Approved: Robert Tomlinson
Date Feb. 4, 1999

The meeting was called to order by Chairperson Rep. Bob Tomlinson at 3:35 p.m. on January 14, 1999 in Room 527-S of the Capitol.

All members were present except:	Tom Burroughs, Joe Hummerickhouse, Cindy Empson, Garry Boston
Committee staff present:	Bill Wolff, Research Bob Nugent, Revisor Mary Best, Secretary
Conferees appearing before the committee:	State Insurance Commissioner Kathleen Sebelius
Others attending:	See attached guest list

HB 2015: RELATING TO SERVICE OF PROCESS UPON INSURANCE COMPANIES AND FRATERNAL BENEFIT SOCIETIES

The Chairperson called attention of the committee, to the copy of the bill before them, which testimony will be given on Tuesday, January 19.

The Chairperson then introduced Insurance Commissioner Kathleen Sebelius to present her agenda for this Session.

Commissioner Sebelius gave a global look at the insurance companies in Kansas. $7 Billion were spent on insurance products in a year. The Insurance Department is the gateway into the marketplace because insurance is regulated at the State level. Insurance Departments share information nationally.

The Commissioner gave an overview of the Insurance Departments how they operate on state and national levels, regulating insurance companies, sharing data on agent licensing, financial data, and company admissions. 2,000 companies do business in Kansas, 66 of which have home offices in Kansas. Kansas has 32,000 licensed agents.

The Commissioner discussed the problem areas of Workman Compensation Insurance and the changes undergone in the past couple of years. Preceding 1993, 5 to 6 years in a row there was a 10-15% rate increase each year. 1993 Legislature passed a comprehensive worker's comprehension bill and was signed in by the Governor. In 1999, January rates went into effect and for the 5th year in a row rates have decreased in Kansas. $13million decrease last 5 years. Workman compensation rates fell 40%, $124million cheaper in 1999. Eight new companies admitted last year to sell workman compensation.Commissioner stated the auto insurance policies in Kansas were the 8th lowest in the country. Homeowner's Catastrophic Insurance is higher than anywhere else with the exception to California and Florida. Insurance Department is devising a new rate strategy for this type of insurance.

Health insurance is described by the Commissioner as 30-30-30-10. Meaning 30% of Kansans are under a fully insured plan, under the jurisdiction of the state laws and regulatory operation of Kansas Insurance Dept. 30% are under the self-insured plan–congressional exemption from state regulation oversite and state statute. 30% are insured under public plans–Medicaid, Medicare benefit package with a lot of rules, regulations, exemptions running parallel. The last 10% are uninsured.

Unless specifically noted, the individual remarks recorded herein have not been transcribed verbatim. Individual remarks as reported herein have not been submitted to the individuals appearing before the committee for editing or corrections.

Issues coming before the Committee are the possibility of partnership health programs with school teachers coming into the State Employees Plan. Studies should be made on this issue for recommendations to bring the teachers into this program, now covering over 80,000 lives. This report will be given in the House. Committee will hear as soon as possible.

Commissioner touched on 2 national issues:

1. Financial modernization
2. Patients Rights Issues and the issues before Congress on these matters.

The Commissioner hopes to introduce 5 Bills to the House:

1 .Penalties for driving under the influence
2. Insurance Fraud–require mandatory reporting & statute of limitations
3. Second half of discriminatory indiscretion in handling of victims of domestic violence
4. Small Employees Benefit Plan (collective bargaining)
5. Compliance with Medicare Laws

Rep. Cox made a motion to introduce the bills presented. Rep. Kirk seconded the motion. Motion passed.

The meeting ended at 4:25.

Next meeting is Tuesday, January 19.

HOUSE INSURANCE COMMITTEE GUEST LIST

DATE: 1-14-99

NAME	REPRESENTING
PAT MORRIS	K.A.I.A.
Teresa Sittenauer	State Farm
Lee Wright	James Ins.
Trish Heim	Security Benefit
John C. Bottenberg	Delta Dental
Rich Gottuso	Health Midwest
David Hanson	Ks Insur Assns
Marc Hamann	DIVISION OF THE BUDGET
Harri Ann Brown	KS Assn of Health Plans
Paul Davis	KID
Maggie Keating	↓
Linda DeCoursey	

Kathleen Sebelius
Commissioner of Insurance
Kansas Insurance Department

January 14, 1999

TO: House Committee on Insurance
FROM: Kathleen Sebelius, Insurance Commissioner
RE: Bill Introductions

Mr. Chairman and members of the Committee:
I am appearing today to request the introduction of bills by this committee on behalf of the Kansas Insurance Department. The proposed legislation deals with the Auto Insurance Improvement Act; fraud; prohibits unfair discrimination by property and casualty insurers on the basis of domestic abuse; small employer benefit plans; and technical changes to Kansas conversion law to comply with HIPAA (Health Insurance Portability and Affordability Act).

- **Auto Insurance Improvement Act** – The proposed language in this bill will increase the penalty for getting driver's license reinstated after failure to pay insurance; increase penalties for intentional failure to insure from class B to class A misdemeanor; and require companies selling collision coverage to offer a "zero deductible" option, i.e., a provision which waives the insured's deductible where collision damage is caused by an uninsured motorist. The bill also requires insurers to notify insureds of this option through notices approved by the department.

- **Fraud –** The proposed bill requires mandatory reporting by an insurance company, gives immunity from civil liability for insurance companies and private citizens, extends the statutes of limitations to five years to prosecution of insurance fraud, and incorporates the 1994 law which makes insurance fraud a crime.

420 SW 9th Street
Topeka, Kansas 66612-1678

913 296-3071
Fax 913 296-2283
Printed on Recycled Paper
☎ **Consumer Assistance Hotline**
1 800 432-2484 (Toll Free)

House Comm on Ins
Attachment #1
Jan 14, 1999 p 1 of 3

- **Domestic Violence** – The purpose of the proposed amendments is to prohibit unfair discrimination by property and casualty insurers on the basis of domestic abuse. It would make the current law (K.S.A. 40-2404) applicable to property and casualty insurers.

- **Small Employer Benefits Plans–** In an effort to get more small businesses covered by affordable health insurance, I am proposing to amend current language to define small employer health benefit plan as meaning any arrangement providing a health benefit plan to members of employees. The plan is expanded to include associations or trusts. To be eligible for this plan, an employer may not contributed premium on behalf of an employee within the preceding two years. Tax credits are available.

- **HIPAA Changes** – K.S.A. 40-2209 The proposed language will bring into compliance the Kansas policy conversion law. The Health Insurance Portability and Affordability Act (HIPAA) requires that policies be guaranteed renewable beyond age 65, and current Kansas law states that an insurer may refuse to offer a converted policy, if the insured person is Medicare eligible.

1-2

1999

Proposed Bill No. _____

AN ACT relating to insurance; motor vehicle liability insurance; penalties; financial security; required content; zero deductible; amending K.S.A. 40-3104, K.S.A. 40-3118 and K.S.A. 40-3107, and repealing existing section.

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

Section 1. K.S.A. 40-3104 is hereby amended to read as follows: 40-3104 (a) Every owner shall provide motor vehicle liability insurance coverage in accordance with the provisions of this act for every motor vehicle owned by such person, unless such motor vehicle: (1) Is included under an approved self-insurance plan as provided in subsection (f); is used as a driver training motor vehicle, as defined in K.S.A. 72-5015, and amendments thereto, in an approved driver training course by a school district or an accredited nonpublic school under an agreement with a motor vehicle dealer, and such motor vehicle liability insurance coverage is provided by the school district or accredited nonpublic school; (3) is included under a qualified plan of self-insurance approved by an agency of the state in which such motor vehicle is registered and the form prescribed in subsection (b) of K.S.A. 40-3106, and amendments thereto, has been filed; or (4) is expressly exempted from the provisions of this act.

(b) An owner of an uninsured motor vehicle shall not permit the operation thereof upon a highway or upon property open to use by the public, unless such motor vehicle is expressly exempted from the provisions of this act.

(c) No person shall knowingly drive an uninsured motor vehicle upon a highway or upon property open to use by the public, unless such motor vehicle is expressly exempted from the provisions of this act.

(d) Any person operating a motor vehicle upon a highway or upon property open to use by the public shall display, upon demand, evidence of financial security to a law enforcement officer. The law enforcement officer shall issue a citation to any person who fails to display evidence of financial security upon such demand. The law enforcement officer shall attach a copy of the insurance verification form prescribed by the secretary of revenue to the copy of the citation forwarded to the court.

No citation shall be issued to any person for failure to provide proof of financial security when evidence of financial security meeting the standards of subsection (e) is displayed upon demand of a law enforcement officer. Whenever the authenticity of such evidence is questionable, the law enforcement officer may initiate the preparation of the insurance verification form prescribed by the secretary of revenue by recording information from the evidence of financial security displayed. The officer shall immediately forward the form to the department of revenue, and the department shall proceed with verification in the manner prescribed in the following paragraph. Upon return of a form indicating that

insurance was not in force on the date indicated on the form, the department shall immediately forward a copy of the form to the law enforcement officer initiating preparation of the form.

(e) Unless the insurance company subsequently submits an insurance verification form indicating that insurance was not in force, no person charged with violating subsections (b), (c) or (d) shall be convicted if such person produces in court, within 10 days of the date of arrest or of issuance of the citation, evidence of financial security for the motor vehicle operated, which was valid at the time of arrest or of issuance of the citation. For the purpose of this subsection, evidence of financial security shall be provided by a policy of motor vehicle liability insurance, an identification card or certificate of insurance issued to the policyholder by the insurer which provides the name of the insurer, the policy number and the effective and expiration dates of the policy, or a certificate of self-insurance signed by the commissioner of insurance. Upon the production in court of evidence of financial security, the court shall record the information displayed thereon on the insurance verification form prescribed by the secretary of revenue, immediately forward such form to the department of revenue, and stay any further proceedings on the matter pending a request from the prosecuting attorney that the matter be set for trial. Upon receipt of such form the department shall mail the form to the named insurance company for verification that insurance was in force on the date indicated on the form. It shall be the duty of insurance companies to notify the department within 30 calendar days of the receipt of such forms of any insurance that was not in force on the date specified. Upon return of any form to the department indicating that insurance was not in force on such date, the department shall immediately forward a copy of such form to the office of the prosecuting attorney or the city clerk of the municipality in which such prosecution is pending when the prosecuting attorney is not ascertainable. Receipt of any completed form indicating that insurance was not in effect on the date specified shall be prima facie evidence of failure to provide proof of financial security and violation of this section. A request that the matter be set for trial shall be made immediately following the receipt by the prosecuting attorney of a copy of the form from the department of revenue indicating that insurance was not in force. Any charge of violating subsection (b), (c) or (d) shall be dismissed if no request for a trial setting has been made within 60 days of the date evidence of financial security was produced in court.

