

MINUTES OF THE HOUSE COMMITTEE ON INSURANCE.

The meeting was called to order by Chairperson Rep. Robert Tomlinson at 3:30 p.m. on January 11, 2000 in Room 527-S of the Capitol.

All members were present except: Rep. Nancy Kirk

Committee staff present: Bill Wolff, Research
Ken Wilke, Revisor
Mary Best, Committee Secretary

Conferees appearing before the committee: Kathleen Sebelius, Kansas Insurance Department

Others attending: See attached Committee Guest List

Upon calling the meeting to order, Chairman Tomlinson welcomed everyone to the Session 2000. Chairman also reminded everyone of the committee rules. Changes in the seating arrangements were discussed in the event anyone was uncomfortable in the seat they presently occupied. The Chair then proceeded to introduce Kansas Insurance Commissioner, Kathleen Sebelius for her request of bill introduction on behalf of Kansas Insurance Department.

Commissioner Sebelius presented nine (9) bills before the committee for consideration. Five (5) of the proposed bills were concerning "Women's Issues and Patient Protection, while the other four (4) covered "Company Exam Related Expenses", "Homeowners Storm Loss", "Consumer Protection n Certain Home Loans", and "Deregulation of form filings". The Commissioner, after giving her presentation, stood for questions from the committee. Written testimony was furnished to the committee and a copy of that testimony is (Attachment #1) attached hereto and incorporated into the Minutes by reference.

Questions were presented by the Chair and Rep. Cox..

Question session concluded, the Chair addressed Dr. Wolff regarding placing the women's issues under five (5) separate bill numbers. The issue was resolved and agreed upon to handle women's issues as five (5) bills.

The Chair then called for motions. A motion was made by Representative Empson to introduce nine (9) new bills presented by the Insurance Commissioner. The motion was seconded by Representative Cox. Vote was taken and the motion was passed unanimously.

Commissioner Sebelius presented the Annual Report, SHICK pamphlet, Consumer Information Insurance Shopping Guide and office staff listings to the committee.

Commissioner Sebelius informed the committee The Financial Service Modernization Bill had been passed by Congress and signed by the President, and that Holding Companies are up and coming for one-stop type of insurance shopping.

With there being no further business to discuss, the meeting was adjourned. Time 4:03 p.m.

The next meeting will be held January 13, 2000.



Kathleen Sebelius
Commissioner of Insurance
Kansas Insurance Department

January 11, 2000

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 a variety of consumer protection and other issues: women's health issues and patient protection; homeowner policies and storm related losses; consumer protection in certain home loans, and company examination related expenses.

It is disturbing and unfair that on average women, spend 68 percent out of pocket more than men on health care needs. One of the major proposals I am asking you to introduce includes several proposals to improve health coverage for not only women, but for all consumers.

- Women's Issues and Patient Protection Package:
 - **Providing coverage for secondary consultations in relation to diagnosis and treatment of cancer**—This section of the proposed bill strengthens existing language in the patient protection act with regards to an insured's right to receive specialist care in relation to diagnosis and treatment of cancer by ensuring that full coverage is provided for secondary consultation by specialists in the appropriate medical fields.
 - **Capitation of prescription plans**—Current state law prohibits financial incentives designed to limit medical services to patients. This section of the proposed bill would carry that one step further by prohibiting financial incentives designed to limit prescriptions drugs to patients.

420 SW 9th Street
Topeka, Kansas 66612-1678

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Consumer Assistance Hotline
1 800 432-2484 (Toll Free)

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- **Contraceptive Coverage**— This section of the proposed bill requires all health care insurers that provide coverage for prescription drugs on an outpatient basis to provide coverage for any prescribed drug or device used as a contraceptive, also includes a religious employer exemption.

→ TH. 2

- **OB-GYNS and Pediatricians as primary care physicians**—This section of the proposed bill would allow designation of obstetrician or gynecologists as primary care physicians, or if the OB-GYN chooses not to be a primary care physician, the insured woman be permitted to one annual visit with an in-network OB-GYN without requiring the woman to first visit a primary care physician. The proposed legislation would also add pediatricians to be considered as primary care physicians in all health plans.

- TH.
- **Osteoporosis**—Requires all health care plans to provide coverage for diagnosis, treatment and appropriate management of osteoporosis when such services are determined to be medically appropriate by the primary care provider.

• **Company Exam Related Expenses**—K.S.A. 40-223 currently provides for fees the insurance department can charge for examinations of companies. ^{9RS 1769} The bill would increase the aggregate amount from \$18,000 to \$75,000 that the insurance department can pro rate each company for the funding of purchasing equipment, maintaining and enhancing examination equipment; and eliminate the \$25,000 collective total for any one company examination with regards to hiring financial experts and data processing fees, and the pro rata amount to fund purchase, maintain and enhance examination equipment and computer software to fully and comprehensively examine companies.

• **Homeowners Storm Loss**—The bill prohibits property and casualty insurance companies ^{9RS 1771} from the cancellation or nonrenewal of a homeowners policy based on a single storm loss claim in three-years.

• **Consumer Protection in Certain Home Loans**-- The proposed bill addresses consumer ^{9RS 1792} home loans for a person, family, or household that is secured by a mortgage or deed of trust upon real estate which is located the borrower's principal dwelling. It protects consumers from the

predatory practice of packing credit insurance into loan contracts. Most often, the premiums for credit insurance are exorbitant, and in certain "bad" cases, lenders have sold credit life insurance covering an amount which constitutes the total of payments over the life of the loan rather than the amount actually borrowed. Payout of claims is extremely low compared to the revenue from the premiums. The bill does not prohibit the sale of credit insurance, it prohibits the financing of credit life, disability, unemployment insurance or any other life or health insurance in a consumer home loan.

• **Deregulation of form filings**—The 1997 legislatively formed Insurance Task Force 9 RS 1775 recommended that the Insurance Department implement "file and use" for rate and form filing approvals. Since that time, incremental steps have been taken to implement file and use approval for rate filings. The Insurance Commissioner is interested in proceeding with deregulation of certain form filings in Kansas which would include deregulation for the form filings for large risk entities.

Bill proposals by the Insurance Commissioner being requested for introduction by the Senate Committee on Financial Institutions and Insurance.

Prompt Payment Act—Health insurers must provide payment within 45 days after receipt of a “clean claim”, which is defined in the bill; interest payments for company failure to comply; and provides for good faith disputes and fraudulent claims.

