

MINUTES OF THE Senate Committee on Financial Institutions and Insurance.

The meeting was called to order by Chairperson Dick Bond at 9:05 a.m. on March 17, 1995 in Room 529-S of the Capitol.

Members present were: Senator Clark, Senator Corbin, Senator Emert, Senator Lee, Senator Petty, Senator Praeger, Senator Steffes

Committee staff present: Dr. William Wolff, Legislative Research Department
Fred Carman, Revisor of Statutes
June Kossover, Committee Secretary

Conferees appearing before the committee: Brad Smoot, Blue Cross Blue Shield
Richard Huncker, Kansas Insurance Department

Others attending: See attached list

Senator Steffes made a motion to approve the minutes of the meeting of March 16 as submitted. Senator Praeger seconded the motion. The motion carried.

The hearing was reopened on **HB 2343**. The chairman reminded the committee that the remaining issue to be decided concerns whether or not to extend the deadline for small group compliance with community rating requirements. Brad Smoot, Blue Cross Blue Shield, appeared before the committee to share a letter he had written to committee members explaining that no one is out of compliance until January 1, 1997 and that Blue Cross Blue Shield is beginning to bring groups into the rating bands. (Attachment #1) In response to Senator Petty's inquiry, Mr. Smoot clarified that the requirement is that small groups be within the bands by 1997 and that the process is underway. Senator Praeger asked if phase-in was required and Mr. Smoot replied that phase-in was not specified but the opportunity to phase-in was available.

Richard Huncker, Kansas Insurance Department, provided a chart of community rating provisions in other states, a list of companies who provide coverage to small groups in Kansas and other information related to small group rate compression compliance. (Attachment #2) Mr. Huncker also proposed an amendment to extend the compliance deadline. (Attachment #3)

Senator Praeger made a motion to amend as proposed by Mr. Huncker and Blue Cross Blue Shield. Senator Corbin seconded the motion. The motion carried. Other amendments to **HB 2343** had been approved in the meeting of March 8.

Senator Praeger moved to pass **HB 2343** favorably as amended. Senator Corbin seconded the motion; the motion carried.

The hearing was reopened on **HB 2069**. This bill was originally heard and amended by the committee on February 15. The chairman explained that **SB 274**, which concerns the ability of the beneficiary of a trust to change trustees under limited, specified conditions and which was passed by this committee on February 23 probably will not be acted upon in the House Financial Institutions and Insurance Committee due to time constraints. Therefore, the committee agreed to further amend **HB 2069** by inserting the language in amended **SB 274**. Senator Steffes moved to amend **SB 274** into **HB 2069**; Senator Praeger seconded the motion. The motion carried. Senator Steffes made a motion, seconded by Senator Praeger, to pass **HB 2069** favorably as amended. The motion carried.

The chairman reopened the hearing on **HB 2073**, relating to the publishing of financial reports. This bill was originally heard in the meeting of March 9 and tabled to allow interested parties and staff to draft compromise language to require all state financial institutions to publish a statement of condition annually. Senator Corbin made a motion to pass **HB 2073** without amendment. Senator Praeger seconded the motion.

Senator Emert offered a substitute motion to adopt the amendments to require all financial institutions and credit unions to publish an annual report; Senator Steffes seconded the motion. (Attachment #4) Following discussion of whether or not credit unions should be included, the motion failed.

The chairman then called for a vote on the original motion by Senator Corbin. The motion failed.

Senator Corbin offered a new motion to amend **HB 2073** as offered by Senator Emert and to pass favorably. Senator Emert seconded the motion. The motion carried. The title of **HB 2073** will also be amended to reflect the contents of the bill.

The committee adjourned at 9:40 a.m.

BRAD SMOOT
ATTORNEY AT LAW

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March 16, 1995

The Honorable Dick Bond
State Senator
Capitol, Room 128-S
Topeka, Kansas 66612

Dear Senator Bond:

As a result of questions and issues raised at yesterday's Financial Institutions and Insurance Committee meeting regarding an amendment to extend small group rate compression, I feel it necessary to provide you some information in writing.

This issue does not affect huge numbers of Blue Cross and Blue Shield insureds or Kansans in general. It does, however, have personal meaning for 1,000 Blue Cross and Blue Shield groups, involving about 6,000 contracts, or about 15,000 people. Altogether, Blue Cross insures or administers coverage for 754,632 Kansans. This is not, then, an extraordinary part of our business. Even in the small group market, this issue concerns only one-seventh of our groups.

For groups of 25 to 50 employees, this law has barely become effective. It is applicable only with renewal dates on and after July 1, 1994. Some of our groups have not even hit their renewal dates yet. Further, all of our affected groups have at least two renewal dates before the increases have to be made, and some have three. Blue Cross and Blue Shield is preparing to increase rates to bring these groups within the statutory ranges. The impact of these additional premiums on your constituents is the reason I brought this matter to the attention of the legislature.

