

Approved: February 8, 1999
Date

MINUTES OF THE SENATE COMMITTEE ON FINANCIAL INSTITUTIONS AND INSURANCE .

The meeting was called to order by Chairperson Senator Don Steffes at 9:00 a.m. on February 2, 1999 in Room 529 S of the Capitol.

All members were present except:

Committee staff present: Dr. Bill Wolff, Research
Ken Wilke, Office of Revisor
Nikki Feuerborn, Committee Secretary

Conferees appearing before the committee: Linda DeCoursey, Kansas Insurance Department
Kevin Robertson, Kansas Dental Association
Dave Hanson, Kansas Insurance Association

Others attending: See Attached

Hearing on SB 74 - Risk based capital

Linda DeCoursey, Kansas Insurance Department, appeared in support of the bill which would require companies to use the Risked Based Capital formulas in effect as of December 31, 1998, as outlined by the NAIC (Attachment 1). She also requested the striking of "RBC report including" to "RBC instructions" as there is no report including the RBC instructions from the NAIC.

Dave Hanson, Kansas Insurance Associations, also spoke in favor of the bill which refers to the standardized method of monitoring the solvency of insurers and the need for corrective action (Attachment 2).

Senator Steffes declared the Hearing closed.

Senator Feleciano moved that the amendment proposed by the Insurance Department be adopted. Motion was seconded by Senator Biggs. The motion carried.

Senator Prager moved that the bill be reported favorably as amended. Motion was seconded by Senator Feleciano. Motion carried.

Hearing on SB 75 - Insurance, medicare eligible person to receive coverage

Linda DeCoursey, Kansas Insurance Department, explained that this bill refers to the high risk pool of persons eligible for insurance under the Kansas Health Insurance Association (Attachment 3). This bill defines those persons who are eligible for both KHIA and Medicaid.

Chairman Steffes declared the Hearing closed.

Senator Praeger moved to report the bill favorably and place it on the Consent Calendar. Motion was seconded by Senator Feleciano. Motion carried.

Action on SB 3 - Providing coverage for general anesthesia and medical care facility charges for certain dental care

Kevin Robertson, Kansas Dental Association, requested an amendment to the bill which would change "such" to "a" on line 26 to make the language consistent with the change to "or." He explained that the real implication of the bill is that anesthesia in a hospital operating room would be available for those persons who have a medical or behavioral condition which prohibits them from receiving such care in a dental office setting. The dentist providing the service must be credentialed for hospital setting. The insurance fee would go to the hospital which is why this does not affect dental insurance but rather health insurance. A dentist would not receive additional payment for treating the patient in the hospital.

Senator Barone moved for adoption of the presented amendments. Motion was seconded by Senator Biggs. Motion carried.

CONTINUATION SHEET

SENATE COMMITTEE ON FINANCIAL INSTITUTIONS AND INSURANCE

Senator Biggs recommended the bill for favorable passage as amended. Motion was seconded by Senator Feleciano. Motion carried.

Action on SB 14 - Breast reconstruction

This bill is an effort to place Kansas law in compliance with federal legislation which was passed this past year. The law affects all health, personal and group insurance (not single issue companies) and ERISA groups. Linda DeCoursey was asked to report to the Committee if it would also include Medicare and Medicaid clients.

Senator Feleciano moved that the bill be reported favorably. The motion was seconded by Senator Praeger. Motion carried.

Action on SB 120 - Powers of the Bank Commissioner

Senator Feleciano moved that the amendment requiring notification of the Governor of special orders issued by the Bank Commissioner be adopted. Motion was seconded by Senator Clark. Motion carried.

Senator Feleciano moved that the bill be reported favorably as amended. Motion was seconded by Senator Praeger. Motion carried.

Action on SB 122 - Regulation of investment advisors

Senator Becker moved to adopt the amendment which would strike "advisory" on Line 31 of the bill and reference a person described in Subsection (b). The motion was seconded by Senator Biggs. Motion carried.