HMO Solvency Issues—Because the HMO is a unique type of organization, laws were specifically written for their establishment and operation. In 1974, Kansas enacted laws, with amendments following in 1996, so that HMOs could fulfill the function envisioned for them. At the same time, the public has a vital interest in the fiscal soundness of the HMOs. The proposed legislation establishes language to: 1) help prevent HMO insolvencies by implementing risk based capital for HMOs, establish net worth requirements (NAIC language), and uncovered expenditure deposit, 2) add regulatory authority for the Kansas Insurance Department to supervise or liquidate an insolvent HMO, 3) look at consumer protection through continuation of coverage, open enrollment, and the hold harmless clause, 4) look at the payment of network and/or non-network claims and provider payments; 5) establish authority for the commissioner to levy an assessment on HMOs doing business in the state to pay for claims and provide continuation of care not covered in number one above.

Codification of SAP—SAP stands for Standard Accounting Procedures. Codification for SAP has been an item with the insurance industry and regulatory groups for nearly 10 years. Until the codification process is implemented, 50 different states perform 50 different accounting procedures. Therefore, codification of SAP is the development of an accounting basis with solvency at its base. It is to provide consistency for all states in accounting rules that do not infringe on states rights. Codification of SAP is to be implemented on January 1, 2001. The proposed bill would bring Kansas law regarding SAP for insurance companies into compliance for the implementation date of codification.

HIPAA—When the Kansas legislature adopted the implementation of HIPAA in 1997, a sunset clause was included which expires on January 1, 2001. With removal of the sunset provision, the high risk pool will remain the state mechanism for HIPAA. The proposed bill also contains technical clean up amendment to KSA 40-2209 to delete references of the Small Employer Reinsurance Board, which was discontinued in 1998.

Reciprocal Statute Updated—The 1999 legislature made a minor change to the law to allow a company to convert from stock to a reciprocal. However, it is acknowledged at the time, that the main body of K.S.A. 40-1602 is outdated. The proposed legislation helps accomplish that endeavor. One of the key components of the reciprocal exchange is the attorney-in-fact, a person or entity who runs the whole operation. The proposed legislation will add protections for the members of the exchange from possible abuses.

Agent Applicant Statute—The proposed bill is a technical amendment which spells out the steps to be taken if the applicant is denied licensure. The language clarifies that the applicant can appeal under the Kansas Administrative Procedures Act.

Assessment for fee fund/Salary Compression—Current law provides that companies are assessed for the fee fund by group. The proposed legislation changes the Department's ability to assess by company, and not by group. The second portion of the proposed bill would eliminate the salary cap found in K.S.A. 40-110. The problems caused by the salary cap is salary compression for employees of the Kansas Insurance Department, which is apparent by wide gaps in comparative level of pay for the employees and the market rates, and retention problems.

Risk Based Capital—Annual bill to update the RBC instructions used by carriers to file data with the insurance department, reflecting that companies should use the RBC instructions effective on December 31, 1999.

Carryover issues residing in the Senate.

Flood Insurance—SB 73 is a carry over bill from the 1999 session. The bill requires insurers to provide notice on the front page of each new or renewal policy issued that the policy does not cover losses due to floods, requires the applicant to acknowledge in writing that they are familiar with the water damage exclusions, and the applicants must be informed that flood insurance may be available through the National Flood Insurance Program. In Senate Committee on Financial Institutions and Insurance.

Privacy of Medical Records—The proposed legislation is based on the NAIC Health Insurance Privacy Model Act. The purpose of the carryover bill from 1999 (SB 259) is to set standards to protect health information from unauthorized collection, use and disclosure by requiring carriers to establish procedures for the treatment of all health information. In Senate Committee on Public Health and Welfare.

PROPOSED BILL NO. _____

AN ACT concerning accident and health insurance; providing coverage for secondary consultations in relation to the diagnosis and treatment of cancer; prohibits negative incentives for pharmaceutical benefits; classifies OB-GYN and pediatricians as primary care providers; establishes the Parity in Prescription Insurance and Contraceptive Coverage Act; establishes the Bone Mass Measurement Coverage Act; amending K.S.A. 1999 Supp 40-4605, 40-4607 and repealing existing sections.

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

Section 1. K.S.A. 1999 Supp. 40-4607 is hereby amended to read as follows: 40-4607.

- (a) A health insurer providing a health benefit plan shall maintain a provider network that is sufficient in numbers and types of providers to assure that all covered services to an insured will be accessible without unreasonable delay. Sufficiency of the provider network shall be determined in accordance with the requirements of this section, and may be established by reference to any reasonable criteria used by the health insurer, including but not limited to: provider-insured ratios by specialty; primary care provider-insured ratios; geographic accessibility; waiting times for appointments with participating providers; hours of operation; and the availability of technological and specialty services to serve the needs of insureds requiring technologically advanced or specialty care.
- (b) A health insurer shall have a plan by which an insured with a life-threatening, chronic, degenerative or disabling condition or disease, which requires specialized medical care over a prolonged period of time, may receive a referral to a specialist with expertise in

treating such disease or condition who shall be responsible for a capable of providing and coordinating the insured's specialty care.

- (c) Nothing in this section shall require a health insurer to provide benefits not otherwise covered by the terms of the health benefits plan.
- (d) A provider network shall not be determined to be insufficient for failure to contract with any provider unwilling to contract under the same terms and conditions, including reimbursement levels, as such health insurer offers to other similarly situated health care providers.
- (e) *Every health benefit plan that is delivered, issued, executed or renewed in this state or approved for issuance or renewal in this state by the Commissioner on or after July 1, 2000, which provides coverage with respect to medical and surgical services provided in relation to the diagnosis and treatment of cancer shall ensure that full coverage is provided for secondary consultations by specialists in the appropriate medical fields, including pathology, radiology and oncology, to confirm or refute such diagnosis.*
 - (1) *Such health benefit plan or health insurer shall ensure that full coverage is provided for such secondary consultation whether such consultation is based on a positive or negative initial diagnosis.*
 - (2) *In any case in which the attending physician certifies in writing that services necessary for such a secondary consultation are not sufficiently available from specialists operating under the plan with respect to whose services coverage is otherwise provided under such plan or by such health insurer, such health benefit plan or health insurer shall ensure that coverage is provided with respect to the services necessary for the secondary consultation with any other specialist selected by the attending physician for such purpose at no additional cost to the insured beyond that which the insured would have paid if the specialist was participating in the network of the health benefit plan.*

(3) *A health benefit plan or a health insurer providing health insurance coverage shall not penalize or otherwise reduce or limit the reimbursement of a provider or specialist because the provider or specialist provided care to an insured in accordance with this section.*

(4) *Nothing in this section shall be construed as requiring the provision of secondary consultations where the patient determines not to seek such a consultation.*

