

Approved: February 13, 1995  
Date

MINUTES OF THE HOUSE COMMITTEE ON FINANCIAL INSTITUTIONS AND INSURANCE.

The meeting was called to order by Chairperson Bill Bryant at 3:30 p.m. on February 6, 1995 in Room 527S of the Capitol.

All members were present except: Representative Tom Sawyer  
Representative Gilbert

Committee staff present: Bill Wolff, Legislative Research Department  
Bruce Kinzie, Revisor of Statutes  
Nikki Feuerborn, Committee Secretary

Conferees appearing before the committee: Marlyn Bunch, Insurance Commissioner's Office  
Tom Wilder, Insurance Commissioner's Office  
Bill Sneed, American Investors  
Ed Mailen, Insurance Commissioner's Office  
Larry Magill, Kansas Association of Insurance Agents  
Patrick Mulvihill, Insurance Commissioner's Office

Others attending: See attached list

**Hearing on HB 2200--Life insurance; waiver of premiums**

Marlyn K. Bunch of the Life Department of the Insurance Commissioner's Office, explained that the proposed amendment would allow the waiver of surrender charges under certain conditions for annuity contracts (Attachment 1). The definition of "financial hardships" was questioned. Conditions which would allow for the acceleration of life and annuity benefits would allow the option of care in a person's residence in addition to or instead of nursing home care only were discussed. The necessity of confinement to a nursing home facility may have to be verified by the attending physician prior to acceleration of benefits.

Bill Sneed, American Investors, described the proposed amendment as an attempt to broaden the allowable provisions under an acceleration of benefits provisions (Attachment 2). This amendment would allow such companies as American Investors to be more competitive in the marketplace.

There were no opponents and the hearing was closed

**Hearing on HB 2202--Continuing education requirements for insurance agents**

Ed Mailen, Supervisor of the Agents and Brokers Division of the Kansas Insurance Department, stated that the bill is an attempt to resolve the cyclical nature of continuing education compliance by replacing the common compliance date of March 31 of each odd-numbered year with a compliance date for each agent based upon the agent's birth date (Attachment 3). His suggestion for improvement would mean alternating certification based upon birth dates in odd and even years but not earlier than two years from date of initial licensure. At this point the workload in this area at the Department is very uneven and hopefully this would ease the problem.

Bill Sneed, American Investors, said this proposal would provide a more efficient program for the recertification through continuing education for insurance agents (Attachment 4). This change would allow for more and varied courses offered throughout the year to smaller groups.

Larry Magill, Kansas Association of Insurance Agents, spoke in behalf of the bill which would smooth out the present continuing education compliance workload in the Insurance Department as well as in the KAIA office (Attachment 5). Because of the common date, an inordinate number of continuing education courses must be scheduled the last four to five months of each biennium. The measure should improve the quality of the education courses by not focusing scheduling of classes towards the end of the biennium and limiting the variety of courses offered. The bill would allow for an on-going schedule of classes.

There were no opponents to the bill and the hearing was closed.

CONTINUATION SHEET

MINUTES OF THE HOUSE COMMITTEE ON FINANCIAL INSTITUTIONS AND INSURANCE,  
Room 527S-Statehouse, at 9:00 a.m. on February 6, 1995.

**Hearing on HB 2203--Confidentiality of certain national association of commissioners reports**

Patrick Mulvihill, Assistant Chief Examiner at the Kansas Insurance Department, said this bill would allow the Department to receive NAIC reports used in monitoring the solvency of insurance companies as well as a synopsis of such reports (Attachment 6). The NAIC requires all such information to be kept confidential and at this point the Department cannot receive these reports because we have no law which allows for confidentiality in this regard. Kansas is one of 5 jurisdictions out of 55 which does not have access to this information.

Bill Sneed, American Investors, stated the need for this amendment as it would allow the Department to receive information which would allow for a preliminary review of a particular company for financial review (Attachment 7). If found necessary, the Department can demand an investigation of such a company which would ultimately result in a public hearing which would allow the public information.

There were no opponents to the bill and the hearing was closed.

Representative Dawson moved for the approval of the January 30, 1995 minutes. Representative Crabb seconded the minutes and the motion carried.