Nothing Blue Cross has done to date, or will do in the future, will harm its insureds any more than if Blue Cross had begun raising rates in 1993. In fact, groups have saved money over the last year or so. Really, the only question we pose to the legislature is whether the affected Kansans should endure large increases in the next two or three years, or whether that "rate shock" could be softened.

Senate 7141
3/17/95
Attachment #1

In summary, I wanted the legislature to know what was ahead and not be surprised by angry constituents. Blue Cross and Blue Shield is at the point where it must proceed with more aggressive rate adjustments for these groups. It will have dramatic and adverse impact for some Kansans. When I learned of the impact of 1994 House Bill 2633, it was my desire that the legislature have an opportunity to consider its options.

I hope this information is of assistance to the Committee. If you have any other questions, please advise.

Sincerely,

A handwritten signature in black ink, appearing to read "Brad", written in a cursive style.

Brad Smoot
Legislative Counsel
Blue Cross Blue Shield of Kansas

BS:crw

NAIC
COMMUNITY RATING PROVISIONS IN THE STATES

STATE	CITATION	PROVISION SUMMARY	INSURANCE AFFECTED
AR	§ 23-98-110 Rule & Reg. 52 § 8	Rates shall not be approved unless based upon a pool, community rating, or other rating formula acceptable to the commissioner.	Eligible individuals or groups who purchase a "basic policy"
CO	§ 10-16-105	Premium rate charged during a rating period to small employers shall be based on a single, same index rate, applicable to all small employers, adjusted for case characteristics and coverage.	Small employer
CT	Uncodified Public Law 93-1 §§ 38a-567, 38a-564	Medicare supplement policies issued after 1/1/94 based on community rating. Premium increases may not be made based on age or any other criteria. After 7/1/95, premium rates charged or offered to small employers shall be based on community rate.	Medicare supplement Small groups (up to 25)
FL	§ 627.6699 (5)(k)(6)	Modified community rating required with an adjustment for age, gender, family composition, tobacco usage and geographic area.	Small groups (3 to 25)
HI	Insurers have initiated voluntarily	The 2 major insurers in the state, BCBS and Kaiser (HMO) voluntarily use a modified community rating system. There are differences in rates, but they do not differ radically from one another.	BCBS - small employer groups of under 100 employees Kaiser - individuals and some small employer groups
IA	§ 513B.4	There shall be no variance in premium rates for a basic or standard benefit plan based on health status or claim experience.	Small employer
KY	806 KAR 38:070	Rates must be equivalent for all individuals and for all families of similar composition. Community rating not mandated by these rules, but an HMO which proposes to use another system must prove that its rating system does not violate the rules' principles.	HMOs
LA	R.S. 22:228.6 Reg. 52	Modified community rating system. Each class of business rate manual to be used to determine compliance with required relationship of one class to other classes.	All individual health and small groups (3 to 35)

*Senate 7141
3/17/95
Attachment #2*

NAIC
COMMUNITY RATING PROVISIONS IN THE STATES

STATE	CITATION	PROVISION SUMMARY	INSURANCE AFFECTED
ME	24-A § 2808-B	Until 7-15-97, the community rate may only vary, on a scheduled basis, due to family membership, participation in wellness programs, group size, age, smoking status, occupation or industry and geographic area. After 7-15-97, the community rate may vary the premium <u>only</u> due to family membership, participation in wellness programs and group size. Gender rating is specifically prohibited.	All individual health and small groups (up to 25)
	24-A § 5011	Community rating requires that rates may not vary based on age, gender, health status, claims experience, policy duration, industry or occupation. Issuer shall pool all experience for that plan under individual policies. Group plans may be rated separately.	Medicare supplement
	24-A § 6059-A	Maine High-Risk Insurance Organization shall plan for the use and establishment of community rating for premiums and shall implement a transition plan. (Note that this Organization is scheduled to dissolve on 1-1-95.)	High-risk groups
MD	48A § 702	Community rating will be required under general market reform if ERISA is amended to provide state control of employee benefits, or if at least 60% of the population under age 65 is covered by an insurer or HMO. The community rate may only be adjusted for age and geographic area. Adjustment is allowed to phase in community rating over several years. An adjusted community rating is required for small group plans with the same phase-in. On or before 10-1-98 the commissioner shall submit a report on the feasibility of pure community rating.	Small groups now, may someday affect all insurance
MA	176K:7	Medicare supplement and medicare select policies shall be community rated.	Medicare supplement
MN	§ 62A.31 (1r)	Permits phased-in compliance of Medicare supplement policies with community rating. Allows any health plan, at the carrier's option, to charge the community rate or premiums specified as of 12/31/92.	Medicare supplement
	§ 62Q.18	Effective 7-1-95 permit limited rate variations which gradually reduce until by 7-1-97 may vary rate only for differences in plan design, number of persons covered, actuarially valid costs between adults and children, healthy lifestyle discounts, and specified geographic variations.	All