Sec. 2. K.S.A. 1999 Supp. 40-4605 is hereby amended to read as follows: 40-4605. Same; arrangements which serve as inducement to reduce or limit delivery of medically necessary services prohibited; capitation payments or other risk sharing provisions not considered inducements. No health insurer shall offer or operate a compensation arrangement between such health insurer or its agents and a participating provider that may directly or indirectly serve as an inducement to reduce or limit the delivery of medically necessary services with respect to an insured in any health benefit plan offered by such health insurer. Compensation arrangements which involve capitation payments or other risk sharing provisions shall not be considered inducements, *except as pertains to pharmaceutical benefits.*

New Section 3. (a) Any health insurance company, fraternal benefit society, health maintenance organization, non profit medical and hospital service corporation, provider sponsored organizations, municipal group-funded pool, or any other entity which offers a health benefit plan subject to Kansas Statutes Annotated, shall:

- (1) Classify an obstetrician/gynecologist as a primary care physician; or
- (2) If the obstetrician/gynecologist chooses not to be a primary care physician, permit a woman to receive an annual visit to an in-network obstetrician/gynecologist for routine gynecological care from an in-network obstetrician/gynecologist without requiring the woman to first visit a primary care provider, provided that:

- (i) the care is medically necessary, including, but not limited to, care that is routine;
- (ii) following each visit for gynecological care, the obstetrician/gynecologist communicates with the woman's primary care physician concerning any diagnosis or treatment rendered; and
- (iii) the obstetrician/gynecologist confers with the primary care physician before performing any diagnostic procedure that is not routine gynecological care rendered during an annual visit.

(b) Any health insurance company, fraternal benefit society, health maintenance organization, non profit medical and hospital service corporation, provider sponsored organizations, municipal group-funded pool, or any other entity which offers a health benefit plan subject to Kansas Statutes Annotated, shall:

- (1) Classify a pediatrician as a primary care provider.

New Section 4. This act shall be known as the "Parity in Prescription Insurance and Contraceptive Coverage Act of 2000"

New Sec. 5. Definitions

- (a) "Insured" means the beneficiary of any insurance company, fraternal benefit society, health maintenance organization and nonprofit hospital and medical service corporation authorized to transact health insurance business in this state.
- (b) "Health insurance plan" means any hospital or medical expense policy, health, hospital or medical service corporation contract, and a plan provided by a municipal group-funded pool, or a health maintenance organization contract offered by an employer or any certificate issued under any such policies, contracts or plans. Health insurance plan does not include policies or certificates covering any specified disease, specified accident or

accident only coverage, credit, dental, disability income, hospital indemnity, long-term care insurance as defined by K.S.A. 40-2227 and amendments thereto, vision care or any other limited supplemental benefit nor to any medicare supplement policy of insurance as defined by the commissioner of insurance by rule and regulation, any coverage issued as a supplement to liability insurance, workers' compensation or similar insurance, automobile medical-payment insurance or any insurance under which benefits are payable with or without regard to fault, whether written on a group, blanket, or individual basis.

- (c) "Carrier" means an insurance company, medical or hospital service corporation, or health maintenance organization, which holds a valid certificate of authority from the insurance commissioner.
- (d) "Outpatient contraceptive services" means consultations, examinations, procedures and medical services, provided on an outpatient basis and related to the use of contraceptive methods to prevent pregnancy.
- (e) "Commissioner" means the Commissioner of Insurance.

New Sec. 6. Parity for Contraceptives

- (a) Every health insurance plan that is delivered, issued, executed, or renewed in this state or approved for issuance or renewal in this state by the Commissioner on or after July 1, 2000, which provides coverage for prescription drugs on an outpatient basis or outpatient services provided by a health care professional;
 - (1) Shall provide coverage for any prescribed drug or device approved by the United States Food and Drug Administration for use as a contraceptive.
 - (2) Shall provide coverage for the insertion or removal, and any medically necessary examination associated with the use of such contraceptive.

New Sec. 7. Prohibitions

(a) A health insurance plan is prohibited from:

- (1) Imposing a deductible, coinsurance, other cost-sharing or waiting period in relation to benefits for prescription contraceptive drugs or devices under a health insurance plan, unless such a deductible, coinsurance, other cost-sharing or waiting period for such contraceptive drugs and devices is no greater than such deductibles, coinsurance, cost-sharing or waiting periods for other prescription drugs or devices covered under the health insurance plan.
- (2) Imposing a deductible, coinsurance, other cost-sharing or waiting period in relation to benefits for outpatient contraceptive services under a health insurance plan, unless such a deductible, coinsurance, other cost-sharing or waiting period for such contraceptive services is no greater than such deductibles, coinsurance, cost-sharing or waiting periods for other outpatient services covered under the health insurance plan.
- (3) Denying to any individual or insured person eligibility, or continued eligibility, to enroll or to renew coverage under the terms of the plan because of the individual's or insured's use or potential use of items or services that are covered in accordance with the requirements of this Act.
- (4) Providing monetary payments or rebates to a covered person to encourage such insured to accept less than the minimum protections available under this Act.
- (5) Penalizing or otherwise reducing or limiting the reimbursement of a health care professional because such professional prescribed contraceptive drugs or devices, or provided contraceptive services in accordance with Act.
- (6) Providing incentives (monetary or otherwise) to a health care professional to induce such professional to withhold from an insured contraceptive drugs, devices or contraceptive services.

New Sec. 8. Religious Employers

- (a) Notwithstanding any other provision of this act, a religious employer may request a health insurance plan contract without coverage for Food and Drug Administration approved contraceptive methods that are contrary to the religious employer's religious tenets. If so requested, a health insurance plan contract shall be provided without coverage for contraceptive methods. This subdivision shall not be construed to deny an enrollee coverage of, and timely access to, contraceptive methods:
- (b) For purposes of this act, a "religious employer" is an entity for which each of the following is true:
- (1) The inculcation of religious values is the purpose of the entity.
 - (2) The entity primarily employs persons who share the religious tenets of the entity.
 - (3) The entity serves primarily persons who share the religious tenets of the entity.
 - (4) The entity is a nonprofit organization as described in Section 6033(a)(2)(A)i or iii, of the Internal Revenue Code of 1986, as amended.
- (c) Every religious employer that invokes the exemption provided under this section shall provide written notice to prospective enrollees prior to enrollment with the plan, listing the contraceptive health care services the employer refuses to cover for religious reasons.

New Section 9. This act shall be known as the "bone mass measurement coverage act."

New Sec.10. the purpose of this act is to provide insurance coverage to individuals with a condition or medical history for which bone mass measurement (bone density testing) is determined to be medically necessary for the individual's diagnosis and treatment of osteoporosis.

