

Approved _____ 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 March 13, 90 in room 501-n of the Capitol.

All members were present except:

Representative Nancy Brown

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

Conferees appearing before the committee:

see attached list

The meeting was called to order at 3:40 p.m. and the Committee began discussion and possible action on previously heard bills.

HB 3027 -- An Act relating to insurance; providing for a plan for recording and reporting loss and expense experience by accident and sickness insurers; amending K.S.A. 1989 Supp. 40-19c09 and repealing the existing section; also repealing K.S.A. 1989 Supp. 40-19c09a.

Representative Gross made a motion to recommend HB 3027 favorable for passage. Representative Sawyer seconded. The motion carried.

HB 2888 -- An Act relating to insurance; requiring certain persons or organizations to provide impact reports on legislation proposing mandated health care benefits.

A motion was made by Representative Sawyer, seconded by Representative Turnbaugh to recommend HB 2888 favorable for passage. The motion carried.

HB 2610 -- An Act concerning health insurance; establishing a program encouraging certain employers to offer health benefit plans to eligible employees; providing income tax credits for employer contributions to such health benefit plans.

Representative Gross made a motion to recommend HB 2610 favorable for passage. Representative Wells seconded. The motion carried.

HB 3012 -- An Act relating to insurance; concerning accident and sickness insurance and the regulation of the rates thereof by the commissioner of insurance; amending K.S.A. 1989 Supp. 40-2215 and repealing the existing section.

Dick Brock, Insurance Department explained that HB 3012 was requested by Speaker Jim Braden for the purpose of extending rate-regulation to all group insurance coverage issued by commercial coverage. Mr. Brock stated that the Bill in its original form permits rate-classification with no limitations. He provided a balloon amendment (Attachment 1) at the

CONTINUATION SHEET

MINUTES OF THE House COMMITTEE ON Insurance,

room 531-N, Statehouse, at 3:30 ~~xx~~m./p.m. on March 13, ~~1990~~

request of Representative Turnquist reflective of Committee discussion and concerns. Mr. Brock explained that the balloon amendments are designed to address a fragmentation of the group concept. He also recommended that the Committee consider changing the effective date to January 1, 1990.

A motion was made by Representative Cribbs to adopt the balloon amendments of HB 3012. Representative Bryant seconded. The motion carried.

Representative Hoy made a motion to change the effective date in HB 3012 to January 1, 1990. Representative Turnbaugh seconded. The motion carried.

A motion was made by Representative Wells, seconded by Representative Cribbs to recommend HB 3012 as amended, favorable for passage. The motion carried.

HB 2768 -- An Act concerning insurance; relating to certain policies, contracts or certificates issued, renewed or delivered within or outside this state; amending K.S.A. 1989 Supp. 40-2,103 and repealing the existing section.

The Chairman explained that HB 2768 deals with extraterritorial mandated services benefits, requiring them to carry the same service benefits that mandates in Kansas do now, not including provider mandates.

Representative Hoy made a motion to table HB 2768. There was no second and the motion failed.

Representative Gross made a motion to recommend HB 2768 favorable for passage. Representative Helgerson seconded.

Representative Hoy offered a substitute motion to recommend HB 2768 together with HB 2889 and HB 3015 into an interim study. Representative Allen seconded. The motion carried.

The meeting was adjourned at 4:35 p.m.

HOUSE BILL No. 3012

By Committee on Insurance

2-16

9 AN ACT relating to insurance; concerning accident and sickness
10 insurance and the regulation of the rates thereof by the commis-
11 sioner of insurance; amending K.S.A. 1989 Supp. 40-2215 and
12 repealing the existing section.

13
14 *Be it enacted by the Legislature of the State of Kansas:*

15 Section 1. K.S.A. 1989 Supp. 40-2215 is hereby amended to read
16 as follows: 40-2215. (a) No individual policy of accident and sickness
17 insurance as defined in K.S.A. 40-2201 and amendments thereto
18 shall be issued or delivered to any person in this state nor shall any
19 application, rider or endorsement be used in connection therewith,
20 until a copy of the form thereof and of the classification of risks and
21 the premium rates pertaining thereto, have been filed with the
22 commissioner of insurance.