The meeting adjourned at 4:05 p.m. The next meeting is scheduled for February 7, 1995.



M E M O R A N D U M

TO: Tom Wilder

FROM: Marlyn Burch

SUBJECT: House Bill No. 2200

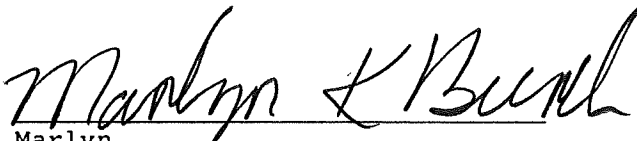
DATE: February 3, 1995

House Bill No. 2200 seeks to amend K.S.A. 40-401 and would allow the waiver of surrender charges under certain conditions for annuity contracts. In studying the bill as proposed, however, there is a concern that to include the broad language, "suffer financial hardships" is so broad as to be nondefinable, unless limited in some manner. The intent of the bill is to allow waiver of premium charges in a certain limited number of instances as follows:

1. When the insured or the insured's spouse is confined to a nursing home for more than 90 days.
2. When the insured or spouse is hospitalized for 30 days or more.
3. When the insured or spouse has a terminal illness.

To limit the statute to those instances either through a definition of "financial hardship" or an actual listing of conditions would accomplish the intent of the bill and provide a guideline for administering the statute.

It is my understanding that a further amendment to K.S.A. 40-401 is being proposed which would broaden the current definition of acceleration of life and annuity benefits. The purpose is to expand the definition of those situations allowed under accelerated benefit to provide an option permitting care in a persons residence in addition to those confined in a nursing home. Such a broadening of the current definitions would appear to be beneficial to Kansas residents and would not be opposed, if presented.



Marlyn  
MKB/dh

*House File  
Attachment 1  
2-6-95*

Section 1. K.S.A. 40-401 is hereby amended to read as follows: 40-401. Any 10 or more persons, a majority of whom are citizens of this state, may associate in accordance with the provisions of this code and form an incorporated company, upon either the stock or mutual plan, to make insurance upon the lives of persons and every insurance appertaining thereto or connected therewith and to grant, purchase or dispose of annuities. Such companies may incorporate in their policies provisions or conditions for the waiver of premiums or for the granting of an annuity to the insured or for special surrender values or other benefits in the event the insured shall ~~from any cause~~ *suffer financial hardship*, **from any cause**, become unemployed or totally and permanently disabled. **Such companies may also incorporate in their annuity contracts provisions or conditions for the waiver of surrender values if the annuitant or his or her spouse is confined to a nursing home, adult care facility or long term care facility for a period of 90 days or more, is confined to a hospital for a period of 30 days or more or is diagnosed with a terminal illness.**

## MEMORANDUM

TO: The Honorable William F. Bryant, Chairman  
House Financial Institutions and Insurance Committee

FROM: William W. Sneed, Legislative Counsel  
American Investors Life Insurance Company

DATE: February 6, 1995

RE: H.B. 2200

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Mr. Chairman, Members of the Committee: My name is Bill Sneed and I represent American Investors Life Insurance Company. American Investors is a wholly-owned subsidiary of AmVestors Financial Corporation. American Investors is an insurance company predominantly active in the annuity business and is a domestic insurer within the State of Kansas.

H.B. 2200 would be an amendment to K.S.A. 40-401. This statute allows life insurance companies to include policy provisions detailing the criteria for the acceleration of benefits under a particular life or annuity contract. The proposed amendment would eliminate the language from any cause and include the phrase "suffer financial hardship." This is an attempt to broaden the allowable provisions under an acceleration of benefits provisions.

Based upon our review of the proposal, my client supports the proposed amendment and would encourage your Committee to consider this bill for passage.

Respectfully submitted,



William W. Sneed

*House File  
Attachment 2  
2-6-95*

M E M O R A N D U M

TO: Committee on Financial Institutions and Insurance

FROM: Ed Mailen, Supervisor  
Agents and Brokers Division  
Kansas Insurance Department

SUBJECT: House Bill No. 2202

DATE: February 6, 1995

I am appearing today to present comments regarding House Bill No. 2202 which amends K.S.A. 40-240f. As you are aware, that statute prescribes the continuing education requirements of insurance agents doing business in Kansas. Overall, these requirements which have been in place since 1989 are reasonable and not overly burdensome to the industry, and administration has been without many complaints. One major problem, however, from the department's standpoint has been the cyclical nature of the continuing education (CE) compliance work flow. That is, although agents have a two-year period in which to comply, the vast majority delay until the last 90 - 120 days of the biennium to submit their compliance reports. Needless to say, that situation creates extreme hardship on department staff to keep pace with the work load during the last of each biennium even though temporary clerical help is added.