NAIC
COMMUNITY RATING PROVISIONS IN THE STATES

STATE	CITATION	PROVISION SUMMARY	INSURANCE AFFECTED
NH	§ 420-G:4	Community rating shall be set by each carrier as the single average premium with no modification for gender, geographical location, occupation, health status, individual and/or group claims experience or duration of coverage	All individual health and small groups (1 to 100)
NJ	§§ 17B:27A-1 to 17B:27A-46	Requires all health insurers, including HMOs, to provide individual health insurance on a continuous open enrollment with premiums based on a modified community rating system formulated without regard to age, sex, occupation and geographic location, but which may vary for health status. Effective 1/1/97 all small employer health benefits plans shall be community rated.	All individual health and small groups (2 to 49)
NM	§ 59A-18-13.1	Effective 1-1-95 through 7-1-98 community rating requires the use of factors for age, gender, geographic area and smoking habits only in setting rates. After 7-1-98, the only rating factor that may be used is whether a resident of the state is under or over the age of 19.	All individual health and small groups (2 to 50)
NY	§ 3231, Reg. 145	No individual, small group, or Medicare supplement policy shall be issued in New York unless the policy is community rated, without regard to age, sex, health status or occupation. May establish separate community rates for individuals as opposed to group.	Individual health, small group (3 to 50), including Medicare supplement, and out-of-state trusts covering New York residents
NC	§§ 143-621 to 143-636, 58-50-110	Carriers required to use adjusted community rating. Rating method spreads financial risk across a large population and allows adjustments only for age, gender, number of family members covered and geographic areas.	Small groups (up to 49)
PA	Reg. tit. 31 § 301.204	Permitted by department to use group specific community rating subject to HCFA regulations. Shall also meet conditions to use group specific community rating in Pennsylvania. Shall demonstrate that it has the capability to capture claims data on a group specific basis. Group specific rating only applicable to groups that have enrollment of at least 250 employees for most current 12-month period. Shall use the rating method for all groups that meet the minimum size requirement established by HMO and approved by department.	HMOs
SC	SB 541 (1994)	No small employer policy group issued after 1-1-95 may be rated on other than a modified community basis, with adjustments only for age, gender, geographic area, industry and family composition.	Small groups (no more than 50)

NAIC
COMMUNITY RATING PROVISIONS IN THE STATES

STATE	CITATION	PROVISION SUMMARY	INSURANCE AFFECTED
VT	T. 8 § 4080a T. 8 § 4080b	Carriers shall use a community rating method acceptable to the commissioner. Premiums shall be submitted for single, two person and family membership classifications. The approved community rates for a given benefit package may be adjusted for the following rating classifications upon approval of a deviation plan: demographics, geographic area, industrial class, experience, tier rating and durational rating. However, the premium charged shall not deviate above or below the community rate by more than 20%. (40% for individual policies until 7-1-95, 20% thereafter)	a) Small groups (1 to 49) b) Individuals and their dependents
VA	§ 38.2-3428 § 38.2-3433	Policy rates shall be based on a pool or community rating formula. New or renewal premium rates for essential or standard health benefit plans shall be based on a community rate, adjusted for geographic area, age and gender characteristics. Rates may deviate above or below the filed community rate by not more than 20%.	All health insurers writing "basic" health plan Small group (less than 50)
WA	§ 43.72.040	Washington Health Services Commission shall establish a community-rated maximum premium for the uniform benefits package annually. Maximum premium cost for 1995 shall be based upon an actuarial determination and other facts deemed relevant by the commission. Commission shall review various methods for establishing the premium and make recommendations to the legislature by 12/1/94.	All residents shall be covered in uniform benefits package
WV	Reg. 114-26-3	All insurers providing community rated coverage must file for approval all formulas used in the calculation of community rated group coverage along with how the group rates were calculated. Any proposed changes in an approved rating plan should be filed with commissioner.	All group health

Every effort has been made to make this information as correct and complete as possible. For further information about community rating, please consult the laws listed above.