23 *(b) No group policy of accident and sickness insurance providing*
24 *medical, surgical or hospital expense coverage shall be issued or*
25 *delivered to any person in this state, nor shall any application, rider*
26 *or endorsement be used in connection therewith, until a copy of the*
27 *form thereof and of the classification of risks and the premium rates*
28 *pertaining thereto have been filed with the commissioner of insur-*
29 *ance. This section shall not apply to disability income, hospital con-*
30 *finement indemnity, specified disease or accident only coverage.*

31 *(b) (c) No such policy shall be issued, nor shall any application,*
32 *rider or endorsement be used in connection therewith, until the*
33 *expiration of 30 days after it has been filed unless the commissioner*
34 *gives written approval thereof.*

35 *(e) (d) The commissioner may, within 30 days after the filing of*
36 *any such form, disapprove such form: (1) If the benefits provided*
37 *therein are unreasonable in relation to the premium charged;*
38 *or (2) if it contains a provision or provisions which are unjust, unfair,*
39 *inequitable, misleading, deceptive or encourage misrepresentation*
40 *of such policy. If the commissioner notifies the insurer which has*
41 *filed any such form that it does not comply with the provisions of*
42 *this section or K.S.A. 40-2202 and 40-2203, and amendments thereto,*
43 *it shall be unlawful thereafter for such insurer to issue such form*

or blanket

[EXPLANATION]

K.S.A. 40-2210 defines blanket sickness and accident insurance as being that form of coverage which may be issued to special, statutorily designated groups such as school districts, fire departments, sports teams, etc. This amendment is therefore necessary to provide rate regulatory authority over such policies.

1 or use it in connection with any policy. In such notice the com-
2 missioner shall specify the reasons for disapproval and state that a
3 hearing will be granted within 20 days after request in writing by
4 the insurer.

5 (e) (1) Any filing of risk classifications, premium rates or rating
6 formulae shall be approved by the commissioner unless the com-
7 missioner finds that such filing does not meet the requirements of
8 this act or establishes an unreasonable, excessive or unfairly dis-
9 criminatory rate. As soon as reasonably possible after the filing has
10 been made, the commissioner shall in writing approve or disapprove
11 the filing. Any filing shall be deemed approved unless disapproved
12 within 30 days after receipt of such filing or supporting information
13 in connection therewith. In the event the commissioner disapproves
14 a filing, the commissioner shall specify in what respect such filing
15 does not meet the requirements of this section or other provisions
16 of article 22 of chapter 40 of the Kansas Statutes Annotated, and
17 amendments thereto, and shall state that a hearing will be granted
18 within 20 days after receipt of such request in writing by such
19 corporation.

20 (2) All rates, filed pursuant to this section, shall be made in
21 accordance with the following provisions: (A) Due consideration shall
22 be given to: (i) Past and prospective loss experience; (ii) past and
23 prospective expenses; (iii) adequate contingency reserves; and (iv) all
24 other relevant factors within and without the state;

25 (B) risks may be grouped by classifications for the establishment
26 of rates for individual, group or blanket policies; and

27 (C) rates shall be reasonable, not excessive and not unfairly
28 discriminatory.

29 (3) Nothing in this act is intended to prohibit or discourage
30 reasonable competition or discourage or prohibit uniformity of rates
31 except to the extent necessary to accomplish the aforementioned pur-
32 pose. The commissioner is hereby authorized to issue such rules and
33 regulations as are necessary and not inconsistent with this act.

34 (e) (f) The commissioner may at any time, after a hearing of
35 which not less than 20 days' written notice shall be given to the
36 insurer, withdraw approval of any such form on any of the grounds
37 stated in this section or rate in the event the commissioner finds
38 such filing no longer meets the requirements of this section or of
39 article 22 of chapter 40 of the Kansas Statute Annotated, and amend-
40 ments thereto. It shall be unlawful for the insurer to issue such form
41 or use it or any rate in connection with any policy after the effective
42 date of such withdrawal of approval.

43 (e) (g) Hearings under this section shall be conducted in ac-

Delete

or, with respect to group or blanket policies issued pursuant to K.S.A. 1989 Supp. 40-2209 or K.S.A. 40-2210, discriminates against any individuals eligible for participation in a group, or establishes rating classifications within a group except those based on criteria solely and directly relevant to recognition of rating differences attributable to the marital status of a group's members and persons eligible for dependents benefits.

[EXPLANATION]

This amendment is designed to do two things. First, it prohibits discrimination against individuals eligible for participation in groups. Second, it prohibits establishment of rating classifications within a group which would effectively prevent tier rating, age rating and other sub-classes where certain smaller groups within the total group are treated differently than others. There is an exception for single, family and dependent classifications.