This Bill is an attempt to resolve the cyclical nature of CE compliance by replacing the common compliance date of March 31 of each odd-numbered year with a compliance date for each agent based upon the agent's birth date. This amendment would improve upon the current situation in that current agent compliance would be spread over 1997 and subsequent alternate years. The current amendment does not, however, resolve the cyclical compliance pattern. What really is needed is a schedule that spreads compliance over the entire two-year period. It is therefore suggested that "biennial due date" and "biennium" be defined as "each agent's date of birth in alternate years effective January 1, 1997, for all agents born in odd-numbered years or January 1, 1998, for all agents born in even-numbered years but not earlier than two years from date of initial licensure."

While this language appears cumbersome, it accomplishes several objectives as follows:

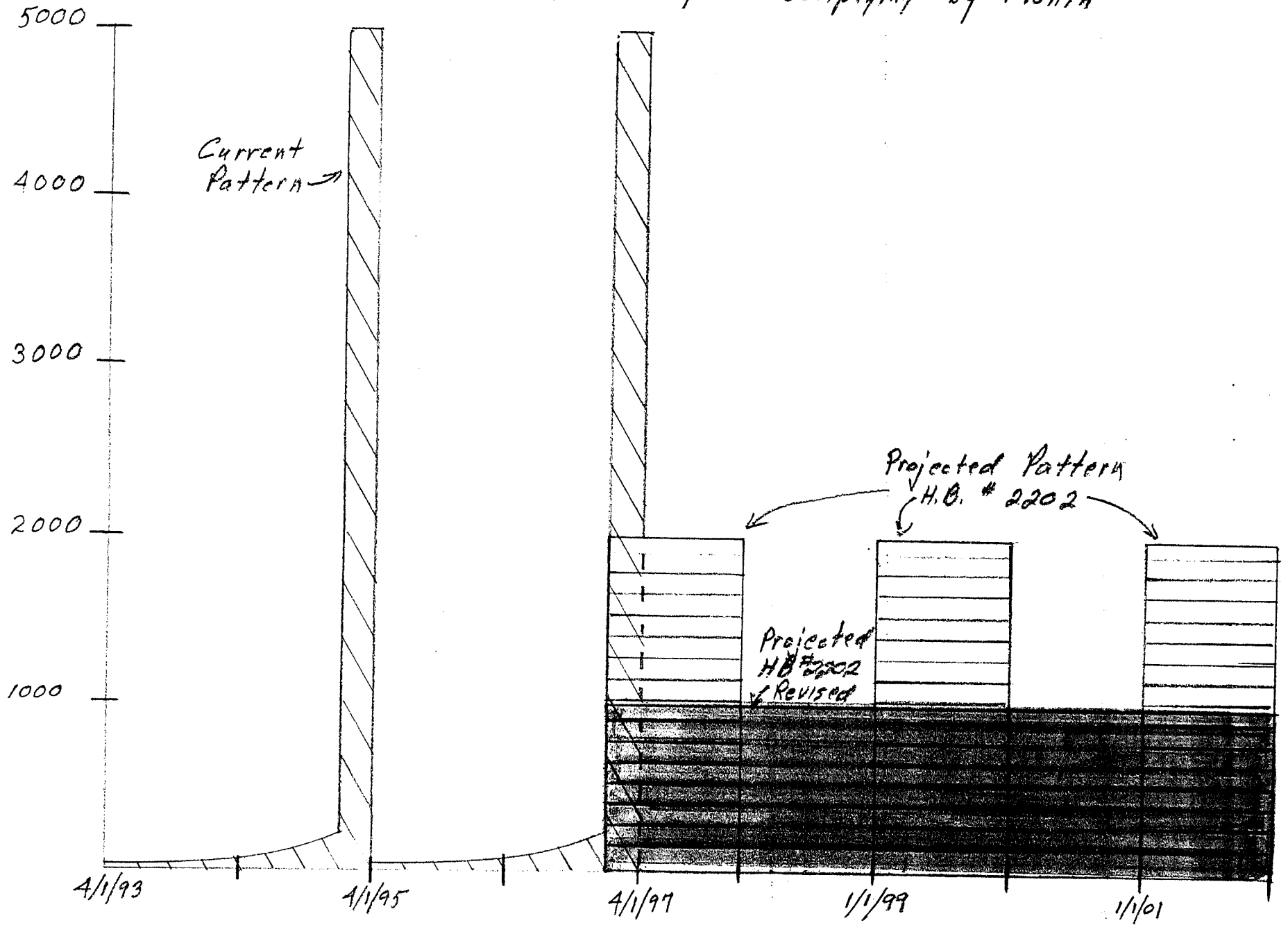
1. It spreads the 29,000 current agents evenly over the entire two-year period.
2. It provides agents and companies with a date easy to remember.
3. It ensures that new agents have at least two years before they must initially comply.

