

MINUTES OF THE HOUSE COMMITTEE ON INSURANCE.

The meeting was called to order by Chairperson Rep. Robert Tomlinson at 12:15 p.m. on March 23, 2000 in Room 231-N of the Capitol.

All members were present except: Representative Toelkes

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

Conferees appearing before the committee: Doug Lawrence, Federated Electric Insurance  
David Hanson, Kansas Association of Property and Casualty  
Insurance Companies  
Kathy Greenlee, General Counsel, Kansas Insurance  
Department

Others attending: See attached Committee Guest List

Immediately upon calling the meeting to order, Chairman Tomlinson called for the approval of the Minutes for March 1, 3, 7, 9, 14, and 16. Representative Dreher made the motion to accept the Minutes as they stand and Representative Hummerickhouse seconded the motion. A vote from the Committee was taken and the motion passed.

Upon completion of this business the Chair opened the public hearing on SB 651-Insurance; relating to reciprocal insurance companies.

The first conferee to offer Proponent Testimony was Mr. Doug Lawrence, consultant for Federated Rural Electric Insurance. A copy of the written testimony is (Attachment #1) attached hereto and incorporated into the Minutes by reference.

Mr. Lawrence thanked the committee for their assistance last year with the legislation that allowed his organization to convert to a domestic reciprocal and that the transition is now complete. Mr. Lawrence informed the committee that, "Since the first draft, there have been numerous discussions involving all of the major parties that have an interest in reciprocal insurance regulation." Mr. Lawrence's company supports both the printed version of the bill and the proposed amendments by the Insurance Department.

Mr. Lawrence stood for questions.

As there were no questions the Chairman recognized Mr. David Hanson, Kansas Association of Property and Casualty Insurance Companies. A copy of the testimony is (Attachment #2) attached hereto and incorporated into the Minutes by reference.

Mr. Hanson, proponent of the bill, thanked everyone involved with undertaking the task of updating and clarifying the Kansas law regulating reciprocal insurance. Mr. Hanson stated "Consideration has been given not only to maintaining reasonable regulatory authority, but also to maintaining reasonable flexibility in order to attract and encourage the growth of reciprocal insurance in Kansas."

Mr. Hanson informed the committee that Mr. David Wine, president of Mutual Aid Association of the Church of the Brethren in Abilene, had been working with a group that is considering establishing a reciprocal, possibly in Kansas and felt this bill would help making that decision. Mr. Hanson also presented a copy of testimony from Joyce Jordan, Vice President, Administration and Compliance, Armed Forces Insurance Exchange, Leavenworth, Kansas. A copy of the testimony is (Attachment #3) attached hereto and included into the Minutes by reference. Mr. Hanson stood for questions. Questions were asked by Representative Cox,

and Representative Kirk. Questions ranged from: requesting the definition of "Exchange Contracts"; where is the money held to whether this was all kinds of insurance or limited insurance?

Ms. Kathy Greenlee, General Counsel, Kansas Insurance Department, was the final speaker to address the bill. A copy of Ms. Greenlee's testimony is (Attachment #4) attached hereto and incorporated into the Minutes by reference.

Ms. Greenlee pointed out to the committee that the main reason for this proposal is that the Kansas reciprocal laws are outdated, with some dating back to 1927. She stated that the legislature had made a few changes but that the main body was 70 years old. She informed the committee that **SB 651** accomplished four things:

1. Language reflects that a reciprocal is just another type of insurance company.
2. Changes the way the insurance department issues certificates of authority (directly).
3. Provides additional protection for the subscriber by outlining the procedures for modifying the subscribers agreement and appointing or removing an attorney.
4. Clarifies the requirements to a domestic reciprocal as compared to foreign reciprocals.