(f) Any person in whose name more than 25 motor vehicles are registered in Kansas may qualify as a self-insurer by obtaining a certificate of self-insurance from the commissioner of insurance. The certificate of self-insurance issued by the commissioner shall cover such owned vehicles and those vehicles, registered in Kansas, leased to such person if the lease agreement requires that motor vehicle liability insurance on the vehicles be provided by the lessee. Upon application of any such person, the commissioner of insurance may issue a certificate of self-insurance, if the commissioner is satisfied that such person is possessed and will continue to be possessed of ability to pay any liability imposed by law

against such person arising out of the ownership, operation, maintenance or use of any motor vehicle described in this subsection. A self-insurer shall provide liability coverage subject to the provisions of subsection (e) of K.S.A. 40-3107, and amendments thereto, arising out of the ownership, operation, maintenance or use of a self-insured motor vehicle in those instances where the lessee or the rental driver, if not the lessee, does not have a motor vehicle liability insurance policy or insurance coverage pursuant to a motor vehicle liability insurance policy or certificate of insurance or such insurance policy for such leased or rented vehicle. Such liability coverage shall be provided to any person operating a self-insured motor vehicle with the expressed or implied consent of the self-insurer.

Upon notice and a hearing in accordance with the provisions of the Kansas administrative procedure act, the commissioner of insurance may cancel a certificate of self-insurance upon reasonable grounds. Failure to provide liability coverage or personal injury protection benefits required by K.S.A. 40-3107 and 40-3109, and amendments thereto, or pay any liability imposed by law arising out of the ownership, operation, maintenance or use of a motor vehicle registered in such self-insurer's name, or to otherwise comply with the requirements of this subsection shall constitute reasonable grounds for the cancellation of a certificate of self-insurance. Reasonable grounds shall not exist unless such objectionable activity occurs with such frequency as to indicate a general business practice.

Self-insureds shall investigate claims in a reasonably prompt manner, handle such claims in a reasonable manner based on available information and effectuate prompt, fair and equitable settlement of claims in which liability has become reasonably clear.

As used in this subsection, "liability imposed by law" means the stated limits of liability as provided under subsection (e) of K.S.A. 40-3107, and amendments thereto.

Nothing in this subsection shall preclude a self-insurer from pursuing all rights of subrogation against another person or persons.

(g) (1) Any person violating any provision of this section shall be guilty of a class ~~B~~ *A* misdemeanor and shall be subject to a fine of not less than ~~$200~~ *500* nor more than ~~$1,000~~ *2,500* or confinement in the county jail for a term of not more than ~~six months~~ *one year*, or both such fine and confinement.

(2) Any person convicted of violating any provision of this section within three years of any such prior conviction shall be guilty of a class ~~A misdemeanor~~ *E felony*.

(h) In addition to any other penalties provided by this act for failure to have or maintain financial security in effect, the director, upon receipt of a report required by K.S.A. 8-1607 or 8-1611, and amendments thereto, or a denial of such insurance by the insurance company listed on the form prescribed by the secretary of revenue pursuant to subsection (d) of this section, shall, upon notice and hearing as provided by K.S.A. 40-3118, and amendments thereto:

(1) Suspend:

1-5
ps 7-30

(A) The license of each driver in any manner involved in the accident;

(B) the license of the owner of each motor vehicle involved in such accident, unless the vehicle was stolen at the time of the accident, proof of which must be established by the owner of the motor vehicle. Theft by a member of the vehicle owner's immediate family under the age of 18 years shall not constitute a stolen vehicle for the purposes of this section;

(C) if the driver is a nonresident, the privilege of operating a motor vehicle within this state; or

(D) if such owner is a nonresident, the privilege of such owner to operate or permit the operation within this state of any motor vehicle owned by such owner; and

(2) revoke the registration of all vehicles owned by the owner of each motor vehicle involved in such accident.

(i) The suspension or revocation requirements in subsection (h) shall not apply:

(1) To the driver or owner if the owner had in effect at the time of the accident an automobile liability policy as required by K.S.A. 40-3107, and amendments thereto, with respect to the vehicle involved in the accident;

(2) to the driver, if not the owner of the vehicle involved in the accident, if there was in effect at the time of the accident an automobile liability policy with respect to such driver's driving of vehicles not owned by such driver;

(3) to any self-insurer as defined by subsection (u) of K.S.A. 40-3103, and amendments thereto;

(4) to the driver or owner of any vehicle involved in the accident which was exempt from the provisions of this act pursuant to K.S.A. 40-3105, and amendments thereto;

(5) to the owner of a vehicle described in subsection (a)(2).

(j) For the purposes of provisions (1) and (2) of subsection (i) of this section, the director may require verification by an owner's or driver's insurance company or agent thereof that there was in effect at the time of the accident an automobile liability policy as required in this act.

Any suspension or revocation effected hereunder shall remain in effect until satisfactory proof of financial security has been filed with the director as required by subsection (d) of K.S.A. 40-3118, and amendments thereto, and such person has been released from liability or is a party to an action to determine liability pursuant to which the court temporarily stays such suspension pending final disposition of such action , has entered into an agreement for the payment of damages, or has been finally adjudicated not to be liable in respect to such accident and evidence of any such fact has been filed with the director and has paid the reinstatement fee herein prescribed. Such reinstatement fee shall be ~~$25~~ *250* except that if the registration of a motor vehicle of any owner is revoked within one year following a prior revocation of the registration of a motor vehicle of such owner under the provisions of this act such fee shall be ~~$75~~ *750*.

(k) The provisions of this section shall not apply to motor carriers of property or passengers regulated by the corporation commission of the state of Kansas.

(l) The provisions of subsection (d) shall not apply to vehicle dealers, as defined in K.S.A. 8-2401, and amendments thereto, for vehicles being offered for sale by such dealers.

Sec. 2. K.S.A. 40-3118 is hereby amended to read as follows: 40-3118. (a) No motor vehicle shall be registered or reregistered in this state unless the owner, at the time of registration, has in effect a policy of motor vehicle liability insurance covering such motor vehicle, as provided in this act, or is a self-insurer thereof, or the motor vehicle is used as a driver training motor vehicle, as defined in K.S.A. 72-5015, and amendments thereto, in an approved driver training course by a school district or an accredited nonpublic school under an agreement with a motor vehicle dealer, and such policy of motor vehicle liability insurance is provided by the school district or accredited nonpublic school. As used in this section, the term "financial security" means such policy or self-insurance. The director shall require that the owner certify that the owner has such financial security, and the owner of each motor vehicle registered in this state shall maintain financial security continuously throughout the period of registration. When an owner certifies that such financial security is a motor vehicle liability insurance policy meeting the requirements of this act, the director may require that the owner or owner's insurance company produce records to prove the fact that such insurance was in effect at the time the vehicle was registered and has been maintained continuously from that date. Failure to produce such records shall be prima facie evidence that no financial security exists with regard to the vehicle concerned. It shall be the duty of insurance companies, upon the request of the director, to notify the director within 30 calendar days of the date of the receipt of such request by the director of any insurance that was not in effect on the date of registration and maintained continuously from that date.

(b) Except as otherwise provided in K.S.A. 40-276, 40-276a and 40-277, and amendments thereto, and except for termination of insurance resulting from nonpayment of premium or upon the request for cancellation by the insured, no motor vehicle liability insurance policy, or any renewal thereof, shall be terminated by cancellation or failure to renew by the insurer until at least 30 days after mailing a notice of termination, by certified or registered mail or United States post office certificate of mailing, to the named insured at the latest address filed with the insurer by or on behalf of the insured. Time of the effective date and hour of termination stated in the notice shall become the end of the policy period. Every such notice of termination sent to the insured for any cause whatsoever shall include on the face of the notice a statement that financial security for every motor vehicle covered by the policy is required to be maintained continuously throughout the registration period, that the operation of any such motor vehicle without maintaining continuous financial security therefor is a class ~~B~~ *A* misdemeanor and that the

1-7
p 11 of 30

registration for any such motor vehicle for which continuous financial security is not provided is subject to suspension and the driver's license of the owner thereof is subject to suspension.

(c) The director of vehicles shall verify a sufficient number of insurance certifications each calendar year as the director deems necessary to insure compliance with the provisions of this act. The owner or owner's insurance company shall verify the accuracy of any owner's certification upon request, as provided in subsection (a).

(d) In addition to any other requirement of this act, the director shall require a person to acquire insurance and for such person's insurance company to maintain on file with the division evidence of such insurance for a period of one year when a person has been convicted in this or another state of any of the violations enumerated in K.S.A. 8-285, and amendments thereto.

The director shall also require any driver whose driving privileges have been suspended pursuant to this section to maintain such evidence of insurance as required above.

The company of the insured shall immediately mail notice to the director whenever any policy required by this subsection to be on file with the division is terminated by the insured or the insurer for any reason. The receipt by the director of such termination shall be prima facie evidence that no financial security exists with regard to the person concerned.

No cancellation notice shall be sent to the director if the insured adds or deletes a vehicle, adds or deletes a driver, renews a policy or is issued a new policy by the same company. No cancellation notice shall be sent to the director prior to the date the policy is terminated if the company allows a grace period for payment until such grace period has expired and the policy is actually terminated.

For the purposes of this act, the term "conviction" includes pleading guilty or nolo contendere, being convicted or being found guilty of any violation enumerated in this subsection without regard to whether sentence was suspended or probation granted. A forfeiture of bail, bond or collateral deposited to secure a defendant's appearance in court, which forfeiture has not been vacated, shall be equivalent to a conviction.

The requirements of this subsection shall apply whether or not such person owns a motor vehicle.

(e) Whenever the director shall receive prima facie evidence, as prescribed by this section, that continuous financial security covering any motor vehicle registered in this state is not in effect, the director shall notify the owner by registered or certified mail or United States post office certificate of mailing that, at the end of 30 days after the notice is mailed, the registration for such motor vehicle and the driving privileges of the owner of the vehicle shall be suspended or revoked, pursuant to such rules and regulations as the secretary of revenue shall adopt, unless within 10 days after the notice is mailed: (1) Such owner shall demonstrate proof of continuous financial security covering such vehicle to the satisfaction of the director; or (2) such owner shall mail a written request which is postmarked within 10

days after the notice is mailed requesting a hearing with the director. Upon receipt of a timely request for a hearing, the director shall afford such person an opportunity for hearing within the time and in the manner provided in K.S.A. 8-255 and amendments thereto. If, within the ten-day period or at the hearing, such owner is unable to demonstrate proof of continuous financial security covering the motor vehicle in question, the director shall revoke the registration of such motor vehicle and suspend the driving privileges of the owner of the vehicle.