(D) The rates for group and blanket policies covering 25 or fewer members or member units shall be based on the aggregate loss and expense experience, contingency reserves and other factors required to be considered in making rates to which this act applies. Such rates shall apply equally to all members and member units of all groups comprised of 25 or fewer members insured in this state by the insurance company filing the rates on a per person or per family basis but may vary with the number of persons in a family or the primary occupation of the group's members or both.

[EXPLANATION]

The intent of this amendment is to require community rates for all groups of fewer than 25 members or member units written by any single insurer.

cordance with the provisions of the Kansas administrative procedure act.

Sec. 2. K.S.A. 1989 Supp. 40-2215 is hereby repealed.

Sec. 3. This act shall take effect and be in force from and after its publication in the statute book.

and 40-19c07 are

[EXPLANATION]

New Section 2 provides that the rate regulation requirements and prohibitions would apply with respect to all policies to the extent they cover Kansas residents or employees regardless of where the policy is issued. This so-called extra-territorial provision is adapted from existing K.S.A. 40-2,103 applicable to certain mandated benefits.

The amendments to K.S.A. 40-19c07 simply apply the rating classification restriction and community rating requirements to Blue Cross and Blue Shield organizations.

Sec. 2. The requirements and restrictions imposed by Sections 1 and 2 of this act shall apply to all insurance policies, subscriber contracts or certificates of insurance delivered, renewed or issued for delivery within or outside of this state or used within this state by or for an individual who resides or is employed in this state.

Sec. 3. K.S.A. 1989 Supp. 40-19c07 is hereby amended to read as follows: 40-19c07. (a) Every such corporation shall file with the commissioner a copy of all subscription agreement forms and rates pertaining thereto and all modifications of either that it proposes to use. Every such filing shall indicate the character and extent of the coverage contemplated by such rates, the plan of operation contemplated and shall be accompanied by the information upon which such corporation supports the filing.

(b) Any filing made pursuant to this section shall be approved by the commissioner unless such filing does not meet the requirements of this act or establishes an unreasonable, excessive or unfairly discriminatory rate or, with respect to group or blanket policies issued pursuant to K.S.A. 1989 Supp. 40-2209 or K.S.A. 40-2210, discriminates against any individuals eligible for participation in a group, or establishes rating classifications within a group except those based on criteria solely and directly relevant to recognition of rating differences attributable to the marital status of a group's members and persons eligible for dependents benefits. As soon as reasonably possible after the filing has been made, the commissioner shall in writing approve or disapprove it. Any filing shall be deemed approved unless disapproved within 30 days after receipt of such filing or supporting information connected therewith. In the event the commissioner disapproves a filing, the commissioner shall specify in what respect such filing does not meet the requirements of this section and shall state that a hearing will be granted within 20 days after receipt of such request in writing by such corporation.

(c) The commissioner may at any time after a hearing, of which not less than 20 days' written notice shall have been given, withdraw approval of any such subscription agreement or rate in the event the commissioner finds such filing no longer meets the requirements of the nonprofit medical and hospital service corporation act.

(d) All rates, filed pursuant to this section, shall be made in accordance with the following provisions:

- (1) Due consideration shall be given to (A) past and prospective loss experience; (B) past and prospective expenses; (C) adequate contingency reserves; (D) the provisions of contracts between such corporation and participating physicians and hospitals; and (E) all other relevant factors within and without the state;
- (2) risks may be grouped by classifications for the establishment of rates for individual subscription agreements or for group subscription agreements; and
- (3) rates shall be reasonable, not excessive and not unfairly discriminatory; and
- (4) the rates for group and blanket policies covering 25 or fewer members or member units shall be based on the aggregate loss and expense experience, contingency reserves and other factors required to be considered in making rates to which this act applies. Such rates shall apply equally to all members and member units of all groups comprised of 25 or fewer members insured in this state by the insurance company filing the rates on a per person or per family basis but may vary with the number of persons in a family or the primary occupation of the group's members or both.

(e) Nothing in the nonprofit medical and hospital service corporation act is intended to prohibit or discourage reasonable competition or discourage or prohibit uniformity of rates except to the extent necessary to accomplish the aforementioned purpose. The commissioner is hereby authorized to issue such rules and regulations as are necessary and not inconsistent with the nonprofit medical and hospital service corporation act.

(f) Premiums shall be payable in cash and no subscription agreement issued by such corporation shall provide for any assessment or contingent premiums.

(g) Hearings under this section shall be conducted in accordance with the provisions of the Kansas administrative procedure act.