Ms. Greenlee related to the committee, "The nature of a reciprocal is the mutual exchange of contracts between subscribers of the reciprocal. The entity that essentially manages and coordinates the activities of the reciprocal is the attorney-at-fact." After concluding her testimony, Ms. Greenlee stood for questions. There were no questions. With this, the public hearings on **SB 651** were closed.

The next order of business was to work three bills within the committee. The first bill was **SB 651** the bill just heard. A motion was made by Representative Grant to pass out to the floor. The motion was seconded by Representative Burroughs, a vote was taken and the motion passed.

The second bill was **SB 79-Municipalities; insurance, group-funded municipal pools**. The bill is already law, but there was a balloon to the bill which was basically a gut-n-go move. The balloon struck Section K.S.A. 12-2618, 12-2620, 12-2622, 12-2627 and 44-586 and K.S.A. 1988 Supp. 12-2621, 44-584, 44-585 and inserted 12-2630 and the word "section" for the word "sections." The balloon then struck page 7, lines 15-43, continuing to page 8, striking lines 1-43, and striking the statutes in line 43, inserting Section 2. The K.S.A. 12-2630 was then inserted as Section 1 and amended to read as inserted. In this section it was noted all of the counties named were struck and the words "the state of Kansas" inserted. Also in the beginning, "allowing municipalities in .....outside of state." was also struck. Representative Cox made the motion to adopt the balloon and Representative Dreher seconded the motion. A question was asked by Representative McCreary and was satisfied. A vote was taken by the committee and the motion passed.

It was then back to the bill, with Representative Cox making the motion to move the bill out as amended. Representative Empson seconded the motion and the ayes carried the motion.

The committee then turned to **SB 600-Insurance; prompt payment requirements for insurance companies**. There were two separate balloons on this bill, with one addressing the time factor, and one addressing the "1%" of an interest penalty to be paid on unpaid balances of the providers billings. It was proposed that on the number of days to use 45 days. A motion was made by Representative Jenkins to adopt the balloon showing "1% interest," the motion was seconded by Representative Myers. A discussion took place as to why there were two separate balloons. It was explained so as to vote separately on each matter, because this keeps from the need to present several combinations for the formula being voted on. A vote was taken and the motion passed with one "no" from Representative Burroughs.

The balloon for the number of days to pay the claim was then brought forth and Representative Hummerickhouse made the motion to adopt the balloon. The motion was seconded by Representative Cox. During the discussion Representative McCreary stated he felt that 30 days were adequate. Representative Dreher concurred with the feeling. More discussion took place with Representatives Cox and Empson. Others feeling that the 30 days were sufficient, were Representatives Grant and Kirk. Representative Kirk wanted to know how much difference this made to the consumer and were the extra days' critical. The Chairman explained the differences from both sides. He also discussed the Medicare standards and stated that in at least 95% of the undisputed claims the consumer was not yet involved. Representative Jenkins stated

she understood the 45 days were offered and agreed upon in the compromise. Representative Myers stated there needed to be a standardized payment in the metro areas and supported the 45-day theory. Representative Boston discussed the negotiation agreement, while Representative Grant inquired as to the bill status if the 45 days were pursued. Representative Hummerickhouse stated the understanding was to be 45 days and 1%, and that the Senate had passed at 1 1/2% and 30 days. Representative Cox made the final statement before the discussions were called to a close. With no further discussions offered from the committee, the motion was again before the committee. The motion was back before the committee to amend SB 600 to 45 days rather than 30 days. The vote was taken and division called. The vote was six in favor and eight against the motion. The motion failed. They were back on the bill. A motion to pass out SB 600 favorable as amended (1% and 30 days) was made by Representative Empson and seconded by Representative Grant. The vote was taken and Representative Hummerickhouse voted "no." The motion passes.

With no further business the meeting is adjourned and the time is 1:00 p.m.