(f) Whenever the registration of a motor vehicle or the driving privileges of the owner of the vehicle are suspended or revoked for failure of the owner to maintain continuous financial security, such suspension or revocation shall remain in effect until satisfactory proof of insurance has been filed with the director as required by subsection (d) and a reinstatement fee in the amount herein prescribed is paid to the division of vehicles. Such reinstatement fee shall be in the amount of ~~$25~~ *250* except that if the registration of a motor vehicle of any owner is revoked within one year following a prior revocation of the registration of a motor vehicle of such owner under the provisions of this act such fee shall be in the amount of ~~$75~~ 750. The division of vehicles shall, at least monthly, deposit such fees with the state treasurer, who shall credit such moneys to the state highway fund.

(g) In no case shall any motor vehicle, the registration of which has been revoked for failure to have continuous financial security, be reregistered in the name of the owner thereof, the owner's spouse, parent or child or any member of the same household, until the owner complies with subsection (f). In the event the registration plate has expired, no new plate shall be issued until the motor vehicle owner complies with the reinstatement requirements as required by this act.

(h) Evidence that an owner of a motor vehicle, registered or required to be registered in this state, has operated or permitted such motor vehicle to be operated in this state without having in force and effect the financial security required by this act for such vehicle, together with proof of records of the division of vehicles indicating that the owner did not have such financial security, shall be prima facie evidence that the owner did at the time and place alleged, operate or permit such motor vehicle to be operated without having in full force and effect financial security required by the provisions of this act.

(i) Any owner of a motor vehicle registered or required to be registered in this state who shall make a false certification concerning financial security for the operation of such motor vehicle as required by this act, shall be guilty of a class A misdemeanor. Any person, firm or corporation giving false information to the director concerning another's financial security for the operation of a motor vehicle registered or required to be registered in this state, knowing or having reason to believe that such information is false, shall be guilty of a class A misdemeanor.

1-9
~~pp 30~~

(j) The director shall administer and enforce the provisions of this act relating to the registration of motor vehicles, and the secretary of revenue shall adopt such rules and regulations as may be necessary for its administration.

(k) Whenever any person has made application for insurance coverage and such applicant has submitted payment or partial payment with such application, the insurance company, if payment accompanied the application and if insurance coverage is denied, shall refund the unearned portion of the payment to the applicant or agent with the notice of denial of coverage. If payment did not accompany the application to the insurance company but was made to the agent, the agent shall refund the unearned portion of the payment to the applicant upon receipt of the company's notice of denial.

(l) For the purpose of this act, "declination of insurance coverage" means a final denial, in whole or in part, by an insurance company or agent of requested insurance coverage.

Sec. 3. K.S.A. 40-3107 is hereby amended to read as follows: 40-3107. Every policy of motor vehicle liability insurance issued by an insurer to an owner residing in this state shall:

(a) Designate by explicit description or by appropriate reference of all vehicles with respect to which coverage is to be granted;

(b) insure the person named and any other person, as insured, using any such vehicle with the expressed or implied consent of such named insured, against loss from the liability imposed by law for damages arising out of the ownership, maintenance or use of any such vehicle within the United States of America or the Dominion of Canada, subject to the limits stated in such policy;

(c) state the name and address of the named insured, the coverage afforded by the policy, the premium charged and the policy period;

(d) contain an agreement or be endorsed that insurance is provided in accordance with the coverage required by this act;

(e) contain stated limits of liability, exclusive of interest and costs, with respect to each vehicle for which coverage is granted, not less than $25,000 because of bodily injury to, or death of, one person in any one accident and, subject to the limit for one person, to a limit of not less than $50,000 because of bodily injury to, or death of, two or more persons in any one accident, and to a limit of not less than $10,000 because of harm to or destruction of property of others in any one accident;

(f) include personal injury protection benefits to the named insured, relatives residing in the same household, persons operating the insured motor vehicle, passengers in such motor vehicle and other persons struck by such motor vehicle and suffering bodily injury while not an occupant of a motor vehicle, not exceeding the limits prescribed for each of such benefits, for loss sustained by any such person as a result of injury. The owner of a motorcycle, as defined by K.S.A. 8-1438 and amendments thereto or motor-driven cycle, defined by K.S.A. 8-1439 and amendments thereto, who is the named

1-10
proposed

insured, shall have the right to reject in writing insurance coverage including such benefits for injury to a person which occurs while the named insured is operating or is a passenger on such motorcycle or motor-driven cycle; and unless the named insured requests such coverage in writing, such coverage need not be provided in or supplemental to a renewal policy when the named insured has rejected the coverage in connection with a policy previously issued by the same insurer. The fact that the insured has rejected such coverage shall not cause such motorcycle or motor-driven cycle to be an uninsured motor vehicle;

(g) notwithstanding any omitted or inconsistent language, any contract of insurance which an insurer represents as or which purports to be a motor vehicle liability insurance policy meeting the requirements of this act shall be construed to obligate the insurer to meet all the mandatory requirements and obligations of this act;

(h) notwithstanding any other provision contained in this section, any insurer may exclude coverage required by subsections (a), (b), (c) and (d) of this section while any insured vehicles are:

(1) Rented to others or used to carry persons for a charge, however, such exclusion shall not apply to the use of a private passenger car on a share the expense basis;

(2) being repaired, serviced or used by any person employed or engaged in any way in the automobile business. This does not apply to the named insured, spouse or relative residents; or the agents, employers, employees or partners of the named insured, spouse or resident relative; and

(i) in addition to the provisions of subsection (h) and notwithstanding any other provision contained in subsections (a), (b), (c) and (d) of this section, any insurer may exclude coverage:

(1) For any damages for which the United States government might be liable for the insured's use of the vehicle;

(2) for any damages to property owned by, rented to, or in charge of or transported by an insured, however, this exclusion shall not apply to coverage for a rented residence or rented private garage;

(3) for any obligation of an insured, or the insured's insurer under any type of workers' compensation or disability or similar law;

(4) for liability assumed by an insured under any contract or agreement;

(5) if two or more vehicle liability policies apply to the same accident, the total limits of liability under all such policies shall not exceed that of the policy with the highest limit of liability;

(6) for any damages arising from an intentional act;

(7) for any damages to any person who would be covered for such damages under a nuclear energy liability policy;

(8) for any obligation of the insured to indemnify another for damages resulting from bodily injury to the insured's employee by accident arising out of and in the course of such employee's employment;

1-11
pm935

(9) for bodily injury to any fellow employee of the insured arising out of and in the course of such employee's employment;

(10) for bodily injury or property damage resulting from the handling of property:

(A) Before it is moved from the place where it is accepted by the insured for movement into or onto the covered auto; or

(B) after it is moved from the covered auto to the place where it is finally delivered by the insured;

(11) for bodily injury or property damage resulting from the movement of property by a mechanical device, other than a hand truck, not attached to the covered auto; and

(12) for bodily injury or property damage caused by the dumping, discharge or escape of irritants, pollutants or contaminants; however, this exclusion does not apply if the discharge is sudden and accidental.

(j) In addition to the mandatory policy contents and coverages required by this section, every insurer shall be required to offer to any applicant for a motor vehicle insurance policy which contains collision damage coverage a zero deductible option. A "zero deductible" is a provision which waives the insured's deductible where the collision damage is caused by an uninsured motorist.

Sec. 3. K.S.A. 40-3104, K.S.A. 40-3118 and K.S.A. 40-3107 are hereby repealed.

Sec. 4. This act shall take effect and be in force from and after publication in the statute book.

1-72
p 13 of 35

1999

PROPOSED BILL NO. _____

AN ACT relating to small employer health benefit plans; concerning mandate coverages; providing certain requirements; amending K.S.A. 40-2239, 40-2240, 40-2241, 40-2242, 40-2246 and repealing the existing sections; also repealing K.S.A. 40-2244 and 40-2245.

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

Section 1 K.S.A.40-2239 is hereby amended to read as follows: 40-2239. Small employer health benefit plans; definitions. As used in this act, unless the context requires otherwise:

(a) "Carrier" means an insurance company, medical or hospital service corporation, medical and hospital service corporation or health maintenance organization which holds a valid certificate of authority from the insurance commissioner.

(b) "Commissioner" means the commissioner of insurance.

(c) "Eligible employee" means an employee who is employed by the employer for an average of at least 17.5 hours per week and who elects to participate in one of the benefit plans provided under this act, and includes individuals who are sole proprietors, business partners and limited partners. The term "eligible employee" does not include individuals:

(1) Engaged as independent contractors;

(2) whose periods of employment are on an intermittent or irregular basis; or

(3) who have been employed by the employer for fewer than 90 days.

(d) "Family member" means an eligible employee's spouse and any unmarried dependent child or stepchild.

(e) "Health benefit plan" means a contract for group medical, surgical, hospital or any other remedial care recognized by state law and related services and supplies.

(f) "Premium" means the monthly or other periodic charge for a health benefit plan.

(g) "Small employer health benefit plan" means an ~~organization of small employers~~ *arrangement providing a health benefit plan* for the purpose described in K.S.A. 40-2240.

Sec. 2. K.S.A. 40-2240 is hereby amended to read as follows: 40-2240. Same; establishment; coverage; plan of operation, adoption; notification of and assistance by commissioner; issuance of certificate authorizing claim for tax credit; limitation. (a) Any ~~two or more~~ *small* employer~~s~~ *as defined in K.S.A. 40-2209d(z)* may establish a small employer health benefit plan for the purpose of providing a health benefit plan as described in K.S.A. ~~40-2244 and 40-2245~~*2209d(n),* and amendments thereto, covering such employers' eligible employees and such employees' family members. *If an association or trust is used for such purposes, the association or trust may not condition eligibility or membership on the*

health status of members or employees.~~Small employer health benefit plan member employers shall adopt a plan of operation providing for the selection of a board of directors and such additional provisions necessary or proper for the execution of the plan's purposes. Such plan of operation may provide for a delegation of powers and duties to a corporation, association or other organization which performs functions similar to those of the small employer health benefit plan~~.

(b) Employers desiring to ~~organize~~ *offer* a small employer health benefit plan shall notify the commissioner and provide the commissioner with information on the number of employees and family members to be covered by the insurance described in K.S.A. ~~40-2244 and 40-2245~~*2209d*, and amendments thereto. The commissioner shall provide assistance to employers desiring to organize and maintain any such benefit plan and may aid in the acquisition of the health care insurance by the small employer health benefit plan. The commissioner shall issue a certificate to every employer participating in any such small employer health benefit plan entitling such employer to claim the tax credit authorized by K.S.A. 40-2246 and amendments thereto subject to the following limitation: No certificate shall be issued to any employer seeking the same after certificates have already been issued under this act to employers offering health benefits described in K.S.A. ~~40-2244 and 40-2245~~*2209d*, and amendments thereto, to an aggregate of 10,000 employees and family members entitling such employers to claim the credits for taxable years which commence after December 31, ~~1991~~ *1999*, and before January 1, ~~1993~~ *2002*.