Attached is a graphical illustration of our current work flow, the projected work flow based upon H.B. No. 2202, and the projected work flow based upon the suggested revision of H.B. No. 2202. I will be happy to respond to any questions you may have.

Attachment

*Ed Mailen*  
Attachment 3  
2-6-95

# Number of Agents Complying by Month





MEMORANDUM

TO: The Honorable William F. Bryant, Chairman  
House Financial Institutions and Insurance Committee

FROM: William W. Sneed, Legislative Counsel  
American Investors Life Insurance Company

DATE: February 6, 1995

RE: H.B. 2202

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Mr. Chairman, Members of the Committee: My name is Bill Sneed and I represent American Investors Life Insurance Company. American Investors is a wholly-owned subsidiary of AmVestors Financial Corporation. American Investors is an insurance company predominantly active in the annuity business and is a domestic insurer within the State of Kansas.

H.B. 2202 would be an amendment to K.S.A. 40-240f. K.S.A. 40-240f details the continuing education requirements for insurance agents. My client, who utilizes independent agents, is a supporter of the continuing education requirements for insurance agents. This proposed amendment would eliminate the requirement that all agents be certified on the same date and would revert the requirement to be recertified corresponding with the agent's birth date.

Our review of the bill indicates that this would provide a more efficient program for the recertification, and as such, we support H.B. 2202.

Thus, on behalf of my client, I support H.B. 2202 and respectfully request your favorable consideration.

Respectfully submitted,



William W. Sneed

*House File  
Attachment #  
2-6-95*

Testimony on HB 2202  
Before the House Financial Institutions & Insurance Committee  
By: Larry W. Magill, Jr., Executive Vice President  
Kansas Associationk of Insurance Agents  
February 6, 1995

Thank you, Mr. Chairman, and members of the committee, for the opportunity to appear today in support of HB 2202 requested by the Kansas Insurance Department. The bill converts the present continuing education system for insurance agents from a common biennial due date of March 31st of each odd numbered year to a two-year requirement tied to an individual agent's birthdate.

We support the measure, which will help the Insurance Department smooth out its present continuing education compliance workload with the other work done by the agents licensing section. It should make the Department more effective and efficient.

Having all agents on the same biennium due date causes staffing problems for the Kansas Association of Insurance Agents as well. Because of the common date, we must schedule an inordinate number of continuing education courses the last four to five months of each biennium. By converting to birth dates, we should be able to offer a constant level of continuing education services to our members while obtaining at least a breakeven attendance. Under the current system, interest in continuing education drops off dramatically after the end of a biennium and then builds gradually towards the end of the next biennium.

(over)

*House DSD*  
*Attachment 5*  
*2-6-95*

We think the measure will also move the focus of continuing education to quality and eliminate Kansas as a target for out-of-state vendors of courses designed to simply provide continuing education hours almost regardless of the quality. Our association sponsors three professional designation programs, the Accredited Adviser in Insurance (AAI), the Certified Insurance Counselor (CIC) and the Certified Insurance Service Representative (CISR). All three have continuing education requirements to maintain the designations and the CIC and CISR courses currently use birth dates as the deadline for meeting these requirements. Agents are used to this system and it works well.