# HOUSE INSURANCE COMMITTEE GUEST LIST

DATE: 3/23/00

NAME	REPRESENTING
Bill Sneed	HIAA
<del>John Slaughter</del>	<del>KMS</del>
David Hanson	Ks Insur Assn
Doug Lawrence	Federated Rural Electric F. Co.
Lee Wright	Farmers Ins
Kevin Barone	Hein/Wen dntd.
Maria Espinoza	Federico Consulting
Kathy Greenlee	KS Drs Dept
Steve Montgomery	United Healthcare
Bill Gross	St Lukes Shawnee Mission H. S.
Genny Nicholas	Children's Mercy Hospital
Larnie Ann Lower	KARTP
Anne Spiess	Peterson Public Affairs Group
Julie Hein	Hein & Woir
Ainda Delawany	KS Insurance Dept
Chris Collins	Kansas Medical Society
Gerry Slaughter	Kansas Medical Society
Ron Hein	Wesley medical Center
Rick Gattuso	Health Midwest

March 23, 2000  
Testimony  
On SB 651

On Behalf of Federated Rural Electric Insurance

My name is Doug Lawrence. I am a consultant for Federated Rural Electric Insurance on legislative issues.

First, let me express Federated's appreciation for your assistance last year with the legislation, which allowed Federated to convert to a domestic reciprocal. That conversion and domestication is complete.

As a part of our discussions last year with the Insurance Commissioner's Office regarding that legislation, it became clear that there was a need to update current state law regarding Reciprocal Insurance Exchanges. Last year, Federated made a commitment to work with the department in bringing the Kansas Statutes up to date. That process began immediately following the last session, with first draft language complete in September 1999.

Since that first draft, there have been numerous discussions involving all of the major parties that have an interest in reciprocal insurance regulation. SB 651 is the product of cooperative effort of all of those diverse interests. Federated supports both the bill as printed, and the proposed package of amendments presented by the Insurance Commissioner's staff.

HSE Ins Comm  
3-23-00  
#1

# Kansas Association of Property and Casualty Insurance Companies

David A. Hanson, Legislative Counsel  
900 Mercantile Bank Tower  
800 S.W. Jackson  
Topeka, KS 66612-1259

Phone 785-232-0545  
Fax 785-232-0005

## House Insurance Committee Testimony on Senate Bill 651 Presented by David A. Hanson March 23, 2000

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, whose members are domestic insurance companies in Kansas.

We appreciate your consideration of this bill and we commend the Commissioner and her staff for undertaking the difficult task of updating and clarifying Kansas law regulating reciprocal insurance. Many hours have been spent in analyzing the various provisions and considering input from industry. Consideration has been given not only to maintaining reasonable regulatory authority, but also to maintaining reasonable flexibility in order to attract and encourage the growth of reciprocal insurance in Kansas. Armed Forces Insurance Exchange in Leavenworth, one of our members, has been operating as a reciprocal for many years and is doing business in all 50 states. These provisions are therefore very important to them. A copy of Joyce Jordan's testimony to the Senate Financial Institutions and Insurance Committee for Armed Forces Insurance Exchange is attached, as she was not able to be here today. We would also like to note that David Wine, president of Mutual Aid Association of the Church of the Brethren in Abilene, another member of our Association, has been working with a group that is considering establishing a new reciprocal, hopefully here in Kansas, and they have therefore been very interested in and supportive of the work on this Bill.

We appreciate all of the work that has gone into this Bill and we would encourage your favorable consideration of the Bill. Thank you.