Sec. 3. K.S.A. 40-2241 is hereby amended to read. Same; contracts with carriers; coverage options; ~~coverages not mandatory; imposition of limitation on maximum benefits~~; application of 40-2209 and 40-2215. (a) Any small employer health benefit plan organized for the purposes described in K.S.A. 40-2240 and amendments thereto shall be authorized to enter into contracts with carriers for the health care insurance described in K.S.A~~. 40-2244 and 40-2245~~*40-2209d*, and amendments thereto, or health care providers for services on behalf of its member employees. A small employer health benefit plan may contract with more than one carrier to provide insurance.

(b) Where appropriate, the small employer health benefit plan shall provide options under which eligible employees may arrange coverage for their family members. Options for additional coverage for employees and their family members at an additional cost or premium may be provided.

~~(c) The small employer health benefit plan and any carrier may contract for coverage within the scope of this act notwithstanding any mandated coverages otherwise required by state law. The provisions of K.S.A. 40-2,100 to 40-2,105, inclusive, 40-2,114 and subsection (D) of 40-2209 and K.S.A. 40-2229 and 40-2230, and amendments thereto, shall not be mandatory with respect to any health benefit plan under this act.~~

1-14
~~P1437~~30

~~(d) The small employer health benefit plan may impose a maximum aggregate amount on the benefits available to any covered employee or dependents from the health benefit plan provided under this act.~~

(~~e~~*c*) The provisions of K.S.A. 40-2209 and 40-2215 and amendments thereto shall apply to all contracts issued under this section or the act of which this section is a part and to health benefit plans as defined in K.S.A. 40-2239 and amendments thereto, and the provisions of such sections shall apply to small employer health benefit plans.

Sec 4. K.S.A. 40-2242 is hereby amended to read as follows: 40-2242. Same; qualification for employer participation; ~~termination, when; association membership requirements precluded. (a)~~ As a condition to participation as a member of any small employer health benefit plan as provided in K.S.A. 40-2240 and amendments thereto, an employer shall~~:~~

~~(1) Employ no more than 50 employees who do not have health insurance as a spouse, dependent or otherwise or who are not eligible for medicaid or state medical assistance;~~

~~(2)~~ have not contributed within the preceding two years to any health insurance premium on behalf of an employee who is to be covered by the employer's contribution other than a contribution by an employer to a health insurance premium within the preceding two years solely for the benefit of the employer or the employer's dependents; and

~~(3) make a minimum contribution to be set by the board of directors of the small employer health benefit plan toward the premium incurred on behalf of a covered employee.~~

~~(b) The small employer health benefit plan may terminate the participation of any employer if, for a period of three months, the employer fails to perform any action required by this act or by the plan of operation.~~

~~(c) No small employer health benefit plan may require membership in any association, organization or other entity as a prerequisite to membership and full participation by any employer except as specifically authorized by this act.~~

Sec. 5. K.S.A. 40-2246 is hereby amended to read as follows: 40-2246. Same; employer income tax credit, computation of amount, reduction of deductions, election to claim, carry forward; no inclusion of employer expenses in employee income; application date. (a) A credit against the taxes otherwise due under the Kansas income tax act shall be allowed to an employer for amounts paid during the taxable year for purposes of this act on behalf of an eligible employee as defined in K.S.A. 40-2239 and amendments thereto to provide health insurance or care.

(b) The amount of the credit allowed by subsection (a) shall be ~~$25~~*35* per month per eligible covered employee or 50% of the total amount paid by the employer during the taxable year, whichever is less, for the first two years of participation. In the third year, the credit shall be equal to 75% of the lesser of ~~$25~~*35*

1-15
p 15 of 30

per month per employee or 50% of the total amount paid by the employer during the taxable year. In the fourth year, the credit shall be equal to 50% of the lesser of ~~$25~~ *35* per month per employee or 50% of the total amount paid by the employer during the taxable year. In the fifth year, the credit shall be equal to 25% of the lesser of ~~$25~~ *35* per month per employee or 50% of the total amount paid by the employer during the taxable year. For the sixth and subsequent years, no credit shall be allowed.

(c) If the credit allowed by this section is claimed, the amount of any deduction allowable under the Kansas income tax act for expenses described in this section shall be reduced by the dollar amount of the credit. The election to claim the credit shall be made at the time of filing the tax return in accordance with law. If the credit allowed by this section exceeds the taxes imposed under the Kansas income tax act for the taxable year, that portion of the credit which exceeds those taxes may be carried over to the tax in succeeding tax years until the credit is used. The credit shall be applied first to the earliest income years possible.

(d) Any amount of expenses paid by an employer under this act shall not be included as income to the employee for purposes of the Kansas income tax act. If such expenses have been included in federal taxable income of the employee, the amount included shall be subtracted in arriving at state taxable income under the Kansas income tax act.

(e) This section shall apply to all taxable years commencing after December 31, ~~1991~~ *1999*.

Sec.6. K.S.A. 40-2239, 40-2240, 40-2241, 40-2242, 40-2244, 40-2245, 40-2246 are hereby repealed.

Sec. 7. This act shall take effect and be in force from and after its publication in the statute book.

1-16
p16 of ~~35~~

1999

Proposed Bill No. _____

An Act concerning sickness and accident insurance covering groups of persons; conversion policies; amending K.S.A. 1998 Supp. 40-2209 and repealing the existing section.

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

Section 1. K.S.A. 1998 Supp. 40-2209 is hereby amended to read as follows: 40-2209. *(a)* (1) Group sickness and accident insurance is declared to be that form of sickness and accident insurance covering groups of persons, with or without one or more members of their families or one or more dependents. Except at the option of the employee or member and except employees or members enrolling in a group policy after the close of an open enrollment opportunity, no individual employee or member of an insured group and no individual dependent or family member may be excluded from eligibility or coverage under a policy providing hospital, medical or surgical expense benefits both with respect to policies issued or renewed within this state and with respect to policies issued or renewed outside this state covering persons residing in this state. For purposes of this section, an open enrollment opportunity shall be deemed to be a period no less favorable than a period beginning on the employee's or member's date of initial eligibility and ending 31 days thereafter.

(2) An eligible employee, member or dependent who requests enrollment following the open enrollment opportunity or any special enrollment period for dependents as specified in subsection (3) shall be considered a late enrollee. An accident and sickness insurer may exclude late enrollee, except during an open enrollment period. However, an eligible employee, member or dependent shall not be considered a late enrollee if:

(A) The individual:

(i) Was covered under another group policy which provided hospital, medical or surgical expense benefits or was covered under section 607(1) of the employee retirement income security act of 1974 (ERISA) at the time the individual was eligible to enroll;

(ii) states in writing, at the time of the open enrollment period, that coverage under another group policy which provided hospital, medical or surgical expense benefits was the reason for declining enrollment, but only if the group policyholder or the accident and sickness insurer required such a written statement and provided the individual with notice of the requirement for a written statement and the consequences of such written statement;

(iii) has lost coverage under another group policy providing hospital, medical or surgical expense benefits or under section 607(1) of the employee retirement income security act of 1974 (ERISA) as a result of the termination of employment, reduction in the number of hours of employment, termination of employer contributions toward such coverage, the termination of the other policy's coverage, death of a spouse or divorce or legal separation or was under a COBRA continuation provision and the coverage under such provision was exhausted; and

(iv) requests enrollment within 30 days after the termination of coverage under the other policy; or

(B) a court has ordered coverage to be provided for a spouse or minor child under a covered employee's or member's policy.

(3) (A) If an accident and sickness insurer issues a group policy providing hospital, medical or surgical expenses and

makes coverage available to a dependent of an eligible employee or member and such dependent becomes a dependent of the employee or member through marriage, birth, adoption or placement for adoption, then such group policy shall provide for a dependent special enrollment period as described in subsection (3)(B) of this section during which the dependent may be enrolled under the policy and in the case of the birth or adoption of a child, the spouse of an eligible employee or member may be enrolled if otherwise eligible for coverage.

(B) A dependent special enrollment period under this subsection shall be a period of not less than 30 days and shall begin on the later of (i) the date such dependent coverage is made available, or (ii) the date of the marriage, birth or adoption or placement for adoption.

(C) If an eligible employee or member seeks to enroll a dependent during the first 30 days of such a dependent special enrollment period, the coverage of the dependent shall become effective: (i) in the case of marriage, not later than the first day of the first month beginning after the date the completed request for enrollment is received; (ii) in the case of the birth of a dependent, as of the date of such birth; or (iii) in the case of a dependent's adoption or placement for adoption, the date of such adoption or placement for adoption.

(4) (A) No group policy providing hospital, medical or surgical expense benefits issued or renewed within this state or issued or renewed outside this state covering residents within this state shall limit or exclude benefits for specific conditions existing at or prior to the effective date of coverage thereunder. Such policy may impose a preexisting conditions exclusion, not to exceed 90 days following the date of enrollment for benefits for conditions ~~(~~whether mental or physical~~)~~, regardless of the cause of the condition for which medical advice, diagnosis, care or treatment was recommended or received in the 90 days prior to the effective date of enrollment Any preexisting conditions exclusion shall run concurrently with any waiting period.

(B) Such policy may impose a waiting period after full-time employment starts before an employee is first eligible to enroll in any applicable group policy.

(C) A health maintenance organization which offers such policy which does not impose any preexisting conditions exclusion may impose an affiliation period for such coverage, provided that: (i) such application period is applied uniformly without regard to any health status related factors and (ii) such affiliation period does not exceed two months. The affiliation period shall run concurrently with any waiting period under the plan.

(D) A health maintenance organization may use alternative methods from those described in this subsection to address adverse selection if approved by the commissioner.

(E) For the purposes of this section, the term ``preexisting conditions exclusion'' shall mean, with respect to coverage, a limitation or exclusion of benefits relating to a condition based on the fact that the condition was

1-18
~~p 18 ll 30~~

present before the date of enrollment for such coverage whether or not any medical advice, diagnosis, care or treatment was recommended or received before such date.

(F) For the purposes of this section, the term ``date of enrollment'' means the date the individual is enrolled under the group policy or, if earlier, the first day of the waiting period for such enrollment.

(G) For the purposes of this section, the term ``waiting period'' means with respect to a group policy the period which must pass before the individual is eligible to be covered for benefits under the terms of the policy.

(5) Genetic information shall not be treated as a preexisting condition in the absence of a diagnosis of the condition related to such information.

(6) A group policy providing hospital, medical or surgical expense benefits may not impose any preexisting condition exclusion relating to pregnancy as a preexisting condition.

(7) A group policy providing hospital, medical or surgical expense benefits may not impose any preexisting condition waiting period in the case of a child who is adopted or placed for adoption before attaining 18 years of age and who, as of the last day of a 30-day period beginning on the date of the adoption or placement for adoption, is covered by a policy specified in subsection (a). This subsection shall not apply to coverage before the date of such adoption or placement for adoption.