New Sec. 11 (a) any hospital or medical expense policy, health, hospital or medical service corporation contract, and a plan provided by a municipal group-funded pool, or a health

maintenance organization contract offered by an employer or any certificate issued under any such policies, which provides coverage for accident and health services and which is delivered, issued for delivery, amended, or renewed on or after July 1, 2000, shall provide coverage for qualified individual for the diagnosis and treatment of osteoporosis.

(b) For the purposes of this section:

- (1) "Bone mass measurement" means a radiologic or radioisotopic procedure or other scientifically proven technologies performed on an individual for the purpose of identifying bone mass or detecting bone loss.
- (2) "qualified individual" means a person with a condition for which bone mass measurement is determined to be medically necessary by the person's attending physician or primary care physician.

New Sec. 12 – All sections of this act are not subject to provisions in K.S.A. 40-2248 and K.S.A. 1999 Supp. 40-2249.

Section 13. K.S.A. 40-4605 and 40-4607 are hereby repealed.

Section 14. This act shall take effect and be in force from and after its publication in the statute book.

PROPOSED BILL NO. _____

AN ACT concerning insurance; relating to examination related expenses; amending K.S.A. 40-223 and repealing existing section.

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

Section 1. K.S.A. 40-223 is hereby amended to read as follows: 40-223. Fees for examinations; compensation and expenses for examiners. Any person who makes any examination under the provisions of this act, except as provided in K.S.A. 40-110 and 40-253 and amendments thereto, may receive, as full compensation for such person's services, on a per diem basis an amount fixed by the commissioner, which shall not exceed the amount recommended by the national association of insurance commissioners, for such time necessarily and actually occupied in going to and returning from the place of such examination and for such time the examiner is necessarily and actually engaged in making such examination including any day within the regular workweek when the examiner would have been so engaged had the company or society been open for business, together with such necessary and actual expenses for traveling and subsistence as the examiner shall incur because of the performance of such services. For the purposes of this act, "necessary and actual expenses" shall be limited, whether for travel within the state or travel outside the state, to those limitations expressed in K.S.A. 75-3207 and amendments thereto which pertain to official travel outside the state. The daily charge shall be calculated by dividing the amount the examiner is authorized by the commissioner of insurance to charge per week by the number of days in the regular workweek of the company or society being examined.

All of such compensation, expenses, the employer's share of the federal insurance contributions act taxes, the employer's contribution to the Kansas public employees retirement system as provided in K.S.A. 74-4920 and amendments thereto, the self-insurance assessment for the workmen's compensation

1-14

act as provided in K.S.A. 44-576 and amendments thereto, the employer's cost of the state health care benefits program under K.S.A. 75-6507 and amendments thereto, a pro rata amount determined by the commissioner to provide vacation and sick leave for the examiner not to exceed the number of days allowed state officers and employees in the classified service pursuant to regulations promulgated in accordance with the Kansas civil service act, all outside consulting and data processing fees necessary to perform any examination, and a pro rata amount determined by the commissioner not to exceed an annual aggregate of ~~\$18,000~~ 75,000 to fund the purchase, maintenance and enhancement of examination equipment and computer software shall be paid to the commissioner of insurance by the insurance company or society so examined, on demand of the commissioner. ~~The amount paid for all outside consulting and data processing fees necessary to perform any examination, and the pro rata amount to fund the purchase of examination equipment and computer software shall not collectively total more than \$25,000 at any one company examination including examination of its subsidiaries or combination thereof.~~ Such demand shall be accompanied by the sworn statement of the person making such examination, setting forth in separate items the number of days necessarily and actually occupied in going to and returning from the place of such examination, the number of days the examiners were necessarily and actually engaged in making such examination including those days within the regular workweek while the examination was in progress and the company or society had closed for business, and the necessary and actual expenses for traveling and subsistence, incurred in and on account of such services. A duplicate of every such sworn statement shall be kept on file in the office of the commissioner of insurance. All moneys so paid to the commissioner of insurance shall be remitted to the state treasurer and the state treasurer shall issue duplicate receipts therefor, one to be delivered to the commissioner of insurance and the other to be filed with the director of accounts and reports.

Sec. 2. K.S.A. 40-223 is hereby repealed.

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

PROPOSED BILL NO. _____

AN ACT concerning insurance; relating to property insurance; cancellation or nonrenewal of coverage.

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

Section 1. After the effective date of this act, an insurance company shall not cancel or nonrenew a policy of homeowners insurance because the insured has filed a single claim for loss due to windstorm, hailstorm or any other act of nature within any three consecutive years such policy is in force.

Sec. 2. As used in this act:

- (a) "Homeowners insurance" means an insurance policy insuring against the physical loss of or damage to real or personal property used for habitation and personal purposes in connection with insurance coverage offered on a one to four family dwelling or its contents.

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

PROPOSED BILL NO. _____

AN ACT concerning consumer credit insurance; relating to banning of financing credit insurance in certain home loans.

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

Section 1. Ban on financing consumer credit insurance in certain home loans. (a) In this section, "consumer home loan" shall be defined as a loan in which (1) the consumer is a natural person; (2) the debt is incurred by the consumer primarily for personal, family, or household purposes; and (3) the loan is secured by a mortgage or deed of trust upon real estate upon which there is located or there is to be located a structure or structures designed principally for occupancy of from one to four families which is or will be occupied by the consumer as the consumer's principal dwelling.

(b) It shall be unlawful for any creditor in a consumer home loan to finance, directly or indirectly, any consumer credit insurance premiums, or any other life, health, disability, or unemployment insurance premiums. Insurance premiums calculated and paid on a monthly basis shall not be considered financed by the creditor.

Section 2. This act shall take effect and be in force from and after its publication in the statute book.

PROPOSED BILL NO. _____

AN ACT relating to insurance; form filings; requirements; amending K.S.A. 1999 Supp. 40-216 and repealing existing section.

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

Section 1. K.S.A. 1999 Supp. 40-216 is hereby amended to read as follows: 40-216. (a) No insurance company shall hereafter transact business in this state until certified copies of its charter and amendments thereto shall have been filed with and approved by the commissioner of insurance. A copy of the bylaws and amendments thereto of insurance companies organized under the laws of this state shall also be filed with and approved by the commissioner of insurance. The commissioner may also require the filing of such other documents and papers as are necessary to determine compliance with the laws of this state. No contract of insurance or indemnity shall be issued or delivered in this state until the form of the same has been filed with the commissioner of insurance, nor if the commissioner of insurance gives written notice within 30 days of such filing, to the company proposing to issue such contract, showing wherein the form of such contract does not comply with the requirements of the laws of this state; but the failure of any insurance company to comply with this section shall not constitute a defense to any action brought on its contracts. An insurer may satisfy its obligation to file its contracts of insurance or indemnity either individually or by authorizing the commissioner to accept on its behalf the filings made by a licensed rating organization or another insurer.