NAIC
3/95
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STATE SMALL GROUP INSURANCE REFORM LEGISLATION

STATE	NAIC	VERY TIGHT	NAIC	GUARANTEE	A) VOLUNTARY	B) MANDATORY	ACCEPT/REJECT	PORTABILITY	MANDATE
	RATING	RATING BANDS OR COMTY RATING	RENEWAL						
AL									
AK	93 LAW		93 LAW	93 LAW	93 LAW			93 LAW	
AZ	93 LAW		93 LAW	93 LAW	93 LAW			93 LAW	91 LAW
AR	91 LAW		91 LAW						91 LAW
CA		92 LAW	92 LAW	92 LAW	92 LAW			92 LAW	
CO	91 LAW ¹	94 LAW	91 LAW	94 LAW	94 LAW			94 LAW	91 LAW ²
CT	90 LAW	93 LAW	90 LAW	90 LAW	90 LAW			90 LAW	
DE	91, 92 LAW ¹		91 LAW	92 LAW	92 LAW			92 LAW	92 LAW
FL	91, 92 LAW	93 LAW	91, 92 LAW	92, 93 LAW	92 LAW			92 LAW	90, 92 LAW
GA									91 LAW
HI									
ID	93 LAW		93 LAW	93 LAW		93 LAW		93 LAW	
IL	93 LAW		93 LAW				93 LAW	93 LAW	90 LAW
IN	92 LAW		92 LAW						
IA	91 LAW	94 LAW	91 LAW	92 LAW	92 LAW			92 LAW	91, 92 LAW
KS	91, 92 LAW ¹		92 LAW	92 LAW	92 LAW			91, 94 LAW	90, 92 LAW
KY		94 LAW	94 LAW	94 LAW				94 LAW	90 LAW
LA	91 LAW	93 LAW						93 LAW	
ME		92 LAW	92 LAW	92 LAW	93 LAW		90 LAW	90 LAW	
MD		93 LAW	93 LAW	93 LAW	93 LAW			93 LAW	91 LAW
MA		91 LAW	91 LAW	91 LAW		91 LAW ³		91 LAW	91 LAW
MI									
MN	92, 94 LAW		92 LAW	92 LAW	92 LAW			92 LAW	92 LAW
MS	94 LAW		94 LAW					93 LAW	92 LAW
MO	92 LAW		92 LAW	92 LAW		92 LAW		92 LAW	90, 92 LAW
MT	93 LAW		93 LAW	93 LAW		93 LAW		93 LAW	91 LAW
NE	91, 94 LAW		91, 94 LAW	94 LAW		94 LAW		94 LAW	
NV									91 LAW
NH	92 LAW	94 LAW	92, 94 LAW	94 LAW			92 LAW	92, 94 LAW	
NJ		92 LAW	92 LAW	92 LAW	92 LAW			92 LAW	91 LAW
NM	91 LAW	94 LAW	91 LAW					94 LAW	91 LAW
NY		92 LAW	92 LAW	92 LAW				92 LAW	91 LAW
NC	91 LAW	93 LAW	91 LAW	91, 93 LAW	91 LAW			91 LAW	91 LAW
ND	91, 93 LAW		91, 93 LAW	93 LAW		93 LAW		93 LAW	91 LAW
OH	93 LAW		93 LAW				93 LAW	93 LAW	
OK	92 LAW		92 LAW	94 LAW	94 LAW			92, 94 LAW	
OR		91 LAW	91 LAW	91 LAW	91 LAW			91 LAW	89 LAW
PA									
RI	92 LAW		92 LAW	92 LAW	92 LAW			92 LAW	90, 92 LAW
SC	91 LAW		91 LAW	94 LAW	94 LAW		91 LAW	91 LAW	
SD	91 LAW		91, 94 LAW				94 LAW	94 LAW	
TN	92 LAW ¹		92 LAW	92 LAW	92 LAW			92 LAW	92 LAW
TX	93 LAW		93 LAW	93 LAW	93 LAW			93 LAW	
UT	94 LAW		94 LAW					94 LAW	
VT		91 LAW		91 LAW		91 LAW		91 LAW	
VA	93 LAW		92 LAW	93 LAW			92 LAW	92, 93 LAW	90, 93 LAW
WA		93 LAW	93 LAW	93 LAW				93 LAW	90 LAW
WV	91 LAW		91 LAW					91 LAW	91 LAW
WI	91 LAW		91 LAW	92 LAW				92 LAW	92 LAW
WY	92 LAW		92 LAW	92 LAW		92 LAW		92 LAW	

¹Alternate rating limits from NAIC

²Limited waiver (CO-limited mental health waiver only)

³BCBS Plan exempt from participation in reinsurance

Source: Blue Cross and Blue Shield Association, 1994

Senate Bill No. 561/House Bill No. 2633
Carriers Who Provide Health Benefit Plan
to Small Employers in Kansas*