(8) Such policy shall waive such a preexisting conditions exclusion to the extent the employee or member or individual dependent or family member was covered by (A) a group or individual sickness and accident policy, (B) coverage under section 607(1) of the employees retirement income security act of 1974 (ERISA), (C) a group specified in K.S.A. 40-2222 and amendments thereto, (D) part A or part B of title XVIII of the social security act, (E) title XIX of the social security act, other than coverage consisting solely of benefits under section 1928, (F) a state children's health insurance program established pursuant to title XXI of the social security act, (G) chapter 55 of title 10 United States code, (H) a medical care program of the indian health service or of a tribal organization, (I) the Kansas uninsurable health plan act pursuant to K.S.A. 40-2217 *et seq.* and amendments thereto or a similar health benefits risk pool of another state, (J) a health plan offered under chapter 89 of title 5, United States code,(K) a health benefit plan under section 5(e) of the peace corps act (22 U.S.C. 2504(e), or (L) a group subject to K.S.A. 12-2616 *et seq*. and amendments thereto which provided hospital, medical and surgical expense benefits within 63 days prior to the effective date of coverage with no gap in coverage. A group policy shall credit the periods of prior coverage specified in subsection *(a)*(7) without regard to the specific benefits covered during the period of prior coverage. Any period that the employee or member is in a waiting period for any coverage under a group health plan or is in an affiliation period shall not be taken into account in determining the continuous period under this subsection.

1-19
p 19 of 20

(b) (1) An accident and sickness insurer which offers group policies providing hospital, medical or surgical expense benefits shall provide a certification as described in subsection (b)(2): (A) At the time an eligible employee, member or dependent ceases to be covered under such policy or otherwise becomes covered under a COBRA continuation provision; (B) in the case of an eligible employee, member or dependent being covered under a COBRA continuation provision, at the time such eligible employee, member or dependent ceases to be covered under a COBRA continuation provision; and (C) on the request on behalf of such eligible employee, member or dependent made not later than 24 months after the date of the cessation of the coverage described in subsection (b)(1)(A) or (b)(1)(B), whichever is later.

(2) The certification described in this subsection is a written certification of (A) the period of coverage under a policy specified in subsection (a) and any coverage under such COBRA continuation provision, and (B) any waiting period imposed with respect to the eligible employee, member or dependent for any coverage under such policy.

(c) Any group policy may impose participation requirements, define full-time employees or members and otherwise be designed for the group as a whole through negotiations between the group sponsor and the insurer to the extent such design is not contrary to or inconsistent with this act.

(d) (1) An accident and sickness insurer offering a group policy providing hospital, medical or surgical expense benefits must renew or continue in force such coverage at the option of the policyholder or certificateholder except as provided in paragraph (2) below.

(2) An accident and sickness insurer may nonrenew or discontinue coverage under a group policy providing hospital, medical or surgical expense benefits based only on one or more of the following circumstances:

(A) If the policyholder or certificateholder has failed to pay any premium or contributions in accordance with the terms of the group policy providing hospital, medical or surgical expense benefits or the accident and sickness insurer has not received timely premium payments;

(B) if the policyholder or certificateholder has performed an act or practice that constitutes fraud or made an intentional misrepresentation of material fact under the terms of such coverage;

(C) if the policyholder or certificateholder has failed to comply with a material plan provision relating to employer contribution or group participation rules;

(D) if the accident and sickness insurer is ceasing to offer coverage in such group market in accordance with subsections (d)(3) or (d)(4);

1-20
p 20 of 20

(E) in the case of accident and sickness insurer that offers coverage under a policy providing hospital, medical or surgical expense benefits through an enrollment area, there is no longer any eligible employee, member or dependent in connection with such policy who lives, resides or works in the medical service enrollment area of the accident and sickness insurer ~~(~~ or in the area for which the accident and sickness insurer is authorized to do business~~)~~; or

(F) in the case of a group policy providing hospital, medical or surgical expense benefits which is offered through an association or trust pursuant to subsections (f)(3) or (f)(5), the membership of the employer in such association or trust ceases but only if such coverage is terminated uniformly without regard to any health status related factor relating to any eligible employee, member or dependent.

(3) In any case in which an accident and sickness insurer which offers a group policy providing hospital, medical or surgical expense benefits decides to discontinue offering such type of group policy, such coverage may be discontinued only if:

(A) The accident and sickness insurer notifies all policyholders and certificateholders and all eligible employees or members of such discontinuation at least 90 days prior to the date of the discontinuation of such coverage;

(B) the accident and sickness insurer offers to each policyholder who is provided such group policy providing hospital, medical or surgical expense benefits which is being discontinued the option to purchase any other group policy providing hospital, medical or surgical expense benefits currently being offered by such accident and sickness insurer; and

(C) in exercising the option to discontinue coverage and in offering the option of coverage under subparagraph (B), the accident and sickness insurer acts uniformly without regard to the claims experience of those policyholders or certificateholders or any health status related factors relating to any eligible employee, member or dependent covered by such group policy or new employees or members who may become eligible for such coverage.

(4) If the accident and sickness insurer elects to discontinue offering group policies providing hospital, medical or surgical expense benefits or group coverage to a small employer pursuant to K.S.A. 40-2209f and amendments thereto, such coverage may be discontinued only if:

(A) The accident and sickness insurer provides notice to the insurance commissioner, to all policyholders or certificateholders and to all eligible employees and members covered by such group policy providing hospital, medical or surgical expense benefits at least 180 days prior to the date of the discontinuation of such coverage;

1-21
p22 of 30

(B) all group policies providing hospital, medical or surgical expense benefits offered by such accident and sickness insurer are discontinued and coverage under such policies are not renewed; and

(C) the accident and sickness insurer may not provide for the issuance of any group policies providing hospital, medical or surgical expense benefits in the discontinued market during a five year period beginning on the date of the discontinuation of the last such group policy which is nonrenewed.

(e) An accident and sickness insurer offering a group policy providing hospital, medical or surgical expense benefits may not establish rules for eligibility (including continued eligibility) of any employee, member or dependent to enroll under the terms of the group policy based on any of the following factors in relation to the eligible employee, member or dependent: (A) Health status, (B) medical condition, including both physical and mental illness, (C) claims experience, (D) receipt of health care, (E) medical history, (F) genetic information, (G) evidence of insurability, including conditions arising out of acts of domestic violence, or (H) disability. This subsection shall not be construed to require a policy providing hospital, medical or surgical expense benefits to provide particular benefits other than those provided under the terms of such group policy or to prevent a group policy providing hospital, medical or surgical expense benefits from establishing limitations or restrictions on the amount, level, extent or nature of the benefits or coverage for similarly situated individuals enrolled under the group policy.

(f) Group accident and health insurance may be offered to a group under the following basis:

(1) Under a policy issued to an employer or trustees of a fund established by an employer, who is the policyholder, insuring at least two employees of such employer, for the benefit of persons other than the employer. The term ``employees'' shall include the officers, managers, employees and retired employees of the employer, the partners, if the employer is a partnership, the proprietor, if the employer is an individual proprietorship, the officers, managers and employees and retired employees of subsidiary or affiliated corporations of a corporation employer, and the individual proprietors, partners, employees and retired employees of individuals and firms, the business of which and of the insured employer is under common control through stock ownership contract, or otherwise. The policy may provide that the term ``employees'' may include the trustees or their employees, or both, if their duties are principally connected with such trusteeship. A policy issued to insure the employees of a public body may provide that the term ``employees'' shall include elected or appointed officials.

(2) Under a policy issued to a labor union which shall have a constitution and bylaws insuring at least 25 members of such union.

(3) Under a policy issued to the trustees of a fund established by two or more employers or business associations or

by one or more labor unions or by one or more employers and one or more labor unions, which trustees shall be the policyholder, to insure employees of the employers or members of the union or members of the association for the benefit of persons other than the employers or the unions or the associations. The term ``employees" shall include the officers, managers, employees and retired employees of the employer and the individual proprietor or partners if the employer is an individual proprietor or partnership. The policy may provide that the term `employees" shall include the trustees or their employees, or both, if their duties are principally connected with such trusteeship.

(4) A policy issued to a creditor, who shall be deemed the policyholder, to insure debtors of the creditor, subject to the following requirements: (a) The debtors eligible for insurance under the policy shall be all of the debtors of the creditor whose indebtedness is repayable in installments, or all of any class or classes determined by conditions pertaining to the indebtedness or to the purchase giving rise to the indebtedness. (b) The premium for the policy shall be paid by the policyholder, either from the creditor's funds or from charges collected from the insured debtors, or from both.

(5) A policy issued to an association which has been organized and is maintained for the purposes other than that of obtaining insurance, insuring at least 25 members, employees, or employees of members of the association for the benefit of persons other than the association or its officers. The term ``employees" shall include retired employees. The premiums for the policies shall be paid by the policyholder, either wholly from association funds, or funds contributed by the members of such association or by employees of such members or any combination thereof.

(6) Under a policy issued to any other type of group which the commissioner of insurance may find is properly subject to the issuance of a group sickness and accident policy or contract.

(g) Each such policy shall contain in substance: (1) A provision that a copy of the application, if any, of the policyholder shall be attached to the policy when issued, that all statements made by the policyholder or by the persons insured shall be deemed representations and not warranties, and that no statement made by any person insured shall be used in any contest unless a copy of the instrument containing the statement is or has been furnished to such person or the insured's beneficiary.

(2) A provision setting forth the conditions under which an individual's coverage terminates under the policy, including the age, if any, to which an individual's coverage under the policy shall be limited, or, the age, if any, at which any additional limitations or restrictions are placed upon an individual's coverage under the policy.

(3) Provisions setting forth the notice of claim, proofs of loss and claim forms, physical examination and autopsy, time of payment of claims, to whom benefits are payable, payment of claims, change of beneficiary, and legal action requirements. Such provisions shall not be less favorable to the individual insured or the insured's beneficiary than those corresponding policy provisions required to be contained in individual accident and sickness policies.

(4) A provision that the insurer will furnish to the policyholder, for the delivery to each employee or member of the insured group, an individual certificate approved by the commissioner of insurance setting forth in summary form a statement of the essential features of the insurance coverage of such employee or member, the procedure to be followed in making claim under the policy and to whom benefits are payable. Such certificate shall also contain a summary of those provisions required under paragraphs (2) and (3) of this subsection *(g)* in addition to the other essential features of the insurance coverage. If dependents are included in the coverage, only one certificate need be ickness insurer may not provide foro group disability income policy which integrates benefits with social security benefits, shall provide that the amount of any disability benefit actually being paid to the disabled person shall be reduced by changes in the level of social security benefits resulting either from changes in the social security law or due to cost of living adjustments which become effective after the first day for which disability benefits become payable.