Under such rules and regulations as the commissioner of insurance shall adopt, the commissioner may, by written order, suspend or modify the requirement of filing forms of contracts of insurance or indemnity, which cannot practicably be filed before they are used. Such orders, rules and regulations shall be made known to insurers and rating organizations affected thereby. The commissioner may make an examination to ascertain whether any forms affected by such order meet the standards of this code.

(b) Prior to the 2000 legislative session, the Kansas insurance department shall conduct a study and report to the Kansas legislature on the laws of other states governing rate filings and policy or contract forms for personal and commercial, including large commercial risks. The Study shall also identify recent trends in regulation and the potential impact on consumers, carriers and agents.

(c) This section shall not apply to policy or contract forms for large risks as set out in K.S.A.1999 Supp.40-955 (h) through (k).

Sec. 2. K.S.A. 1999 Supp. 40-216 is hereby repealed.

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

KANSAS INSURANCE

Topeka Office:
420 SW 9th Street
Topeka, KS 66612-1678
785-296-3071 FAX: 785-296-7805
email: sebelius@ins.state.ks.us
Homepage: <http://www.ksinsurance.org>

KEY DEPARTMENT STAFF

Wichita Office:
130 S. Market Street, Ste. 4030
Wichita, KS 67202-3802
316-227-6010
Fax: 316-337-6018

KATHLEEN SEBELIUS, INSURANCE COMMISSIONER

PHONE: 785-296-7801 ~ email: sebelius@ins.state.ks.us

Matthew All

Counsel to Commissioner
296-7804
mall@ins.state.ks.us

Kathy Greenlee

General Counsel
296-7806
kgreenle@ins.state.ks.us

Linda De Coursey

Director, Government Affairs Division
296-7802
ldecours@ins.state.ks.us

Leroy Brungardt

Director, Agents & Brokers Division
296-7859
lbrungar@ins.state.ks.us

Ken Grotewiel

Director, Consumer Assistance Division
296-7827
kgrotewi@ins.state.ks.us

Thomas Foley

Director, Accident & Health Division
296-7850
tfoley@ins.state.ks.us

Denney Clements

Director, Public Affairs Division
296-7822
dclement@ins.state.ks.us

Bill Wempe

Director, Fire & Casualty Division
296-7845
bwempe@ins.state.ks.us

Marlyn Burch

Director, Life Division
296-7856
mburch@ins.state.ks.us

Don Gaskill

Director, Financial Surveillance Division
296-7821
dgaskill@ins.state.ks.us

Sabrina Wells

Comptroller
291-3191
swells@ins.state.ks.us



Kansas Insurance Department

1998 Annual Report

Katheen Sebelius
Insurance Commissioner

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

Dear Governor Graves:

*I am very pleased to present to you
the One Hundred and Twenty-ninth
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 through the period
ending December 31, 1998.*

Sincerely yours,



*KATHLEEN SEBELIUS
Insurance Commissioner*

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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.

Kansas Insurance Department Services Provided During 1998

Examinations

Domestic Companies	19
Foreign Companies	0
Other Organizations	0

Market Conduct Examinations

Domestic Companies	2
Foreign Companies	0
Other Organizations	0

Licenses Issued

Agents	New	7,861
	Total on file	33,000
Agencies	New	623
	Total on file	6,700

Consumer Assistance

Closed Complaints & Inquiries	6,772
Phone Inquiries –1) Topeka Toll-free hotline	57,542
2) Senior Health Insurance	9,562
Counseling of Kansas	
Total	67,104

Amount Recovered on Behalf of Kansas Consumers	\$10,309,904
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New Companies Admitted to do Business	69
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Excess Lines

Non-admitted Insurers	191
Excess Lines Agents	318

Kansas Insurance Department

Fiscal year 1998 Deposits

July 1, 1997 to June 30, 1998

TO STATE GENERAL FUND:
TAXES:

Privilege Tax	2,112,534.73	
Premium Tax—Foreign	74,485,227.22	
Fire Marshal Tax	200,000.00	
Premium Tax—Domestic	10,424,597.66	
Retaliatory Tax	2,996,666.62	
Fines and Penalties	440,514.91	
Reimburse Imprest Fund Advance	-	
Total Taxes		90,659,541.14

TOTAL TAXES TO THE STATE GENERAL FUND		90,659,541.14
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TO SPECIAL FUNDS:
INSURANCE COMPANIES EXAMINATION FUND:

Salary Reimbursement	387,415.67	
Expense Reimbursement	157,243.57	
Annual Leave Assessment	28,371.59	
Data Processing Assessment	10,158.25	
Sick Leave Assessment	19,418.41	
Refunds	27,333.94	

Total Insurance Company Examination Fund	629,941.43
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INSURANCE COMPANY ANNUAL STATEMENT EXAM:		629,941.43
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Premium Tax - Foreign	90,000.00	
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Total Insurance Company Annual Statement Fund	90,000.00
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INSURANCE COMPANY EXAMINER'S TRAINING FUND:

Premium Tax—Foreign	60,665.00	
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Total Insurance Company Examiner's Training Fund	60,665.00
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HEALTH TASK FORCE GRANT FUND	0
INSURANCE DEPARTMENT SERVICE REGULATION FUND:	
Premium Tax—Domestic	0.00
MGA Notification Fee	9,200.00
Risk Purchasing Group—Notification Fee	2,510.00
Risk Retention Group—Notification Fee	0.00
Viatical Settlements	0.00
Annual Statement Fee	156,528.00
Certificate of Authority	21,857.00
Charter Fees	18,010.00
Retaliatory Fees	6,664.00
Cert. Fees/Util. Review Orgs.	2,350.00
Permit to Sell Stock	0.00
Form "A" Filing Fee	3,000.00
Registration Fees—Prepaid Services	1,150.00
Filing Fees—Nonadmitted Cos.	26,600.00
Certified Copies	111,078.00
Court Fees	12,650.00
Other Service Charges	80,735.00
Agent License Fees	3,149,909.00
Other Publications	128.00
Fee Fund Assessment	0.00
Recovery of Expenditures	41,540.00
Photocopies	25,803.00
Prior Fiscal Year—Recovery of Expenditures	349.00
Operating Transfers Out	
Other Miscellaneous Revenue	<u>22,973.03</u>
Total Insurance Department Service Regulation Fund	3,693,034.03
SENIOR HEALTH INSURANCE COUNSELING FOR KANSANS	193,485.50
INSURANCE EDUCATION AND TRAINING FUND	1,045.77
SALE OF COMMODITIES AND USABLE EQUIPMENT: TOTAL	363.00
WORKERS COMPENSATION FUND:	
Assessments	21,553,391.41
Reimbursements	<u>197,222.48</u>
Total Workers Compensation Fund	21,750,613.89