Senator Feleciano moved that the bill be passed as amended. Motion was seconded by Senator Praeger. Motion carried.

Senator Steffes announced the report on Health Care Plan for School District Employees had been sent to Committee members and there would be an informational meeting on it next week. There are twice as many school employees as state employees. In order to balance adverse selection, the plan would require at least 70% enrollment by employees of school districts who choose to participate. The districts electing to join the state health plan would lose the option of cash-out provisions. It will be necessary to have recommended criteria for districts to join the plan as well as minimal length of time for participation.

The meeting was adjourned at 10:00 a.m. The next meeting will be on February 3, 1999.

SENATE FINANCIAL INSTITUTIONS AND INSURANCE
COMMITTEE GUEST LIST

DATE: 2-2-99

NAME	REPRESENTING
Maui Hamann	Div. of the Budget
Andrew McCleary	KS Insurance Dept.
Stacy Solder	Hein & Weir Hotel
Steve Montgomery	United HealthCare
Bill Sneed	HIAA
Carolyn Bayless	SRS/AMS
Paul Davis	Kansas Insurance Dept.
Kevin Davis	Am. Family Ins.
Chuck Stones	KBA
Judi Stork	OSBC
Sonya Allen	OSBC
Kathy Olsen	KBA
David Hanson	KS Insur Assns
JOHN C. BOTTENBERG	DELTA DENTAL
Rich Guthrie	Health Midwest
Danielle Noe	Governor's Office
Tim Wood	Vix Christi Health System
Hilma Ungeheuer	Farm Bureau Guest
Matt Goddard	HCBA

Kevin Robertson
Lori Cellahan

KS Dental Assn.
KammCO

SENATE FINANCIAL INSTITUTIONS AND INSURANCE COMMITTEE GUEST LIST

DATE: _____

NAME	REPRESENTING
Maggie Keating	KS Ins. Dept.
Sue Anderson	CBA
Pat Morris	KATA
John Federico	Humana



Kathleen Sebelius
Commissioner of Insurance
Kansas Insurance Department

TO: Senate Committee on Financial Institutions and Insurance
FROM: Linda J. De Coursey, Director of Government Affairs
RE: S.B. 74 (Risk Based Capital)
DATE: February 2, 1999

I am appearing in support of Senate Bill 74 which was introduced at the request of the Kansas Department of Insurance. This bill makes a change to the law dealing with the filing of financial reports by insurance companies with the Department.

Risk based capital ("RBC") is the method used by the Department to evaluate the financial solvency of insurance carriers doing business in this state. Those companies must file financial reports with the Department using RBC instructions and formulas developed by the National Association of Insurance Commissioners ("NAIC"). These instructions are amended each year by the NAIC to reflect changes in accounting procedures.

Our current law (K.S.A. 1998 Supp. 40-2c01) requires companies to use the 1997 version of the RBC instructions. The bill would reflect a change in the date of the standard so that carriers use the RBC formulas in effect as of December 31, 1998, and adopted as rules and regulations by the Commissioner.

Usually, we are interested in only changing the date, so the focus is on that change. However, after the bill was printed, it came to my attention that for a couple of years, the language contained in the bill, is not technically correct. Currently the bill states that: "RBC instructions" mean the RBC report including risk-based capital instructions promulgated by the NAIC, which are in effect on December 31, 1997, and adopted as rules and regulations by the commissioner." The technicality is found in the words

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Senate Financial Institutions & Insurance

Date 2/2/99

Attachment # 1

“RBC report including”. There really isn’t a report including the RBC instructions from the NAIC. The instructions are the instructions. The report is defined as what the carriers submit. It was correctly stated in the law prior to the 1996 changes. I have attached an amendment for your consideration to correct the problem. Amended, it would read: “RBC instructions” means the risk-based capital instructions promulgated by the NAIC, which are in effect on December 31, 1998, and adopted as rules and regulations by the commissioner.”

I would ask that this committee approve S.B. 74, as amended favorable for passage.