(i) A group policy of insurance delivered or issued for delivery or renewed which provides hospital, surgical or major medical expense insurance, or any combination of these coverages, on an expense incurred basis, shall provide that an employee or member or such employee's or member's covered dependents whose insurance under the group policy has been terminated for any reason, including discontinuance of the group policy in its entirety or with respect to an insured class, and who has been continuously insured under the group policy or under any group policy providing similar benefits which it replaces for at least three months immediately prior to termination, shall be entitled to have such coverage nonetheless continued under the group policy for a period of six months and have issued to the employee or member or such employee's or member's covered dependents by the insurer, at the end of such six-month period of continuation, a policy of health insurance which conforms to the applicable requirements specified in this subsection. This requirement shall not apply to a group policy which provides benefits for specific diseases or for accidental injuries only or a group policy issued to an employer subject to the continuation and conversion obligations set forth at title I, subtitle B, part 6 of the employee retirement income security act of 1974 or at title XXII of the public health service act, as each act was in effect on January 1, 1987 to the extent federal law provides the employee or member or such employee's or member's covered dependents with equal or greater continuation or conversion rights; or an employee or member or such employee's or member's covered dependents shall not be entitled to have such coverage continued or a converted policy issued to the employee or member or such employee's or member's covered dependents if termination of the insurance under the group policy occurred because:

(1) The employee or member or such employee's or member's covered dependents failed to pay any required contribution after receiving reasonable notice of such required contribution from the insurer in accordance with rules and regulations adopted by the commissioner of insurance; (2) any discontinued group coverage was replaced by similar group coverage within 31 days; (3) the employee or member is or could be covered by medicare (title XVIII of the United States social security act as added by the social security amendments of 1965 or as

1-24

later amended or superseded); or (4) the employee or member is or could be covered to the same extent by any other insured or lawful self-insured arrangement which provides expense incurred hospital, surgical or medical coverage and benefits for individuals in a group under which the person was not covered prior to such termination. In the event the group policy is terminated and not replaced the insurer may issue an individual policy or certificate in lieu of a conversion policy or the continuation of group coverage required herein if the individual policy or certificate provides substantially similar coverage for the same or less premium as the group policy. In any event, the employee or member shall have the option to be issued a conversion policy which meets the requirements set forth in this subsection *(i)* in lieu of the right to continue group coverage.

(j) The continued coverage and the issuance of a converted policy shall be subject to the following conditions:

(1) Written application for the converted policy shall be made and the first premium paid to the insurer not later than 31 days after termination of coverage under the group policy or not later than 31 days after notice is received pursuant to paragraph 20 of this subsection.

(2) The converted policy shall be issued without evidence of insurability.

(3) The terminated employee or member shall pay to the insurer the premium for the six-month continuation of coverage and such premium shall be the same as that applicable to members or employees remaining in the group. Failure to pay such premium shall terminate coverage under the group policy at the end of the period for which the premium has been paid. The premium rate charged for converted policies issued subsequent to the period of continued coverage shall be such that can be expected to produce an anticipated loss ratio of not less than 80% based upon conversion, morbidity and reasonable assumptions for expected trends in medical care costs. In the event the group policy is terminated and is not replaced, converted policies may be issued at self-sustaining rates that are not unreasonable in relation to the coverage provided based on conversion, morbidity and reasonable assumptions for expected trends in medical care costs. The frequency of premium payment shall be the frequency customarily required by the insurer for the policy form and plan selected, provided that the insurer shall not require premium payments less frequently than quarterly.

(4) The effective date of the converted policy shall be the day following the termination of insurance under the group policy.

(5) The converted policy shall cover the employee or member and the employee's or member's dependents who were covered by the group policy on the date of termination of insurance. At the option of the insurer, a separate converted policy may be issued to cover any dependent.

(6) The insurer shall not be required to issue a converted policy covering any person if such person is or could be

1-21
~~p 25 of 35~~

covered by medicare (title XVIII of the United States social security act as added by the social security amendments of 1965 or as later amended or superseded). Furthermore, the insurer shall not be required to issue a converted policy covering any person if:

(A) (i) Such person is covered for similar benefits by another hospital, surgical, medical or major medical expense insurance policy or hospital or medical service subscriber contract or medical practice or other prepayment plan or by any other plan or program, or

(ii) such person is eligible for similar benefits (whether or not covered therefor) under any arrangement of coverage for individuals in a group, whether on an insured or uninsured basis, or

(iii) similar benefits are provided for or available to such person, pursuant to or in accordance with the requirements of any state or federal law, and

(B) the benefits provided under the sources referred to in clause (A) (i) above for such person or benefits provided or available under the sources referred to in clauses (A) (ii) and (A) (iii) above for such person, together with the benefits provided by the converted policy, would result in over-insurance according to the insurer's standards. The insurer's standards must bear some reasonable relationship to actual health care costs in the area in which the insured lives at the time of conversion and must be filed with the commissioner of insurance prior to their use in denying coverage.

(7) A converted policy may include a provision whereby the insurer may request information in advance of any premium due date of such policy of any person covered as to whether:

(A) Such person is covered for similar benefits by another hospital, surgical, medical or major medical expense insurance policy or hospital or medical service subscriber contract or medical practice or other prepayment plan or by any other plan or program;

(B) such person is covered for similar benefits under any arrangement of coverage for individuals in a group, whether on an insured or uninsured basis; or

(C) similar benefits are provided for or available to such person, pursuant to or in accordance with the requirements of any state or federal law.

(8) The converted policy may provide that the insurer may refuse to renew the policy and the coverage of any person insured for the following reasons only:

1-26
p. 67 of 30

(A) Either the benefits provided under the sources referred to in clauses (A) (i) and (A) (ii) *of* paragraph 6 for such person or benefits provided or available under the sources referred to in clause (A) (iii) of paragraph 6 for such person, together with the benefits provided by the converted policy, would result in over-insurance according to the insurer's standards on file with the commissioner of insurance, or the converted policyholder fails to provide the requested information;

(B) fraud or material misrepresentation in applying for any benefits under the converted policy; *or*

~~(c) *(C)* eligibility of the insured person for coverage under medicare (title XVIII of the United States social security act as added by the social security amendments of 1965 or as later amended or superseded) or under any other state or federal law (except title XIX of the social security act of 1965) providing for benefits similar to those provided by the con verted policy; or~~

~~(D)~~ *(C)* other reasons approved by the commissioner of insurance.

(9) An insurer shall not be required to issue a converted policy which provides coverage and benefits in excess of those provided under the group policy from which conversion is made.

(10*)* If the converted policy provides that any hospital, surgical or medical benefits payable may be reduced by the amount of any such benefits payable under the group policy after the termination of the individual's insurance or the converted policy includes provisions so that during the first policy year the benefits payable under the converted policy, together with the benefits payable under the group policy, shall not exceed those that would have been payable had the individual's insurance under the group policy remained in force and effect, the converted policy shall provide credit for deductibles, copayments and other conditions satisfied under the group policy.

(11*)* Subject to the provisions and conditions of this act, if the group insurance policy from which conversion is made insures the employee or member for major medical expense insurance, the employee or member shall be entitled to obtain a converted policy providing catastrophic or major medical coverage under a plan meeting the following requirements:

(A) A maximum benefit at least equal to either, at the option of the insurer, paragraphs (i) or (ii) below:

(i) The smaller of the following amounts:

The maximum benefit provided under the group policy or a maximum payment of $250,000 per covered person for all covered medical expenses incurred during the covered person's lifetime.

1-27
~~p 2935~~

(ii) The smaller of the following amounts:

The maximum benefit provided under the group policy or a maximum payment of $250,000 for each unrelated injury or sickness.

(B) Payment of benefits at the rate of 80% of covered medical expenses which are in excess of the deductible, until 20% of such expenses in a benefit period reaches $1,000, after which benefits will be paid at the rate of 100% during the remainder of such benefit period. Payment of benefits for outpatient treatment of mental illness, if provided in the converted policy, may be at a lesser rate but not less than 50%.

(C) A deductible for each benefit period which, at the option of the insurer, shall be (i) the sum of the benefits deductible and $100, or (ii) the corresponding deductible in the group policy. The term ``benefits deductible," as used herein, means the value of any benefits provided on an expense incurred basis which are provided with respect to covered medical expenses by any other hospital, surgical, or medical insurance policy or hospital or medical service subscriber contract or medical practice or other prepayment plan, or any other plan or program whether on an insured or uninsured basis, or in accordance with the requirements of any state or federal law and, if pursuant to the conditions of paragraph (13), the converted policy provides both basic hospital or surgical coverage and major medical coverage, the value of such basic benefits.

If the maximum benefit is determined by clause (a)(ii) of this paragraph, the insurer may require that the deductible be satisfied during a period of not less than three months if the deductible is $100 or less, and not less than six months if the deductible exceeds $100.

(D) The benefit period shall be each calendar year when the maximum benefit is determined by clause (A)(i) of this paragraph or 24 months when the maximum benefit is determined by clause (A)(ii) of this paragraph.

(E) The term ``covered medical expenses," as used above, shall include at least, in the case of hospital room and board charges 80% of the average semiprivate room and board rate for the hospital in which the individual is confined and twice such amount for charges in an intensive care unit. Any surgical schedule shall be consistent with those customarily offered by the insurer under group or individual health insurance policies and must provide at least a $1,200 maximum benefit.

(12) The conversion privilege required by this act shall, if the group insurance policy insures the employee or member for basic hospital or surgical expense insurance as well as major medical expense insurance, make available the plans of benefits set forth in paragraph 11. At the option of the insurer, such plans of benefits may be provided under one policy.

1-28
p 28735

The insurer may also, in lieu of the plans of benefits set forth in paragraph (11), provide a policy of comprehensive medical expense benefits without first dollar coverage. The policy shall conform to the requirements of paragraph (11). An insurer electing to provide such a policy shall make available a low deductible option, not to exceed $100, a high deductible option between $500 and $1,000, and a third deductible option midway between the high and low deductible options.

(13) The insurer, at its option, may also offer alternative plans for group health conversion in addition to those required by this act.

(14) In the event coverage would be continued under the group policy on an employee following the employee's retirement prior to the time the employee is or could be covered by medicare, the employee may elect, in lieu of such continuation of group insurance, to have the same conversion rights as would apply had such person's insurance terminated at retirement by reason of termination of employment or membership.

(15) The converted policy may provide for reduction of coverage on any person upon such person's eligibility for coverage under medicare (title XVIII of the United States social security act as added by the social security amendments of 1965 or as later amended or superseded) or under any other state or federal law providing for benefits similar to those provided by the converted policy.