BLUE CROSS/BLUE SHIELD SETTLEMENT FUND: TOTAL	62,764.40
MUNICIPAL GROUP-FUNDED POOLS: TOTAL	52,500.90
GROUP-FUNDED WORKERS COMPENSATION FUND: TOTAL	84,651.13
FIREFIGHTERS RELIEF TAX: TOTAL	5,149,193.11
INSURANCE BUILDING PRINCIPAL AND INTEREST FUND:	
Fund Operating Transfers	173,519.97
Principal and Interest	<u>4,288.12</u>
Total Insurance Building Principal and Interest Fund	177,808.09
INSURANCE BUILDING RESERVE FUND:	
Net Interest on State Agency Investment	12,037.45
Investments - Book Value	169,000.00
Operating Transfers out	<u>(12,038.38)</u>
Total Insurance Building Reserve Fund	168,999.07
INSURANCE DEPARTMENT REHAB AND REPAIR FUND	41,792.00
SUSPENSE (NET RECEIPTS): TOTAL	
TAX AND FEE REVOLVING FUND (GROSS RECEIPTS) TOTAL	1,302.94
COMMISSIONER'S TRAVEL REIMBURSEMENT	<u>2,154.37</u>
TOTAL TAXES TO SPECIAL FUNDS	32,160,314.63
TAXES REMITTED TO OTHER AGENCIES:	
* FIRE MARSHAL: TOTAL	2,176,511.97
INSURANCE DEPARTMENT NET DEPOSITS FISCAL YEAR 1998	<u><u>122,819,855.77</u></u>

*Collected for State Fire Marshal in accordance with KSA 75-1514. Amount not included in net deposits.

Department Headlines

Children's Health Insurance A Reality

HealthWave is the the new children's health insurance program which was approved by the 1998 Kansas Legislature. HealthWave is expected to cover over 60,000 uninsured kids beginning January 1, 1999. Commissioner Sebelius, an advocate for the children's health care initiative, was pleased that the Legislature agreed to provide the necessary funding. Kansas will receive about \$32 million annually for the next five years.

Consumer Assistance Division Has \$10 Million Year

Setting yet another record for the Kansas Insurance Department, the Consumer Assistance Division recovered more than \$10 million for consumers during 1998.

"The efforts of the Consumer Assistance Division continue to surpass previous records. Their ability is a true indication of our dedication and diligence when it comes to helping Kansans get the most out of their insurance coverage," said Commissioner Kathleen Sebelius.

Department Named Outstanding Organization of the Year

The safety belt campaign featuring the cartoon character "Click-it Cricket" helped the Insurance Department earn the highest honor awarded by the Kansas Safe Kid's Coalition. The Department was named outstanding organization of the year by the Coalition.

The Department won the award for its participation in a cooperative effort with the Kansas Department of Transportation and the Kansas Safety Belt Education Office. The three organizations worked together to increase the visibility of the message to always use safety belts by sharing information and program materials.

The "Click-it Cricket" program is one of the educational components of the 1999 Auto Insurance Improvement Act.

European Companies Cooperate with Regulators' Efforts to Resolve Holocaust Claims

Five major European insurance companies signed a written agreement to cooperate fully with the National Insurance Commissioners Association's (NAIC) Holocaust investigation.

"We are making real progress to ensure Holocaust survivors and their heirs receive the insurance benefits they're owed, but the process is like putting together a very complicated puzzle," said Commissioner Sebelius. The Commissioner is a member of the NAIC multi-state working group investigating allegations that Holocaust victims were denied insurance benefits on policies they paid for in good faith.

Kansas Receives an "A" for Its Consumer Education Efforts.

The Consumer Federation of America (CFA) reviewed consumer materials produced and distributed by state insurance departments. Following its review, CFA determined the best states for written consumer information, those with a grade of "A," are Colorado, Florida, KANSAS, Missouri, Ohio, Texas and Wisconsin.

"We try very hard to get useful information into the hands Kansas insurance consumers. It's very rewarding to have our efforts recognized as among the best in the nation," said Commissioner Kathleen Sebelius.

Commissioner Elected to Leadership Position with National Association of Insurance Commissioners.

Members of the National Association of Insurance Commissioners (NAIC) selected Commissioner Kathleen Sebelius to serve as Secretary-Treasurer for 1999 during its Winter National Meeting.

"I am honored my peers have elected me to help navigate the NAIC into the new century. I will be an advocate for state insurance regulation, consumers, and for a vibrant industry. I look forward to this challenge and welcome the opportunity to serve," Sebelius said.

Bulletins Briefs

Workers Compensation Insurance

Bulletin 1998-1; 1a. (January 5, 1998)

RE: Information and Educational Workers Compensation Materials

SUMMARY: Revised educational materials have been issued and must be provided to employers.

File and Use Laws

BULLETIN 1998-2 (January 13, 1998)

RE: File and use law, clarifications and definitions

SUMMARY: This bulletin provides clarification for the file and use law effective July 1, 1997.

Arbitration/Appraisal Clauses

BULLETIN 1998-3 (February 3, 1998)

RE: Use of Arbitration/Appraisal Clauses

SUMMARY: Voluntary arbitration clauses in insurance contracts are permissible. The language of the provision must clearly state that the procedure is voluntary and both parties must agree to the procedure.

Mental Health Parity Act

BULLETIN 1998-4 (February 12, 1998)

RE: Mental Health Issues

SUMMARY: Bulletin responds to questions regarding the requirements to comply with the Mental Health Parity Act of 1996 and 1997 Kansas Senate Bill 204.

Health Insurance Sales Practices

Bulletin 1998-5 (February 12, 1998)

RE: Health Insurance and Agent Sales Practices

SUMMARY: Bulletin advises that tactics being used to avoid compliance with the Health Insurance Portability and Accountability Act of 1996 ("HIPAA") and amendments to the Kansas Insurance Code made by 1997 Senate Bill 204 may be subject to fines and penalties under the unfair trade practice laws.

Medicare Supplement Sales

Bulletin 1998-6 (April 8, 1998)

RE: Medicare Supplement Sales to Persons Under Age 65

SUMMARY: Bulletin describes tactics being used to deny guarantee issue products to disabled individuals under age 65 and advises these considered unfair trade practices. Companies may be fined if found to be using these tactics.

Workers' Compensation Insurance

Bulletin 1998-7 (April 23, 1998)

RE: 1998 House Bill 2591, Self-Employed Subcontractors

SUMMARY: The 1998 Legislature deleted the controversial requirement for self-employed subcontractors to purchase a workers' compensation policy. This bulletin provides clarification of this new law.