SENATE BILL No. 74
By Committee on Financial Institutions and Insurance
1-20

9 AN ACT concerning insurance; relating to risk-based capital require-
10 ments; amending K.S.A. 1998 Supp. 40-2c01 and repealing the existing
11 section.

12

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

14 Section 1. K.S.A. 1998 Supp. 40-2c01 is hereby amended to read as
15 follows: 40-2c01. As used in this act:

16 (a) "Adjusted RBC report" means an RBC report which has been
17 adjusted by the commissioner in accordance with K.S.A. 1998 Supp. 40-
18 2c04, and amendments thereto.

19 (b) "Corrective order" means an order issued by the commissioner
20 specifying corrective actions which the commissioner has determined are
21 required to address a RBC level event.

22 (c) "Domestic insurer" means any insurance company or risk reten-
23 tion group which is licensed and organized in this state.

24 (d) "Foreign insurer" means any insurance company or risk retention
25 group not domiciled in this state which is licensed or registered to do
26 business in this state pursuant to article 41 of chapter 40 of the Kansas
27 Statutes Annotated or K.S.A. 40-209, and amendments thereto.

28 (e) "NAIC" means the national association of insurance
29 commissioners.

30 (f) "Life and health insurer" means any insurance company licensed
31 under article 4 or 5 of chapter 40 of the Kansas Statutes Annotated or a
32 licensed property and casualty insurer writing only accident and health
33 insurance.

34 (g) "Property and casualty insurer" means any insurance company
35 licensed under articles 9, 10, 11, 12, 12a, 15 or 16 of chapter 40 of the
36 Kansas Statutes Annotated, but shall not include monoline mortgage
37 guaranty insurers, financial guaranty insurers and title insurers.

38 (h) "Negative trend" means, with respect to a life and health insurer,
39 a negative trend over a period of time, as determined in accordance with
40 the "trend test calculation" included in the RBC instructions defined in
41 subsection (j).

42 (i) "RBC" means risk-based capital.

43 (j) "RBC instructions" means ~~the RBC report including risk-based~~
SB 74

2

1 capital instructions promulgated by the NAIC, which are in effect on
2 December 31, ~~1997~~ 1998, and adopted as rules and regulations by the
3 commissioner.

4 (k) "RBC level" means an insurer's company action level RBC, reg-
5 ulatory action level RBC, authorized control level RBC, or mandatory

6 control level RBC where:

7 (1) "Company action level RBC" means, with respect to any insurer,
8 the product of 2.0 and its authorized control level RBC;

9 (2) "regulatory action level RBC" means the product of 1.5 and its
10 authorized control level RBC;

11 (3) "authorized control level RBC" means the number determined
12 under the risk-based capital formula in accordance with the RBC instruc-
13 tions; and

14 (4) "mandatory control level RBC" means the product of .70 and the
15 authorized control level RBC.

16 (l) "RBC plan" means a comprehensive financial plan containing the
17 elements specified in K.S.A. 1998 Supp. 40-2c06, and amendments
18 thereto. If the commissioner rejects the RBC plan, and it is revised by
19 the insurer, with or without the commissioner's recommendation, the
20 plan shall be called the "revised RBC plan."

21 (m) "RBC report" means the report required by K.S.A. 1998 Supp.
22 40-2c02, and amendments thereto.

23 (n) "Total adjusted capital" means the sum of:

24 (1) An insurer's capital and surplus or surplus only if a mutual insurer;
25 and

26 (2) such other items, if any, as the RBC instructions may provide.

27 (o) "Commissioner" means the commissioner of insurance.

28 Sec. 2. K.S.A. 1998 Supp. 40-2c01 is hereby repealed.

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

KANSAS INSURANCE ASSOCIATIONS

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Kansas Association of Property & Casualty Ins. Cos.

