before the committee: }

Other present: see attached list

The Chairman called the meeting to order at 3:30 p.m. and opened discussion of HB 2382.

HB 2382 -- An Act relating to insurance; concerning licensing and examination of agents; amending K.S.A. 40-240, as amended by section 2 of chapter 151 of the laws of 1988, and K.S.A. 1988 Supp. 40-241 and repealing the existing sections.

Chris Courtwright, Legislative Research Department, gave a brief overview of the bill. He explained that HB 2382 suggest some refinement to the significant changes in the agents licensing laws that were included in HB 3055 enacted by the 1988 Legislature, and that the refinements relate only to the privatization of the agents licensing examinations permitted at this time.

Dick Brock, Insurance Department, testified that HB 2382 pertains to the Insurance Commissioner's Proposal No. 11. The Bill recommends statutory amendments which will provide the flexibility necessary to permit applicants to meet the basic requirements for an agent's license and take the necessary qualifying examination in whatever order they chose. It also will permit the return of a major portion of the examination fee if the examination is not taken by an applicant and a proper notice of failure to appear as scheduled is given. Further, the strict notice requirements applicable to cancellation of a scheduled examination date will no longer be necessary. (Attachment 1.)

There were no others wishing to testify on HB 2382 and the Committee began discussion on HB 2383.

HB 2383 -- An Act relating to insurance; authorizing incorporation of long-term care insurance in certain life insurance policies; amending K.S.A. 40-401 and repealing the existing sections.

Chris Courtwright, Legislative Research Department, explained to the Committee that HB 2383 would permit long term care coverage meeting the standards and guidelines imposed by the 1987 legislation to be incorporated in a life insurance contract.

Dick Brock, Insurance Department, testified that HB 2383 pertains to the Insurance Commissioner's Proposal No. 7. The Bill recommends an exception to the current statutory prohibition against the inclusion of health and accident insurance coverage in a life insurance policy. (Attachment 2.)

There were no others wishing to testify on HB 2383 and the meeting was adjourned at 4:00 p.m.

TESTIMONY BY

DICK BROCK
ADMINISTRATIVE ASSISTANT
KANSAS INSURANCE DEPARTMENT

BEFORE THE

HOUSE INSURANCE COMMITTEE

HOUSE BILL NO. 2382

FEBRUARY 14, 1989

House Bill No. 2382 suggests some refinements to the significant changes in the agents licensing laws that were included in House Bill No. 3055 enacted by the 1988 Kansas Legislature. These refinements relate only to the privatization of the agents licensing examinations that were permitted by House Bill No. 3055. Specifically, the 1988 legislation authorized the Commissioner to contract with private business to develop and conduct agents licensing qualification examinations. This has now been done and as a result three changes in licensing procedures are now possible.

First, inasmuch as the basic prerequisite for an agent's license (e.g. good business reputation, high school graduate or equivalent, etc.) will be determined by the Insurance Department and the agents qualifying examination will be administered by a separate entity, it will no longer be necessary to determine an applicant's basic qualifications for an agent's license prior to administration of the examination. As a result, House Bill No. 2382 recommends appropriate statutory amendments (lines 24 and 80 through 88) that will provide the flexibility necessary to permit applicants to meet the basic requirements for an agent's license and take the necessary qualifying examination in whatever order they choose. Actually, this change was a part of the agents licensing study group's recommendations that resulted in the legislation enacted last year but we simply overlooked its inclusion in the legislative proposal.

Second, the administrative procedures that will apply under the new qualifying examination system will now permit the return of a major portion of the examination fee if the examination is not taken by an applicant and a proper notice of failure to appear as scheduled is given. Since the examination fee is established and displayed by means of an administrative regulation, removal of the statutory prohibition against returning the examination fee (line 134) will permit such regulation to accommodate appropriate charges and refunds.

Third and finally, the strict notice requirements applicable to cancellation of a scheduled examination date that were incorporated in House Bill No. 3055 will not be necessary under the new examination system. Therefore House Bill No. 2382 also recommends deletion of such requirements (lines 135 through 139).

TESTIMONY BY

DICK BROCK
ADMINISTRATIVE ASSISTANT
KANSAS INSURANCE DEPARTMENT

BEFORE THE

HOUSE INSURANCE COMMITTEE

HOUSE BILL NO. 2383

FEBRUARY 14, 1989

House Bill No. 2383 recommends an exception to the current statutory prohibition against the inclusion of health and accident insurance coverage in a life insurance policy.

In 1987 the Kansas Legislature enacted new statutory guidelines governing the sale and development of long term care insurance. In addition, such legislation authorized the Commissioner to establish minimum standards for long term care insurance policies which, among other things:

"recognize the unique, developing and experimental nature ..." of such insurance. [Since current law will not permit a combination of life and accident and health coverage in one contract, enactment of House Bill No. 2383 would open up one potentially fruitful area of experimentation that is not now available. [Specifically, it would permit long term care coverage meeting the standards and guidelines imposed by the 1987 legislation to be incorporated in a life insurance contract.]

Some insurers have expressed an interest in developing a life insurance product that would permit an exchange of all or a portion of the death benefit for long term care benefits of equivalent value at the option of the insured. This kind of product would offer several advantages not the least of which is the fact that it would permit purchasers to accommodate long term care needs on a contingency basis without forcing a decision at the time of purchase. Whether or not this interest will be translated into an actual product by enactment of House Bill No. 2383 is not known but without such enactment, products of this nature cannot be considered in Kansas.

It is perhaps worthy of note that the only exception we are adding is for long term care coverage. We gave some thought to simply removing the prohibition against combining life and accident and health in one policy but because of the necessity of maintaining separate reserves and other solvency considerations it was decided that removing the prohibition entirely could easily present some unknown and unforeseen difficulties. Therefore, it was determined that, at least for the immediate future exceptions should be limited to those necessary to accomplish or promote a known public policy objective.