

Approved: 1/16/96

Date

MINUTES OF THE Senate Committee on Financial Institutions and Insurance.

The meeting was called to order by Chairperson Dick Bond at 9:09 a.m. on January 10, 1996 in Room 529-S of the Capitol.

All members were present.

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

Conferees appearing before the committee: Kathleen Sebelius, Commissioner of Insurance
John P. Smith, Credit Union Administrator

Others attending: See attached list

Senator Corbin made a motion, seconded by Senator Lee, to approve the minutes of the meeting of January 9 as submitted. The motion carried.

Kathleen Sebelius, Commissioner of Insurance, appeared before the committee to request introduction of the following legislation (Attachment #1):

- A bill to prohibit insurance companies from refusing to offer insurance coverage to an individual based solely on evidence that the proposed insured was previously a victim of domestic violence.
- A bill which would prohibit cancellation or refusal to renew a homeowner's policy solely because the insured has filed a weather related damage claim.
- A new law to privatize the state security vault and repeal the Insurance Code provisions which permit insurance companies to deposit securities in the state vault. The bill would also repeal additional deposit requirements which are imposed on domestic life insurance companies but are not required for foreign insurers.
- A bill to update the Kansas HMO law to enhance consumer protection in the new managed care market by making a number of changes to existing Kansas statutes which govern HMO's.
- An amendment to KSA 40-2221 to provide that the Kansas Insurance Department regulations on Medicare insurance supplement insurance policies can be more restrictive than federal requirements.
- A bill to allow employees to insure against the loss of anyone who is financially dependent on the employee for support and maintenance.

Senator Hensley moved to introduce the legislation requested by the Insurance Commissioner. Senator Petty seconded the motion. The motion carried.

John Smith, Credit Union Administrator, appeared before the committee to request introduction of a bill to change the statutes dealing with credit union service corporations. (Attachment #2).

Senator Steffes made a motion, seconded by Senator Petty, to introduce the legislation. The motion carried.

The chairman announced that the meeting scheduled for Thursday, January 11, has been changed to be on call of the chair.

The committee adjourned at 9:22 a.m.

SENATE FINANCIAL INSTITUTIONS & INSURANCE
COMMITTEE GUEST LIST

DATE: 1/10/96

NAME	REPRESENTING
A Brazier	ST. Treasurer
Danielle Nee	KCWA
Bill Speer	Am. Inv L.R.
Ines Saterman	AmWesters
Tom Wilder	KANSAS Insurance Dept
BOB HAYES	HCSF
Marta Hanna	Hanna's Careful Report
Lee Wright	Farmers Ins Group
PAT MORRIS	KAIA
Callie Denton	KID
Aletia Vaughan	KID
John Federico	Pete McGill + Assoc
John P. Smith	KS Dept of credit unions
George Barber	Barber & associates
Ron Hein	Hain, Ebert, & Wein Child
Melissa Wanyemana	4
ALAN STEPPAT	PETE MCGILL + Assoc.

MEMORANDUM

To: Senate Committee on Financial Institutions
and Insurance

From: Kathleen Sebelius, Commissioner
of Insurance

Re: Request for Introduction of Legislation

Date: January 10, 1995

I would like to request that the Senate Committee on Financial Institutions and Insurance introduce the following legislative proposals on behalf of the Kansas Department of Insurance. Drafts of the various bills have been prepared and are available for review by the Committee.

Consumer Protection

Protection For Victims of Domestic Violence: The law would prohibit insurance companies from refusing to offer insurance coverage to an individual based solely on evidence that the proposed insured was previously a victim of domestic violence.

Prohibition Against Nonrenewal or Cancellation of Homeowners Insurance: The legislation states that property and casualty insurance companies can not cancel or refuse to renew a homeowner's insurance policy solely because the insured has filed a weather related damage claim.

Financial Requirements

Deposit Of Securities In State Vault: The new law privatizes the state security vault and repeals the Insurance Code provisions which permit insurance companies to deposit securities in the state vault. Companies will be required to deposit such securities in a joint custody account with the Insurance Commissioner in a Kansas bank or depository institution. The bill also repeals additional deposit requirements which are imposed on domestic life insurance companies but are not required for foreign insurers.