(16) Subject to the conditions set forth above, the continuation and conversion privileges shall also be available:

(A) To the surviving spouse, if any, at the death of the employee or member, with respect to the spouse and such children whose coverage under the group policy terminates by reason of such death, otherwise to each surviving child whose coverage under the group policy terminates by reason of such death, or, if the group policy provides for continuation of dependents' coverage following the employee's or member's death, at the end of such continuation;

(B) to the spouse of the employee or member upon termination of coverage of the spouse, while the employee or member remains insured under the group policy, by reason of ceasing to be a qualified family member under the group policy, with respect to the spouse and such children whose coverage under the group policy terminates at the same time; or

(C) to a child solely with respect to such child upon termination of such coverage by reason of ceasing to be a qualified family member under the group policy, if a conversion privilege is not otherwise provided above with respect to such termination.

(17) The insurer may elect to provide group insurance coverage which complies with this act in lieu of the issuance of a converted individual policy.

1-29

(18) A notification of the conversion privilege shall be included in each certificate of coverage.

(19) A converted policy which is delivered outside this state must be on a form which could be delivered in such other jurisdiction as a converted policy had the group policy been issued in that jurisdiction.

(20) The insurer shall give the employee or member and such employee's or member's covered dependents: (A) Reasonable notice of the right to convert at least once during the six-month continuation period; or (B) for persons covered under 29 U.S.C. 1161 et seq., notice of the right to a conversion policy required by this subsection (d) shall be given at least 30 days prior to the end of the continuation period provided by 29 U.S.C. 1161 et seq., or from the date the employer ceases to provide any similar group health plan to any employee. Such notices shall be provided in accordance with rules and regulations adopted by the commissioner of insurance.

(k) (1) No policy issued by an insurer to which this section applies shall contain a provision which excludes, limits or otherwise restricts coverage because medicaid benefits as permitted by title XIX of the social security act of 1965 are or may be available for the same accident or illness.

(2) Violation of this subsection shall be subject to the penalties prescribed by K.S.A. 40-2407 and 40-2411, and amendments thereto.

(l) The commissioner is hereby authorized to adopt such rules and regulations as may be necessary to carry out the provisions of this section.

Sec. 2. K.S.A. 1998 Supp. 40-2209 is here by repealed.

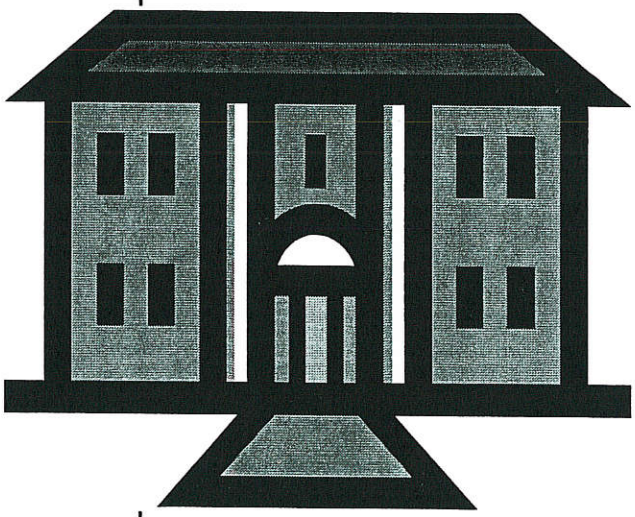
Sec. 3. This act shall take effect and be in force form and after its publication in the statute book.

Kansas Insurance Department

One hundred twenty-eighth

Annual Report

For the year ending
December 31, 1997



Katheen Sebelius
Insurance Commissioner

House Commerce
Attachment # 2
January 7, 1999
page 1 of 11

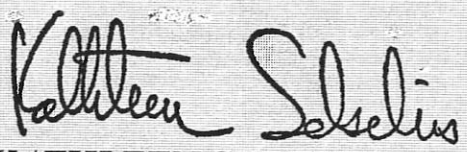
The Honorable Bill Graves
Governor of Kansas
Statehouse
Topeka, KS 66612

Dear Governor Graves:

I am very proud to present to you the One Hundred and Twenty-eighth Annual Report of the Kansas Insurance Department.

This report is established by the provisions of K.S.A. 40-108. The report summarizes the activities of the Department and of the companies operating in Kansas through the period ending December 31, 1997.

Sincerely yours,



KATHLEEN SEBELIUS
Insurance Commissioner

Printed 11/98

Table of Contents

The Kansas Insurance Department is accredited by the National Association of Insurance Commissioners (NAIC). To achieve this accreditation, the Department must meet stringent national standards which demonstrate that it effectively monitors insurance company solvency.

The Kansas Insurance Department views accreditation by the NAIC as a commitment to Kansas consumers to institute and maintain the highest standards in financial regulation. The accreditation review is repeated every five years to confirm that the Kansas Insurance Department continues to meet all requirements. The Department was last accredited in December 1996.

Message from Commissioner Kathleen Sebelius

In September, 1997 I delivered the state of the insurance industry address to a special task force created by the Kansas legislature to examine the business in Kansas. The improvements reported to the task force included:

- **Premium tax reform:** The new law equalizes the premium tax paid by insurance companies and provides tax incentives to create new jobs in Kansas.
- **Eliminating Regulatory Bureaucracy:** We have improved the flow of business through the department by twenty percent, eliminating hundreds of outdated statutes, regulations, and advisory bulletins.
- **Insurance Rating Changes:** Property and casualty companies may now use a "file and use" rating method which gives companies more flexibility to react to changing market conditions in pricing insurance.
- **Streamline Department Operations:** We have reduced the time it takes to process license applications, forms and rate filings.
- **Improved Consumer relations:** The department's primary goal is to protect Kansas insurance consumer. The Consumer Assistance Division fields more than 72,000 calls annually, and publishes free shopper's guides for pricing information on insurance.

Consumer Education

This year we added a shoppers guide for consumers on long-term care insurance. This complements the other guides which we introduced in the past two years, Medicare supplement, auto, and homeowners.

Legislative Highlights

Kansas health insurance laws were amended to comply with federal legislation (the Health Insurance Portability and Affordability Act of 1996) which protects individuals when they change from one insurance policy to another. Important "Patient Protection" features for consumers enrolled in managed care plans were also implemented, including prohibition of gag clauses in provider contracts; and use of prudent person standard when seeking emergency room care.

Workers Compensation

Rates for worker compensation were once again reduced. This was good news for the 50,000 Kansas business owners who purchase this insurance annually.

For the first time, the administrative contract for the Workers Compensation Insurance Plan was sent out for competitive bids. This plan is primarily for employers who are unable to purchase the coverage through the voluntary market. Bidding the program helps ensure that any administrator continues to offer the best services at a fair price. The existing administrator, National Council on Compensation Insurance was awarded the contact after review of all bids.

Family–Friendly Work Place

Another goal as Insurance Commissioner has been to develop employment practices which give staff members the flexibility to balance work and family. A team of employees met and researched various topics. I'm pleased to report that their most creative program was the "Infants at Work" program. This program allows employees to bring their infant to work for the first 180 days after the baby's birth or adoption. Our pilot program this year was very successful. I am pleased our Department is leading the way in developing programs which allow employees to be productive and good parents at the same time. It has proved to be a win–win situation for all involved.

Unfinished Business

I will continue to ask the legislature to prohibit political contributions from the insurance industry to the Commissioner. I believe the Commissioner should work for the Kansas consumer, not the industry.

2-3

p 3 of 11

Kansas Insurance Department
Services Provided During 1997

Examinations	
Domestic Companies	17
Foreign Companies	0
Other Organizations	13
Market Conduct Examinations	
Domestic Companies	1
Foreign Companies	5
Other Organizations	1
Licenses Issued	
Agents New	6,442
Total on file	32,506
Agencies New	541
Total on file	6,270
Consumer Assistance	
Closed Complaints & Inquiries	7,258
Phone Inquiries –1) Topeka Toll-free hotline	66,039
2)Senior Health Insurance Counseling of Kansas	6,269
Total	72,308
Amount Recovered on Behalf of Kansas Consumers	$7,676,106
New Companies Admitted to do Business	54
Corporate Changes	73
Excess Lines	
Non-admitted Insurers	190
Excess Lines Agents	447

Firefighters Relief Fund Tax

The Firefighters Relief Fund is used to assist firefighters and their families when accident or death occur in the line of duty. This fund is generated by a two percent tax imposed on insurance companies writing fire insurance coverage within the state of Kansas. The tax was collected, placed in a special fund and distributed to 563 cities, counties, townships, and fire districts.

The 1997 distribution of the Fund was made as follows:

Insurance Commissioner Administrative Expenses (approved by legislature FY'97)	$ 67,341
Kansas State Firefighters Associations, Inc. (education and study of fire prevention and extinguishment)	$ 151,658
Kansas State Firefighters Associations, Inc. (death benefit - to restore balance to $100,000)	$ 86,250
Each Association (based on amount of fire insurance written in area served by that assoc.)	$4,748,894

Kansas FAIR Plan

The purpose of the Kansas FAIR Plan (Fair Access to Insurance Requirements) is to provide fire, extended coverage, vandalism and malicious mischief insurance for qualified applicants unable to obtain this kind of insurance on the private market. There is a nine member governing committee which oversees the plan.

In 1997 there were 4,491 policies in force with a total premium written of $2,180,885 The total amount of insurance in force for 1997 was $117,875,000. There were 407 losses reported in 1997 and $793,865 losses were paid.

Kansas Automobile Insurance Plan:

The Kansas Automobile Insurance Plan (KAIP) provides coverage for drivers who are unable to purchase automobile insurance on the private market. In 1996, the KAIP collected premiums totaling $6,369,260 and paid out $4,731,005 in losses.

Group Funded Pools

Employers, including municipalities, may enter into agreements to self-insure certain insurance exposures as a group under the authority of two separate Kansas statues.

Group Funded Workers' Compensation Pools are authorized under K.S.A. 44-581. This law permits five or more employers in the same or similar business that belong to the same bona fide trade or professional association which has been in existence for at least five years to enter into agreement to pool their liability for Kansas workers' compensation benefits and employers' liability. These pools are required to have a combined members' net worth of at least $1,000,000; a combined annual workers compensation premium of $250,000; and specific and aggregate excess workers' compensation insurance. Sixteen of these pools were licensed in 1997.

Five or more employers engaged in *dissimilar* types of business, under K.S.A. 44-581(b), may form a pool. These pools are required to have a combined members net worth of at least $1,250,000; a combined annual workers compensation premium of $500,000; and specific and aggregate excess workers' compensation insurance. As of December 31, 1997, certificates of authority had been issued to four pools.