Aetna Life Insurance Company
American Chambers Life Insurance Company
American National Insurance Company
American Underwriters Life Insurance Company
Bankers United Life Assurance Company
Benchmark Insurance Company
Blue Cross and Blue Shield of Kansas, Inc.
Celtic Life Insurance Company
Centennial Life Insurance Company
Central Benefits National Life Insurance Company
Central Reserve Life Insurance Company
Colonial Life Insurance Company of America
Connecticut General Life Insurance Company
Continental Life and Accident Company
CUNA Mutual Insurance Society
Employers Health Insurance Company
EPIC Life Insurance Company
Federated Mutual Insurance Company
Fortis Benefits Insurance Company
The Franklin Life Insurance Company
General American Life Insurance Company
Golden Rule Insurance Company
Great West Life and Annuity Insurance Company
Guardian Life Insurance Company of America
Healthy Alliance Life Insurance Company
Home Life Financial Assurance Corporation
Humana Insurance Company
John Alden Life Insurance Company
John Deere Insurance Company
John Hancock Mutual Life Insurance Company
Life Investors Insurance Company of America
Lincoln National Life Insurance Company
Metropolitan Life Insurance Company
Missouri Valley Life and Health Insurance Company
MMA Insurance Company
Monumental Life Insurance Company
National Group Life Insurance Company
Nationwide Life Insurance Company
New England Mutual Life Insurance Company
New York Life Insurance Company
Pacific Mutual Life Insurance Company
PFL Life Insurance Company

Phoenix American Life Insurance Company
Phoenix Home Life Mutual Insurance Company
Pioneer Life Insurance Company of Illinois
PM Group Life Insurance Company
Principal Mutual Life Insurance Company
Prudential Insurance Company of America
Safeco Life Insurance Company
Sentry Life Insurance Company
State Mutual Life Assurance Company of America
Time Insurance Company
TMG Life Insurance Company
The Travelers Insurance Company
The Travelers Insurance Company of Illinois
Trustmark Insurance Company (Mutual)
Trustmark Life Insurance Company
United of Omaha Life Insurance Company
United States Life Insurance Company in the City of New York
United Wisconsin Life Insurance Company
United World Life Insurance Company
Woodmen Accident and Life Company

Nonprofit Service Corporation

Blue Cross and Blue Shield of Kansas City

Group-Funded Pools

MARCIT

Smoky Hill Health Insurance Group
South Central Kansas Health Insurance Group
Southwest Plains Regional Service Center #626-Health Insurance Group

Health Maintenance Organizations

BMA SelectCare, Inc.
CIGNA Healthplan of Kansas/Missouri, Inc.
ExclusiCare (Exclusive Healthcare, Inc.)
Good Health HMO, Inc. d/b/a Blue-Care
Healthcare America Plans, Inc.
Healthsource, Inc. d/b/a Blue-Advantage
HMO Kansas, Inc.
Humana Kansas City, Inc.
Kaiser Foundation Health Plan of Kansas City, Inc.
MetLife Healthcare Network
Preferred Plus of Kansas, Inc.
Principal Health Care of Kansas City
Prudential Health Care Plan, Inc.

*This list contains names of carriers who have indicated to the department that they write health benefit plans as defined in House Bill No. 2633 which cover small employers in Kansas. However, this list is subject to change should a carrier elect to discontinue such coverage in Kansas.

1993

Kansas "Health Insurance"* Premium Volume

1. Blue Cross and Blue Shield of Kansas, Inc.	\$616,959,607
2. Humana Kansas City, Inc.	\$ 56,603,322
3. CIGNA Healthcare of Kansas/Missouri, Inc.	\$ 47,135,691
4. Principal Mutual Life Insurance Company	\$ 43,099,658
5. HMO Kansas, Inc.	\$ 38,173,465
6. Blue Cross and Blue Shield of Kansas City	\$ 31,553,858
7. Prudential Insurance Company of America	\$ 30,358,909
8. Preferred Plus of Kansas, Inc.	\$ 21,178,561
9. Healthcare America Plans, Inc.	\$ 19,575,919
10. Kaiser Foundation Health Plan of Kansas City	\$ 19,133,082

*"Health Insurance" and "Health Benefit Plan" means any hospital or medical expense policy, health, hospital or medical service corporation contract, and a plan provided by a municipal group-funded pool, or a health maintenance organization contract offered by an employer or any certificate issued under any such policies, contracts or plans. "Health Insurance" does not include policies or certificates covering only accident, credit, dental, disability income, long-term care, hospital indemnity, medicare supplement, specified disease, vision care, coverage issued as a supplement to liability insurance, insurance arising out of a workers compensation or similar law, automobile medical-payment insurance, or insurance under which benefits are payable with or without regard to fault and which is statutorily required to be contained in any liability insurance policy or equivalent self-insurance.

Kansas Insurance Department

Our department contacted 6 small employer carriers who have groups with original effective dates prior to January 1, 1993. These companies are Travelers Insurance Company, Central Benefits National Life Insurance Company, Principal Mutual Life Insurance Company, John Alden Life Insurance Company, United Wisconsin Life Insurance Company and Blue Cross and Blue Shield of Kansas City. Of those companies, one indicated they may have a few groups who will receive rate increases around 50% to bring them into compliance by the first renewal date on or after December 31, 1996. However, the majority indicated they will bring their groups into compliance by the first renewal date in 1997 without substantial rate increases.