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Attachment #1

Health Care

Managed Care Reform: The bill is designed to enhance consumer protection in the new managed care market by making a number of changes to existing Kansas statutes which govern health maintenance organizations ("HMOs"). The Kansas managed care law has not been significantly amended since it was first approved by the Kansas Legislature in 1974. The legislation will include the following:

- (a.) Updating the Kansas HMO law to include those provisions found in the current National Association of Insurance Commissioners ("NAIC") managed care organization model act. In the areas of solvency and deposit requirements and grievance procedures, the new law will follow the statutory provisions found in the Missouri HMO law rather than the NAIC model.
- (b.) Including HMOs in the sections of the Kansas Insurance Code regarding the licensing of agents, restrictions on the sale of stock of an insurance company and the requirements of the Kansas insurance company holding company law.
- (c.) Enact provisions similar to the Missouri HMO law for enrollee participation in the business operations of the HMO and for payment for emergency room care.
- (d.) Provide for additional requirements for the disclosure of the financial agreements between health care providers and managed care organizations.
- (f.) Set out requirements for the continuation of care to an enrollee when their medical care provider is dropped from the HMO network.

Medicare Supplement Statute: The bill amends K.S.A. 40-2221 to provide that the Kansas Insurance Department regulations on Medicare insurance supplement insurance policies can be more restrictive than federal requirements. The existing statute, which conflicts with federal law, states that any Kansas regulations on Medicare supplement insurance, "shall equal, but not exceed, the minimum standards and requirements permitted by (the Medicare Act)."

Life Insurance

Insurable Interest/Group Life Insurance: The legislation would amend K.S.A. 40-433 (6) to allow employees to insure against the loss of anyone who is financially dependent on the employee for support and maintenance.

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_____ BILL NO. _____

By

AN ACT relating to credit unions; concerning investment limitations in credit union service organization; amending K.S.A. 17-2204a and repealing the existing section.

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

Section 1. K.S.A. 17-2204a is hereby amended to read as follows: 17-2204a. (a) Notwithstanding any other provision contained in the laws of this state providing for investments by credit unions, such credit unions may invest, through their board of directors and under written investment policies established by the board, in the bonds, debentures or other similar obligations issued under the authority of and pursuant to the act of congress known as the farm credit act of 1971, as amended. The total amount of such bonds, debentures or other similar obligations of any one obligor or maker shall at no time exceed 15% of the shares, undivided earnings and reserves of the credit union.

(b) Subject to rules and regulations of the administrator, credit unions may invest, through their board of directors and under written investment policies established by the board, in capital stock of and make loans to a credit union services corporation--in--an--amount--not--to--exceed--2%--of--their--shares, undivided-earnings-and-reserves organization, except that any such investment in the capital stock of or loans to a credit union service organization shall not exceed, in the aggregate, 2% of the credit union's unimpaired shares, reserves and individual earnings. "Credit union services corporation organization" means a--corporation--organized-to-perform-only-business-administration services-for-two-or-more-credit-unions--each--of--which--owns--a portion-of-the-capital-stock-of-such-corporation-and-at-least-one of--which--is--subject--to--supervision-by-the-state-credit-union administrator an organization established to provide operational

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and financial services primarily to credit unions.

(c) Subject to written guidelines issued by the administrator, a credit union may invest its funds, through its board of directors and under written investment policies established by the board, in investment securities defined by the administrator. Except for obligations of wholly owned government corporations, or obligations which provide a return of principal and interest which is guaranteed by an agency of the federal government, the total amount of such investment securities of any one obligor or maker held by the credit union shall at no time exceed 15% of the shares, undivided earnings and reserves of the credit union.

(d) Except as provided in subsection (g) of K.S.A. 17-2204, and amendments thereto, a credit union is prohibited from participating directly or indirectly in: (1) The purchase or sale of a standby commitment; (2) a futures contract; (3) in adjusted trading; or (4) in a short sale of a security. A credit union's directors, officials, committee members and employees, and immediate family members of such individuals, may not receive pecuniary consideration in connection with the making of an investment or deposit by the credit union.

(e) Nothing contained in this section shall be construed to prohibit any funds of a credit union from being invested as now provided by law.

Sec. 2. K.S.A. 17-2204a is hereby repealed.

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

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