We urge the committee to act favorably on HB 2202. We would be happy to provide additional information or answer any questions the committee may have.

# Kansas Insurance Department

Kathleen Sebelius, Commissioner

420 S.W. 9th

Topeka, Kansas 66612-1678 (913) 296-3071

To: Financial Institutions and Insurance Committee

From: Patrick Mulvihill, Assistant Chief Examiner  
Kansas Insurance Department

Re: House Bill No. 2203

Date: February 6, 1995

House Bill No. 2203 is a proposal to amend K.S.A. 1994 Supp. 45-221 which is the "Open Records Act". Subsections 39, 40 and 41 were enacted as amendments to K.S.A. 45-221 during 1994. However, these subsections are once again reflected as proposed amendments in an attempt to bring the statutory references included therein into compliance with the 1994 Supplement to the Kansas Statutes Annotated. The information referenced in subsections 39 and 40 must be kept confidential in accordance with the Accreditation Program of the National Association of Insurance Commissioners (NAIC).

The Kansas Department of Insurance is proposing the amendment in subsection 42. The NAIC has developed the Financial Analysis and Solvency Tracking System (FAST) which is a series of financial ratios and scoring system which are used to monitor the solvency of insurance companies. In addition, the NAIC prepares an examination synopsis after conducting a detailed review of a company's financial condition. The NAIC requires all such information to be kept confidential. However, we are unable to obtain this information from the NAIC since we do not have a law which allows us to keep it confidential. Presently, only 5 out of the 55 jurisdictions which are members of the NAIC do not have access to this information and Kansas is one of the 5 jurisdictions.

*House FD  
Attachment 6*

*2-6-95*

It should be noted that up until 1994, we had access to the examination synopsis information. However, the NAIC will no longer provide us with the information since we do not have a law allowing us to keep it confidential.

The financial information we would like to obtain from the NAIC would greatly enhance our ability to monitor the financial condition of insurance companies by providing us with an early indication as to whether a company is experiencing financial problems.

If you have any questions, please feel free to contact Don Gaskill, Chief Examiner, Kansas Department of Insurance at 296-7821 or myself at 296-7817.

## MEMORANDUM

TO: The Honorable William F. Bryant, Chairman  
House Financial Institutions and Insurance Committee

FROM: William W. Sneed, Legislative Counsel  
American Investors Life Insurance Company

DATE: February 6, 1995

RE: H.B. 2203

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Mr. Chairman, Members of the Committee: My name is Bill Sneed and I represent American Investors Life Insurance Company. American Investors is a wholly-owned subsidiary of AmVestors Financial Corporation. American Investors is an insurance company predominantly active in the annuity business and is a domestic insurer within the State of Kansas.

H.B. 2203 is an amendment to K.S.A. 45-221. K.S.A. 45-221 is that portion of the Kansas statutes relating to open records. Specifically, this statute enumerates those records which are not considered under the Open Records Act, and thus, a public agency is not required to disclose this information. Specifically, the amendment would indicate that the material received by the Commissioner of Insurance through the National Association of Insurance Commissioners ("NAIC") relating to specific financial information would not be considered an open record. By virtue of the rules of the NAIC, this information cannot be procured by an Insurance Department if such information could be subject to an open records request. Thus, at the current time our Department cannot receive this information. This information is highly useful, particularly if the Department wishes to utilize it for a preliminary review of a particular company for financial review.

Although it is the general feeling that information procured by state agencies should be made available for public review, this information cannot be acquired without such an amendment.

*House F.I.S.*  
*Attachment 7*

*2-6-95*

Further, if after receipt of this information the Kansas Insurance Department wishes to continue its review, the Department has other mechanisms by which to cause an investigation, which could ultimately result in a public hearing. Thus, any resulting information on a "problem" company could be provided to the public after an investigation and public hearing. Therefore, it is our opinion that the public desire for information available to the public would still be satisfied.

Therefore, the proposed amendment does provide our Department with a valuable tool, and it is my client's position that the legislature should enact such a provision.

Thus, on behalf of my client, I support H.B. 2203 and respectfully request your favorable consideration.

Respectfully submitted,



William W. Sneed