March 16, 1995

To Ruth Bradford
Kansas Insurance Department
Accident and Health Department

Post-It™ brand fax transmittal memo 7671		# of pages > 1
To Ruth Bradford	From Teri Reiersen	
Co. Kansas Ins Dept	Co. Principal	
Dept. A & H	Phone # 515 247-6839	
Fax # 913-296-2283	Fax # 515 247-0130	

From Teri Reiersen
Principal Mutual Life Insurance Company
Group Technical Services
(515) 247-6839

Re Small Group Reform Rating Restrictions

You've asked for information regarding our ability to comply with Kansas' 20% Index Rate difference between Classes of Business and the $\pm 25\%$ within Classes of Business rating restrictions. These requirements follow the NAIC model rating restrictions. We've had to comply with these requirements in many states since 1991 and have not found them to be disruptive to the market place. Our rates were in line with these restrictions prior to the implementation of the reform laws.

We brought all cases into compliance with the rating bands in 1993. No cases were left below or above the rate band for the grace period.

Please let me know if you need additional information.

in the base premium rate, a small employer's rate shall not exceed, on a percentage basis, the change in the new business premium rate for the most similar health benefit plan into which the small employer carrier is actively enrolling new small employers;

(B) any adjustment, not to exceed 15% annually and adjusted pro rata for rating periods of less than one year, due to the claim experience, health status or duration of coverage of the employees or dependents of the small employer as determined from the small employer carrier's rate manual for the class of business; and

(C) any adjustment due to change in coverage or change in the case characteristics of the small employer, as determined from the small employer carrier's rate manual for the class of business.

(4) Adjustments in rates for claim experience, health status and duration of coverage shall not be charged to individual employees or dependents. Any such adjustment shall be applied uniformly to the rates charged for all employees and dependents of the small employer.

(5) A small employer carrier may utilize industry as a case characteristic in establishing premium rates, if the highest rate factor associated with any industry classification does not exceed the lowest rate factor associated with any industry classification by more than 30% for each year until the earlier of the first acquisition of coverage from a small employer carrier which did not previously provide coverage to that small employer or the first renewal date on or after December 31, 1996, and 15% each year thereafter.

(6) A premium rate for a rating period may exceed the ranges set forth in paragraphs (1) and (2) until the earlier of the first acquisition of coverage from a small employer carrier which did not previously provide coverage to that small employer or the first renewal date on or after December 31, 1996. In such case, the percentage increase in the premium rate charged to a small employer for a new rating period shall not exceed the sum of the following:

(A) The percentage change in the new business premium rate measured from the first day of the prior rating period to the first day of the new rating period. In the case of a health benefit plan into which the small employer carrier is no longer enrolling new small employers, the small employer carrier shall use the percentage change in the base premium rate, if such change does

New Section . K.S.A. 40-2209h
is hereby amended to read as follows:

40-2209h. From and after January 1, 1993: (a) Premium rates applicable to Kansas residents for health benefit plans subject to this act shall be subject to the following provisions:

(1) The index rate for a rating period for any class of business shall not exceed the index rate for any other class of business by more than 20%.

(2) For a class of business, the premium rates charged during a rating period to small employers with similar case characteristics for the same or similar coverage, or the rates that could be charged to such employers under the rating system for that class of business, shall not vary from the index rate by more than 25% of the index rate.

(3) The percentage increase in the premium rate charged to a small employer for a new rating period may not exceed the sum of the following:

(A) The percentage change in the new business premium rate measured from the first day of the prior rating period to the first day of the new rating period. In the case of a health benefit plan into which the small employer carrier is no longer enrolling new small employers, the small employer carrier shall use the percentage change

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Attach in ext #3

If premium rates for a small employer covered by a small employer carrier prior to January 1, 1993 are below the lowest range as set forth in paragraphs (1) and (2), such small employer carrier must at least increase that small employer's rates commencing with renewals on or after December 31, 1995 to equally distribute the needed increase to get that small employer's rates within the range over the renewal opportunities remaining so that the small employer's renewal rates on or after December 31, 2000 would be within the ranges.

not exceed, on a percentage basis, the change in the new business premium rate for the most similar health benefit plan into which the small employer carrier is actively enrolling new small employers.

(B) Any adjustment due to change in coverage or change in the case characteristics of the small employer, as determined from the carrier's rate manual for the class of business.

(7) (A) Small employer carriers shall apply rating factors, including case characteristics, consistently with respect to all small employers in a class of business. Rating factors shall produce premiums for identical groups which differ only by amounts attributable to plan design and do not reflect differences due to the nature of the groups assumed to select particular health benefit plans.

(B) A small employer carrier shall treat all health benefit plans issued or renewed in a class of business in the same calendar month as having the same rating period.