Mobile Home Programs, Inflation Guard Provisions

Bulletin No. 1998-8 (May 12, 1998)

RE: Mobile Home Programs, Inflation Guard Provisions

SUMMARY: Bulletin surveyed companies about inflation guard protection benefits.

Accident & Health Insurance Changes

Bulletin No. 1998-9 (May 29, 1998)

RE: Provisions of 1998 House Substitute for Senate Bill 439

SUMMARY: Bulletin lists requirements to comply with this legislation as of July 1, 1998.

Medicare Supplement Insurance

Bulletin 1998-10 (June 4, 1998)

RE: Affects of Federal Balanced Budget Act of 1997 on state law and the issuance of Medicare supplement insurance.

SUMMARY: This bulletin advises companies that if they are selling Medicare supplement policies they must bring them into compliance with federal law until the state regulations are amended.

Liability Claim Notice

Bulletin 1998-11 (August 21, 1998)

RE: Written notice of third party settlement to claimants

SUMMARY: All companies are required to send written notice to a claimant when a third party liability claim settlement is \$5,000 or more. Contact the Legal Division (785-296-7810) if you have questions about this bulletin.

Y2K Coverage Endorsements

Bulletin 1998-12 (September 23, 1998)

RE: Year 2000 Exclusion Endorsements

SUMMARY: Advises of rules which apply to the use of the ISO Year 2000 Coverage Endorsements approved by this department.

Property & Casualty Endorsements

Bulletin 1998-13 (October 19, 1998)

RE: Policy endorsements.

SUMMARY: Changes filing requirements for "blank" or "change" endorsements

(Continued on page 10)

Bulletin Briefs (Continued)

(Continued from page 9)

Women's Health and Cancer Rights Act

Bulletin 1998-14 (November 6, 1998)

RE: Women's Health and Cancer Rights Act of 1998.

SUMMARY: Outlines guidelines for providing coverage for reconstructive surgery following mastectomies

Kansas Uninsurable Health Insurance Plan

Bulletin 1998-15 November 9,

RE: Administrator for Kansas Uninsurable Health Insurance Plan (KHIA)

SUMMARY: Sought bids by December 1, 1998.

Accident and Health Insurance

Bulletin 1998-16 (November 10, 1998)

RE: Guarantee Issue Rights Pursuant to the Federal Balanced Budget Act of 1997

SUMMARY: Addresses the guarantee issue provisions regarding Medicare supplement business pursuant to the Federal Balanced Budget Act of 1997.

Funds, Plans and Pools

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, theft and personal liability insurance for qualified applicants unable to obtain this kind of insurance through the private market. There is a nine member governing committee which oversees the plan.

In 1998 there were 4,665 policies in force with a total premium written of \$1,936,900. The total amount of insurance in force for 1998 was \$99,483,415. There were 336 losses reported in 1998 and \$451,936 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 1997, the KAIP collected premiums totaling \$6,188,094 and paid out \$4,783,799 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 statutes.

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. Twelve of these pools were licensed in 1998.

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

Funds, Plans and Pools (Continued)

insurance. As of December 31, 1998, certificates of authority had been issued to three 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, 1998. 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 1998.

Number of risks insured	10,114
New plan applications received	6,905
Earned premium	\$20,284,000
Incurred losses*	\$16,815,000
Loss ratio	82.9%

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.

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 579 cities, counties, townships, and fire districts.

The 1998 tax distribution of the Fund was made as follows:

Insurance Commissioner Administrative Expenses (approved by legislature FY'99) \$ 75,078

Kansas State Firefighters Associations, Inc.
(education and study of fire prevention and extinguishment) \$ 164,753

Kansas State Firefighters Associations, Inc. (death benefit - to restore balance to \$100,000) \$ 65,500

Each Association (based on amount of fire insurance written in area served by that assoc.) \$5,187,971

Legislative Summary

Over 75 insurance related bills were before the Kansas Legislature this session. Ultimately 22 of the bills received approval. Here is a brief summary of insurance-related legislation for 1998:

Accident & Health

- **SB411** (Utilization Review Organizations) - The legislation makes a minor change to the URO statute by removing the reference to the Kansas City Private Review Group which is no longer in operation. Amends K.S.A. 1997 Supp. 40-2c06 Effective 7/1/98
- **SB 409** (Prostate Cancer Screening) - Requires coverage for screening examinations for prostate cancer. **Amended into SB439, See Section 30.** Effective 7/1/98
- **SB 439** (Medicare Provider Sponsored Organizations) - Allows the Insurance Department to license and regulate Provider Sponsored Organizations which contract to offer Medicare services to enrollees. Sections 13-27 of SB 439 are actually about PSOs. This bill, referred to as the "insurance omnibus bill", had these bills amended into it: SB 409; SB 426; SB 494; HB 2636; HB 2705; HB 2997. Effective 7/1/98
- **HB 2705** (HIPAA Amendments) - The legislation makes a number of changes to the "Kassebaum-Kennedy" health insurance law passed last year. The bill clarifies when a preexisting condition limitation period starts. It also allows individuals who were members of another state's high risk pool to enroll in the Kansas pool without a six month waiting period. The Kansas Small Employer Reinsurance Program will be closed down. Finally, the legislation makes technical "clean-up" changes to the law passed in 1997. The law is also changed so that high deductible health insurance policies which are purchased in conjunction with a medical savings account must follow the mental health and substance abuse mandates (K.S.A. 40-2,105) once the deductible is met. The prior law required MSA policies to pay for outpatient mental health benefits on the same basis as medical benefits (mental health parity) once the deductible is met. **Amended into SB439, See Sections 2-12.** Effective 7/1/98
- **HB 2997** (Health Insurance/Coverage for Diabetes) - Requires health insurance coverage for certain diabetes treatments and supplies. Amends K.S.A. 40-110,40-19c06, 40-2209g, 40-2209m, 40-2241,40-

3207,40-3208,40-3210, 40-3211, 40-3213, 40-3214, 40-3215, 40-3219, 40-3220 and 40-3221 and K.S.A. 1997 Supp. 40-112, 40-221a, 40-2,105, 40-19c09, 40-2122, 40-2209, 40-2209d, 40-2209e, 40-2209f, 40-2228, 40-3202, 40-3203, 40-3204, 40-3209, and 40-3225 and repealing K.S.A. 40-2209k and 40-2209l and KSA 1997 Supp. 40-1909 **Amended into SB439, See Section 28.** Effective 7/1/98

- **SCR 1613** (Long Term Care Task Force) - The legislation establishes a 16 member task force to study adult care homes, the long term care ombudsman program and state and federal laws and regulations which impact on the services provided to consumers of long term care services. Eight of the members will be legislators and the other eight will be representatives of consumers and providers of long term care services. The group will report to the 1999 Legislature on their findings. Effective 7/1/98