The Kansas Municipal Group-Funded Pool Act was established under K.S.A. 12-2616. This law allows five or more municipalities to enter into agreement to pool their liabilities for all fire and casualty lines including workers' compensation and employers' liability. Property, casualty and workers compensation pools must meet certain requirements, but municipal pools must have $250,000 premium per line of insurance and may substitute adequate surplus funds in place of excess insurance. Municipalities may also pool their liabilities for accident, sickness and life insurance lines. Accident and sickness pools must have at least $1,000,000 in gross annual premium and may substitute adequate reserves with excess loss insurance. The oversight of municipal group-funded pools is divided between the Fire and Casualty Division and Accident and Health Division. There were eleven municipal pools who had certificates of authority under K.S.A. 12-2616 as of December 31, 1997. No currently funded municipal pools are involved in the transaction of life insurance.

Workers' Compensation Assigned Risk Plan

The Kansas Workers' Compensation Insurance Plan operates under authority of K.S.A. 40-2109. The Plan provides workers' compensation and employers' liability insurance for qualified applicants unable to procure coverage in the normal market. Information from the National Council on Compensation Insurance who administers the Workers' Compensation Assigned Risk Plan shows the following statistics for policy year 1997.

Number of risks insured	13,072
New plan applications received	3,449
Earned premium*	$30,149,000
Incurred losses*	$21,707,000
Loss ratio*	72%

*Evaluated as of December 31, 1997.

Workers' Compensation Fund

The Legal Division of the Insurance Department administers the Workers' Compensation Fund in conjunction with the Kansas Workers' Compensation Act, K.S.A. 44-501, et seq. Representatives of the Legal Division are responsible for controlling the receipts and disbursements from the Fund. Attorneys throughout Kansas are appointed by the Department to represent and conserve the fund. A detailed accounting of the fund is filed annually with the Governor's office. Anyone wanting a copy of the most recent report may contact the Legal Division of the Kansas Insurance Department or the Office of the Governor of the State of Kansas.

Kansas Insurance Department

Fiscal year 1997 Deposits

July 1, 1996 to June 30, 1997

TO STATE GENERAL FUND:			
TAXES:			
Privilege Tax	1,001,197.56		
Premium Tax—Foreign	69,676,773.44		
Fire Marshal Tax	200,609.00		
Premium Tax—Domestic	8,815,306.36		
Retaliatory Tax	1,640,879.91		
Fines and Penalties	766,500.10		
Reimburse Imprest Fund Advance	2,000.00		
Total Taxes		82,103,266.37	
TOTAL TAXES TO THE STATE GENERAL FUND			82,103,266.37
TO SPECIAL FUNDS:			
INSURANCE COMPANIES EXAMINATION FUND:			
Salary Reimbursement	283,710.53		
Expense Reimbursement	166,399.99		
Annual Leave Assessment	20,555.83		
Data Processing Assessment	8,147.90		
Sick Leave Assessment	15,021.05		
Refunds	370.00		
Total Insurance Company Examination Fund	494,205.30		
INSURANCE COMPANY ANNUAL STATEMENT EXAM:		494,205.30	
Premium Tax - Foreign	78,370.00		
Total Insurance Company Annual Statement Fund		78,370.00	
INSURANCE COMPANY EXAMINER'S TRAINING FUND:			
Premium Tax—Foreign	84,000.00		
Total Insurance Company Examiner's Training Fund		84,000.00	

HEALTH TASK FORCE GRANT FUND		(11,254.62)
INSURANCE DEPARTMENT SERVICE REGULATION FUND:		
Premium Tax—Domestic	1,094,569.75	
MGA Notification Fee	2,200.00	
Risk Purchasing Group—Notification Fee	6,750.00	
Risk Retention Group—Notification Fee	750.00	
Viatical Settlements	3,000.00	
Annual Statement Fee	158,825.61	
Certificate of Authority	23,791.00	
Charter Fees	23,510.00	
Retaliatory Fees	50,962.33	
Cert. Fees/Util. Review Orgs.	2,650.00	
Permit to Sell Stock	0.00	
Form "A" Filing Fee	4,000.00	
Registration Fees—Prepaid Services	1,050.00	
Filing Fees—Nonadmitted Cos.	15,400.00	
Certified Copies	111,499.00	
Court Fees	14,979.57	
Other Service Charges	70,100.00	
Agent License Fees	5,300,516.25	
Other Publications	164.00	
Fee Fund Assessment	1,336,472.02	
Recovery of Expenditures	56,915.24	
Photocopies	18,428.85	
Prior Fiscal Year—Recovery of Expenditures	27,830.23	
Operating Transfers Out		
Other Miscellaneous Revenue	1,467.50	
Total Insurance Department Service Regulation Fund		8,325,831.35
SENIOR HEALTH INSURANCE COUNSELING FOR KANSANS		120,000.00
INSURANCE EDUCATION AND TRAINING FUND		2,050.00
SALE OF COMMODITIES AND USABLE EQUIPMENT: TOTAL		1,582.50
WORKERS COMPENSATION FUND:		
Assessments	26,794,951.56	
Reimbursements	200,045.43	
Total Workers Compensation Fund		26,994,996.99

MUNICIPAL GROUP-FUNDED POOLS: TOTAL		33,653.52	
GROUP-FUNDED WORKERS COMPENSATION FUND: TOTAL		60,658.49	
FIREFIGHTERS RELIEF TAX: TOTAL		5,056,610.51	
INSURANCE BUILDING PRINCIPAL AND INTEREST FUND:			
Fund Operating Transfers	178,540.58		
Principal and Interest	721.26		
Total Insurance Building Principal and Interest Fund		179,261.84	
INSURANCE BUILDING RESERVE FUND:			
Interest on State Agency Investment	13,308.76		
Operating Transfers out	(12,119.43)		
Bond Reserves	(1,189.33)		
Total Insurance Building Reserve Fund		-	
INSURANCE DEPARTMENT REHAB AND REPAIR FUND		86,135.00	
SUSPENSE (NET RECEIPTS): TOTAL		429,730.77	
TAX AND FEE REVOLVING FUND (GROSS RECEIPTS) TOTAL		12,798,464.04	
COMMISSIONER'S TRAVEL REIMBURSEMENT		8,778.00	
TOTAL TAXES TO SPECIAL FUNDS			54,743,073.69
TAXES REMITTED TO OTHER AGENCIES:			
* FIRE MARSHAL: TOTAL			2,880,879.09
INSURANCE DEPARTMENT NET DEPOSITS FISCAL YEAR 1996			139,727,219.15

*Collected for State Fire Marshall in accordance with 1992 H.B. 2611.

Summary of Companies Doing Business in Kansas
(Year Ending December 31, 1997)

Life Insurance Companies of Kansas					Business Written in Kansas			
				Number of Companies	Life Premiums and Annuity Considerations Received	Life Claims & Benefits	A & H Premiums Received	A H Losses Paid
Domestic (Companies headquartered in Kansas)				14	$ 159,193,448	$ 92,286,353	$ 608,566,121	$ 530,170,086
Foreign (Any company not headquartered in Kansas)				648	$ 2,309,910,656	$ 1,546,766,821	$ 741,819,319	$ 498,499,953
Fraternal Societies				29	$ 52,013,070	$ 44,219,310	$ 10,091,194	$ 6,215,812
			Totals	691	$ 2,521,117,174	$ 1,683,272,484	$ 1,360,476,634	$ 1,034,885,851
Health Maintenance Organizations								
				Number operating in Kansas	Kansas Net Earned Subscriptions	Costs of Hospital & Medical Benefits		
				20	$ 459,413	$ 394,492		
Fire and Casualty Companies								
				Number of Companies	Direct Premium Written	Direct Losses Paid		
Domestic				26	$ 499,908,858	$ 284,366,514		
Foreign				742	$ 2,162,294,838	$ 1,187,993,538		
			Totals	768	$ 2,662,203,696	$ 1,472,360,052		

Please Note: This information was provided by the National Association of Insurance Commissioners. The information is unaudited and is not a complete financial analysis nor it is it an expression of opinion on any insurer.

Publications Available Free to Consumers

- Auto Insurance, A Necessity
- Auto Shoppers Guide, A Rate Comparison
- Health Insurance in Kansas
- Homeowners and Renters Insurance Shoppers Guide
- Kansas Homeowners and Renters Insurance
- Kansas Medicare Supplement Insurance Shoppers Guide
- Kansas Life Insurance Basics
- Kansas Long-term Care Insurance and Shoppers Guide
- Kansas Complaint Ratio Report
- 1998 HMO Report

Order your free copy:
Toll-free hotline: 1-800-432-2484
email: ksebelius@ins.wpo.state.ks.us
homepage: http:/www.ink.org/public/kid

Kansas Insurance Department

Kathleen Sebelius

Commissioner of Insurance

Consumer Assistance Hotline
1-800-432-2484
(Main office)

Wichita Hotline
1-800-860-5260

E-mail:
ksebelius@ins.wpo.state.ks.us

Homepage: http://www.ink.org/public/kid

Main Office
Kansas Insurance Dept.
420 SW 9th St.
Topeka, KS 66612-1678
Phone: 785-296-3071
Fax: 785-296-2283

Wichita Office
130 S. Market St.
Suite 4030, Box 3850
Wichita, KS 67201-3850
Phone: 316-337-6010
Fax: 316-337-6018

Office hours are 8 a.m. to 5 p.m., Monday through Friday.

2-11

Consumer Information

The Kansas Insurance Department

Kansas Auto Insurance and Shoppers Guide explains basic auto insurance coverages required in Kansas and lists the costs for the top 30 companies selling auto coverage in Kansas.

Kansas Homeowners Insurance and Shoppers Guide provides homeowner, renters, and mobile homeowners with the information they need to insure their property. The shoppers guide compares rates for the 30 companies writing 75% of policies in Kansas.

Life Insurance Basics describes the basic types of life insurance plans, explains what happens when applying for coverage, and gives easy to understand definitions for policy terms.

Health Insurance In Kansas helps consumers understand their health insurance coverage and how to shop for coverage. It also tells how HMOs work and lists the HMOs operating in Kansas.

Kansas Medicare Supplement Insurance Shopper's Guide Medicare is a valuable resource that helps pay for many of today's advanced medical services. In this booklet, we help you identify the "gaps" in Medicare and compare rates for companies marketing Medicare supplement insurance and health maintenance organization.

Kansas Long-term Care Insurance guides consumers through the decision making process of buying a long-term care policy and compares costs for various plans sold in Kansas.

Other Publications Available
Kansas Compliant Ratio Report
Kassebaum/Kennedy, A Summary
for Consumers and Business Owners

For a free copy of the guides, contact
Kathleen Sebelius, Commissioner of Insurance
Kansas Insurance Department
Consumer Hotline 1-800-432-2484
420 SW 9th St., Topeka, KS 66612-1678
(785) 296-3071 Fax (785) 296-2283 E-mail: ksebelius@ins.wpo.state.ks.us
Order on Homepage at http://www.ink.org/public/kid

HOUSE Committee on INS.
ATTACHMENT # 3
January 14, 1999