(8) For the purposes of this subsection, a health benefit plan that utilizes a restricted provider network shall not be considered similar coverage to a health benefit plan that does not utilize such a network, if utilization of the restricted provider network results in substantial differences in claims costs.

(9) A small employer carrier shall not use case characteristics, other than age, gender, industry, geographic area, family composition, and group size without prior approval of the commissioner.

(10) The commissioner may establish regulations to implement the provisions of this section and to assure that rating practices used by small employer carriers are consistent with the purposes of this act, including:

(A) Assuring that differences in rates charged for health benefit plans by small employer carriers are reasonable and reflect objective differences in plan design, not including differences due to the nature of the groups assumed to select particular health benefit plans; and

(B) prescribing the manner in which case characteristics may be used by small employer carriers.

(b) A small employer carrier shall not transfer a small employer involuntarily into or out of a class of business. A small employer carrier shall not offer to transfer a small employer into or out of a class of business unless such offer is made

to transfer all small employers in the class of business without regard to case characteristics, claim experience, health status or duration of coverage.

(c) The commissioner may suspend for a specified period the application of subsection (a)(1) as to the premium rates applicable to one or more small employers included within a class of business of a small employer carrier for one or more rating periods upon a filing by the small employer carrier and a finding by the commissioner either that the suspension is reasonable in light of the financial condition of the small employer carrier or that the suspension would enhance the efficiency and fairness of the marketplace for small employer health insurance.

(d) Upon written application of the group policyholders, the commissioner may suspend the application of K.S.A. 40-2209g and 40-2209h and amendments thereto to any group whose fundamental structure or composition would otherwise be adversely affected.

HOUSE BILL No. 2073

By Committee on Financial Institutions and Insurance

1-12

financial institutions;

9 AN ACT relating to banks and trust companies, concerning certain re-
10 ports to the bank commissioner, amending K.S.A. 9-1704 and repeal-
11 ing the existing section.

and credit unions

and K.S.A. 1994 Supp. 17-2206

sections

12
13 *Be it enacted by the Legislature of the State of Kansas:*

14 Section 1. K.S.A. 9-1704 is hereby amended to read as follows: 9-
15 1704. Each bank and trust company shall make at least three reports to
16 the commissioner during each year, the same to be done upon determi-
17 nation of the commissioner, who also shall have authority to require ad-
18 ditional reports from each bank and trust company, when such commis-
19 sioner deems it advisable. The form of all such reports shall be prescribed
20 by the commissioner. The reports shall be verified by the president, chief
21 executive officer or cashier and attested by at least three directors of the
22 bank or trust company none of whom shall have verified the report. The
23 report shall show in detail the resources and liabilities of the bank or trust
24 company at the close of business upon the date determined by the com-
25 missioner and such report shall be forwarded to the commissioner. A copy
26 of the report, or as much as the commissioner may require, shall be
27 published in a newspaper, published in or having a general circulation in
28 the place where the bank or trust company is located, within 10 days after
29 the report is forwarded to the commissioner and the expense of such
30 publication shall be paid by the bank or trust company.

31 (a) Each bank or trust company shall be required to make a report
32 to the commissioner at any time upon the commissioner's request. Such
33 reports shall be in a form prescribed by the commissioner and shall be
34 verified by the president, chief executive officer or cashier and attested
35 by at least three directors of the bank or trust company, none of whom
36 shall have verified the report. The report shall show in detail the assets
37 and liabilities of the bank or trust company at the close of business upon
38 the date determined by the commissioner and such report shall be for-
39 warding to the commissioner. The commissioner may require a copy of the
40 report, or a portion thereof, to be published in a newspaper, published in
41 having a general circulation in the place where the bank or trust com-
42 pany is located, within 10 days after the report is forwarded to the com-
43 missioner. The expense of publication shall be paid by the bank or trust

(b) Not later than January 31 of each year, each bank and trust company shall publish, in a newspaper of general circulation in the place where the bank or trust company is located, a statement of its financial condition as of December 31 of the preceding year. The statement shall be in a form prescribed by the commissioner.

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company.

2 ~~[(b)]~~ Each trust department of a bank or trust company shall report to (c)
 3 the commissioner all assets held by the trust department or trust company
 4 in a fiduciary capacity as of December 31 of each year. The report shall
 5 be in the form prescribed by the commissioner, and shall be filed with the
 6 commissioner by January 30 of each year.

*See Insert Sec. 2.