Industry Related

- **SB 15** (Guaranty Association/State Deferred Compensation Plan) - The bill provides that annuities purchased under the state employees' deferred compensation plan may be subject to coverage by the Kansas Life and Health Insurance Guaranty Fund. Amends K.S.A. 40-3003 and 40-3008 Effective 7/1/98
- **SB 412** (Risk Based Capital) - The bill updates the RBC instructions which insurance carriers must use in submitting financial information to the Insurance Department. K.S.A.1997 Supp. 40-2c01 Effective 7/1/98
- **SB 416** (Premium Tax Credits) - The bill provides premium tax credits to insurance carriers. A number of these credits were previously available to domestic insurers on their privilege tax payments. The new law includes credits for expenditures for making a building accessible to the disabled; ancillary support facilities; investments in employee training and education and certain types of qualified business operations. Amends K.S.A. 79-32,153, 79-32,154, 79-32,160a, 79-32,195 and 79-32,196 and K.S.A. 1997 Supp. 40-2813, 74-50,114 and 74-50,132 Effective 7/1/98
- **HB 2636** (Reinsurance Act Changes) - Minor changes to the reinsurance law to bring it into compliance with the NAIC Model Reinsurance Act. **Amended into SB439, See Section 29.** Effective 7/1/98

Legislative Summary

- **HB 2637** (Redomestication) - Clarifies the redomestication law passed last year by allowing carriers to file restated articles of incorporation with the Secretary of State. Amends K.S.A. 1997 Supp. 40-2,162 Effective 3/19/98
- **HB 2639** (Premium Taxes) - Corrects the tax bill passed last year by including Delta Dental in the changes in the premium tax law. Amends K.S.A. 1997 Supp. 40-252 Effective 2/19/98

Workers' Compensation

- **HB 2591** (Workers' Compensation Insurance/Self-Employed Subcontractors) - Removes self-employed subcontractors doing work for a contractor from automatic coverage under the workers compensation system. The bill also amended the law regarding payments by employers when an employee without dependents is killed on the job. The employer is required to make a payment of \$25,000 to the estate of the deceased worker. Amends K.S.A. 44-570 and K.S.A. 1997 Supp. 44-503, 44-505, 44-508, 44-510b and 44-532 Effective 4/30/98
- **HB 2799** (Workers' Compensation Changes) - Changes were made to K.S.A. 44-534 and 44-556 to clarify the second injury fund's involvement in an action. In addition, K.S.A. 44-556 was amended to indicate who is liable in cases where there are multiple respondents or the second injury fund is involved. The penalties for fraud were increased. Utilization and peer review reports were made admissible in administrative hearings. Finally, the law was amended to include allocated loss adjustment expenses in workers' compensation policy deductibles. Amends K.S.A. 44-513a and K.S.A. 1997 Supp. 44-510, 44-534, 44-556, 44-559, 44-5,117, 44-5,120 and 44-5,125 Effective 7/1/98
- **HB 2831** (Workers' Compensation/Motor Carriers) - The legislation takes the exemption in the workers' compensation law for owner-operators and places it in a separate statute. There is no effective change in the law, however, it removes the provision from an existing statute (K.S.A. 44-503), which is frequently amended by the Legislature. Amends K.S.A. 1997 Supp. 44-503 Effective 4/16/98

Budget

- **SB 426** (Salary Cap) - The legislation allows the Department to hire two actuaries by removing a provision in the law which prohibits the agency from paying actuaries more than the Commissioner. **Amended into SB439, See Section 31.** Effective 7/1/98
- **SB 494** (Second Assessment) - Changes the method of funding the Insurance Department budget. The Department will be funded through a combination of licensing and regulation fees and premium taxes (not to exceed 1% of premium taxes collected). If additional money is required to fund the Department budget, a "second assessment" will be made of insurance companies doing business in the state. **Amended into SB439, See Section 32.** Effective 7/1/98
- **Sub for HB 2895** (Omnibus Appropriations Bill) - The Insurance Department budget for FY 1998 was increased to provide funding for two actuarial positions. Effective 7/1/98

Other

- **Sub for SB 424** (Children's Health Insurance) - The legislation established a program to provide health insurance coverage for children in families with incomes up to 200% of the federal poverty level. The program will be administered by the State Department of Social and Rehabilitation Services and coverage will be provided through health insurers and health maintenance organizations. The program is funded through a federal-state match. Effective 4/30/98
- **HB 2590** (Smoke Detector) - This bill provides for the creation of rural housing incentive districts in such cities and counties. The legislation was amended by adding provisions from SB 561 which requires homeowners to have smoke detectors in their homes. Effective 7/1/98
- **HB 2640** (Fire Liens) - The bill allows the Insurance Department to publish a list each calendar quarter of the cities and counties that have passed fire lien ordinances. Under prior law, we had to notify all property and casualty insurers each time an ordinance was approved. Amends K.S.A. 40-3902, 40-3904 and 40-3905 Effective 4/16/98

Summary of Companies Doing Business in Kansas (Year ending December 31, 1998)

1-33

Life Insurance Companies of Kansas				Business Written in Kansas				
				Number of Companies	Life Premiums and Annuity Considerations Received	Life Claims & Benefits	Accident & Health Premiums Received	Accident and Health Losses Paid
Domestic (Companies headquartered in Kansas)				12	\$ 144,392,217	\$ 88,783,376	\$ 645,060,022	\$ 561,936,289
Foreign (Any company not headquartered in Kansas)				641	\$ 2,388,869,369	\$ 1,784,596,179	\$ 773,961,968	\$ 547,459,513
Fraternal Societies				29	\$ 52,252,567	\$ 48,061,073	\$ 11,044,566	\$ 8,092,804
Totals				682	\$ 2,585,514,153	\$ 1,921,440,628	\$ 1,430,066,556	\$ 1,117,488,606
Health Maintenance Organizations								
				Number operating in Kansas	Kansas Net Earned Subscriptions	Costs of Hospital & Medical Benefits		
				21	\$ 597,699	\$ 543,866		
Fire and Casualty Companies								
				Number of Companies	Direct Premium Written	Direct Losses Paid		
Domestic				26	\$ 512,776,324	\$ 324,978,293		
Foreign				778	\$ 2,247,110,439	\$ 1,405,757,928		
Totals				804	\$ 2,759,886,763	\$ 1,730,736,221		
Total Insurance Written in Kansas					\$6,775,467,471			
(Total includes premium received from Life and Annuities, Accident and Health, Health Maintenance Organizations, and Fire & Casualty Companies)								

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 is it an expression of opinion on any insurer.

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](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.

**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
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