Member Companies:

Armed Forces Insurance
Exchange
Ft. Leavenworth

Bremen Farmers Mutual
Insurance Co.
Bremen

Columbia Insurance Group
Salina

Farm Bureau Mutual
Insurance Co.
Manhattan

Farmers Alliance Mutual
Insurance Co.
McPherson

Farmers Mutual
Insurance Co.
Ellinwood

Kansas Mutual Insurance Co.
Topeka

Marysville Mutual Insurance Co.
Marysville

Mutual Aid Association of the
Church of the Brethren
Abilene

Upland Mutual Insurance Co.
Chapman

Senate Financial Institutions and Insurance Committee Testimony on Senate Bill 74 Presented by David A. Hanson on behalf of Kansas Insurance Associations February 2, 1999

Mr. Chairman and Members of the Committee:

Thank you for this opportunity to present information on behalf of the Kansas Association of Property and Casualty Insurance Companies and the Kansas Life Insurance Association, whose members are domestic insurance companies in Kansas.

The risk based capital provisions referenced in Senate Bill 74 were developed by the NAIC for adoption and use by the states as a standardized method of monitoring the solvency of insurers and the need for corrective action. We had requested the reference date in the statutory definition of "RBC instructions" to make sure that the adopted instructions and formula were limited to those that we had had an opportunity to review, rather than potential future revisions, which could adversely affect our companies' risk-based capital and the resulting action or control levels. While we believe our companies' remain in good standing under the previously adopted NAIC instructions and formula, we also believe any significant changes in those instructions and formula by the NAIC should be carefully considered before adopting them in Kansas.

Our companies have been reviewing the proposed changes and we do not believe there will be any substantial adverse effect from the revisions proposed in Senate Bill 74. Thank you for your consideration.

Respectfully,



DAVID A. HANSON

Kansas Life Insurance Association

Member Companies:

The American Home Life
Insurance Co.
Topeka

American Investors Life
Insurance Company
Topeka

Employers Reassurance
Corporation
Overland Park

Kansas Blue Cross/
Blue Shield
Topeka

Kansas Farm Bureau Life
Insurance Company
Manhattan

The Pyramid Life
Insurance Company
Shawnee Mission

Security Benefit Life
Insurance Company
Topeka

Senate Financial Institutions & Insurance

Date 2/2/99

Attachment # 2



Kathleen Sebelius
Commissioner of Insurance
Kansas Insurance Department

TO: Senate Committee on Financial Institutions and Insurance

FROM: Linda J. De Coursey, Director of Government Affairs

RE: SB 75 (Changes to Uninsurable health insurance plan)

DATE: February 2, 1999

Mr. Chairman and members of the Committee:

Thank you for the opportunity to discuss SB 75, which was introduced at the request of the Kansas Insurance Department. The bill makes changes to the law dealing with eligibility of certain individuals for the Kansas Health Insurance Association coverage (high risk health insurance plan).

K.S.A. (1998 Supp.) 40-2122 (d) (1) states: "The following persons shall not be eligible for coverage under the plan: (1) Any person who is eligible for Medicare or a recipient of Medicaid benefits." Representatives from both the Social and Rehabilitation Services and Kansas Insurance Department discussed the problems arising from the current wording of the law. SRS representatives explained that a person could be eligible for, but not necessarily receive Medicaid benefits. For example, an individual could have a Medicaid card, but not use it. That individual, having not received Medicaid benefits, would believe that he/she would qualify for the Kansas Health Insurance Association (KHIA) coverage. However, if that individual uses the Medicaid card, it renders the individual ineligible for benefits under KHIA coverage, because now that individual is a recipient of Medicaid benefits. KHIA then has to seek reimbursement from

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Attachment # 3

Medicaid for the dates of service that the individual was covered by Medicaid, but had not received a benefit.

In the case of Medicaid applicants trying to meet their spenddown, SRS stated that these individuals are not eligible for Medicaid until their spenddown is met. These individuals would qualify for KHIA coverage while trying to meet their spenddown, because they are ineligible for Medicaid at that time.

By changing the language to state: “any person who is eligible for Medicare or eligible for Medicaid benefits will help alleviate the first situation mentioned, and would not affect the spenddown applicants for Medicaid.

I would be happy to answer any questions. I respectfully ask for your favorable consideration of SB 75.