7 Sec. ~~[2]~~ K.S.A. 9-1704 ~~is~~ hereby repealed. and K.S.A. 1994 Supp. 17-2206 are

8 Sec. ~~[3]~~ This act shall take effect and be in force from and after its 3

9 publication in the statute book. 4

4-2

Sec. 2. K.S.A. 1994 Supp. 17-2206 is hereby amended to read as follows: 17-2206. (a) Credit unions shall be subject to the exclusive supervision of the administrator and shall make and keep current such books and records as required by the administrator and shall make a report of condition to the administrator at least semiannually, on blank forms to be supplied by the administrator, notice of which reports shall be sent out by the administrator. Returns shall be verified under oath of the president or chairperson of the board, whichever has been elected by the board of directors pursuant to K.S.A. 17-2209, and amendments thereto, and treasurer, and additional reports may be required by the administrator. Copies of a current balance sheet shall be furnished without charge by the administrator to any person upon request. Notwithstanding the provisions of K.S.A. 17-2227 and amendments thereto, not later than January 31 of each year, each credit union shall publish, in a newspaper of general circulation in the place where the credit union is located, a statement of its financial condition as of December 31 of the preceding year. The statement shall be in a form prescribed by the administrator. Any credit union which neglects to make the above reports shall forfeit to the treasurer of the state up to \$50 for each day of such neglect at the discretion of the administrator.

(b) Each credit union shall be examined at least once every 18 months by the administrator or the administrator's duly authorized deputy or agent. In lieu of any particular examination, the administrator may accept an examination report made by or under the authority of the national credit union administration or its successor or successors, by any such other appropriate federal agency or by an independent auditor or certified public accountant licensed to do business in the state of Kansas if such audit and report meet the standards which the administrator may by regulation promulgate. The administrator may order other examinations, and the administrator's agents shall at all times be given free access to all books, papers, securities and other sources of information in respect to the credit union. The administrator shall have the power to subpoena witnesses, compel their attendance, require the production of evidence, administer oaths and examine any person under oath in connection with any subject relating to a duty imposed upon or a power vested in the administrator. If a credit union neglects to make the required reports or to pay the charges required, including charges for delay in filing reports, for 15 days, the administrator shall notify the credit union of the administrator's intention to revoke the certificate of approval. If the neglect or failure continues for another 15 days, the administrator may revoke the certificate of approval and shall cause one of the administrator's agents to take possession of the business of such credit union and retain possession until such time as the administrator may permit such credit union to resume business or its affairs are finally liquidated.

(c) The administrator may issue cease and desist orders or

orders for corrective action or both, made over the administrator's official signature, having determined that a credit union is engaged, has engaged, or is about to engage, in an unsafe or unsound practice, or is violating, has violated, or is about to violate, any law, rules and regulations or any condition imposed in writing by the administrator or any written agreement made with the administrator.

(d) If the administrator determines that a credit union is insolvent, is in a deteriorating condition, as defined in rules and regulations promulgated by the administrator, or, within a reasonable time, has failed to comply with any order mailed to the last address filed by the credit union with the administrator, the administrator, as conservator or liquidating agent, pursuant to any order shall immediately, or within a reasonable time thereafter, take possession of or appoint an agent to take possession of the business and property of the credit union and retain possession, as conservator or as liquidating agent, until such time as the administrator may permit it to resume business or its affairs are finally liquidated.

(e) Each credit union shall pay to the administrator a fee for examination, established in accordance with this subsection. Prior to June 1 of each year, the administrator, after advising the credit union council, shall establish such annual fees as the administrator determines to be sufficient to meet the budget requirements of the department of credit unions for the fiscal year beginning July 1. Such fees shall be due and payable 30 days after receipt of billing from the department of credit unions.

(f) For a corporate credit union, the administrator may accept an audit report by a certified public accountant in lieu of the credit union departmental examination of such credit union. If the administrator accepts a certified public accountant audit in lieu of the administrator's examination of such corporate credit union, the administrator may assess such corporate credit union a fee established in accordance with subsection (e).

(g) All administrative proceedings instituted or conducted by the administrator pursuant to this act shall be conducted in accordance with the Kansas administrative procedure act, K.S.A. 77-501 et seq., and amendments thereto.

(h) The administrator, as conservator or liquidating agent:

(1) By operation of law, shall succeed to all rights, titles, powers and privileges of the credit union, and of any member, account holder, officer or director of such credit union with respect to the credit union and the assets of the credit union;

(2) shall take over the assets of and operate the credit union with all the powers of the members or shareholders, the directors and the officers of the credit union and shall be authorized to conduct all business of the credit union;

(3) may collect all obligations and money due the credit union;

(4) may perform all functions of the credit union in the name of the credit union which is consistent with the appointment as conservator or liquidating agent;

(5) shall preserve and conserve the assets and property of such credit union;

(6) may fix a reasonable amount for compensation of the conservator or liquidating agent as an expense of operation or liquidation of the credit union;

(7) may take such actions as may be necessary to put the credit union in a sound and solvent condition;

(8) may take such action as may be appropriate to carry on the business of the credit union and preserve and conserve the assets and property of the credit union; and

(9) as liquidating agent, place the credit union in liquidation and proceed to realize upon the assets of the credit union and liquidate such credit union in accordance with the provisions of K.S.A. 17-2230, and amendments thereto.