Respectfully,



DAVID A. HANSON

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### MEMBER COMPANIES

Armed Forces Insurance Exchange, Ft. Leavenworth  
Bremen Farmers Mutual Insurance Co., Bremen  
Columbia Mutual Insurance Group, Salina  
Farm Bureau Mutual Insurance Company, Manhattan  
Farmers Alliance Mutual Insurance Company, McPherson

Farmers Mutual Insurance Company, Ellinwood  
Kansas Mutual Insurance Company, Topeka  
Marysville Mutual Insurance Company, Marysville  
Mutual Aid Assn. of the Church of the Brethren, Abilene  
Upland Mutual Insurance, Inc., Chapman

HSE Ins Comm  
3-23-00  
#2

# ARMED FORCES<sup>®</sup> INSURANCE EXCHANGE

550 EISENHOWER ROAD  
LEAVENWORTH, KANSAS 66048-4864



March 15, 2000

Honorable Senator Don Steffes  
Chairman, Senate Financial Institutions and Insurance Committee  
State House  
Topeka, KS

Dear Mr. Chairman and Members of the Committee:

My name is Joyce Jordan. I am the Vice-President, Administration and Compliance, at Armed Forces Insurance Exchange.

I would like to thank the Committee for inviting me to this hearing and allowing me to speak to you on behalf of my company. Armed Forces Insurance Exchange is a property and casualty company formed as a reciprocal. We are domiciled here in Kansas, with offices in Leavenworth and Ft. Leavenworth.

Armed Forces Insurance Exchange (also known as AFI) is a member owned, preferred risk, reciprocal insurance exchange. Originally named Army Cooperative Fire Association, the company was founded in 1887 by a group of US Army officers at Fort Leavenworth, Kansas, to provide fire insurance for military professionals serving on the frontier. Over the years, AFI has recognized the requirement to protect all uniformed services and expanded its eligibility. AFI is solely dedicated to uniformed service members and their families.

Armed Forces Insurance Exchange was licensed in Kansas on August 1, 1982 and since then we have been licensed in the remaining 49 states and in the District of Columbia. As a company that operates nationally, we have been very interested in the proposed changes to the Kansas Reciprocal Statutes. We have reviewed the new provisions carefully, comparing them with our by-laws, with statutes and regulations in other states and with the NAIC model laws, to insure that there will be no conflicts that would hinder our ability to operate in other states or require changes in the way we do business today. I thank the Kansas Insurance Department for providing background information and draft copies of the statutes. Working with Mr. David Hanson, I feel confident that the revisions being considered will be beneficial.

In closing, I want to express my appreciation to this Committee for your work on Senate Bill 651 and also for the consideration that you have extended to AFIE in considering our needs as you drafted the legislation. We have always enjoyed an excellent relationship with the Kansas Insurance Department and with the Legislature. We look forward to continuing to work together.

Sincerely,

JOYCE M. JORDAN, CPCU  
Vice President, Administration  
and Compliance

Policyholder Services  
Toll Free 1-800-255-6792  
Local Telephone  
913-727-4560

E-mail  
afins@aol.com

Claims  
Toll Free 1-800-255-0187

World Wide Web  
www.afi.org

Billings  
Toll Free 1-800-524-9325  
*Use Ins Comm*  
*3-23-00*  
*#3*



Kathleen Sebelius  
Commissioner of Insurance  
**Kansas Insurance Department**

TESTIMONY

TO: House Insurance Committee  
FROM: Kathy Greenlee, General Counsel  
RE: Senate Bill 651  
DATE: March 23, 2000

I am here today to ask that you pass Senate Bill 651 which deals with reciprocal insurers. A reciprocal insurer is a unique and somewhat unknown type of insurance company. The nature of a reciprocal is the mutual exchange of contracts between subscribers of the reciprocal. The entity that essentially manages and coordinates the activities of the reciprocal is the attorney-in-fact. We have two domestic reciprocals and fifteen foreign reciprocals licensed to do business in the Kansas. For the most part, reciprocals pose no real regulatory burdens for the Kansas Insurance Department and I am not here today because of any significant problems.

The major reason we are proposing this bill is that our laws dealing with reciprocals are outdated. Most of Article 16 of the insurance code was first adopted in 1927. The legislature has made a few changes over the years but the main body of the law is 70 years old.

Senate Bill 651 accomplishes four simple goals:

1. The bill updates the language to better reflect that a reciprocal is actually just another type of insurance company.



2. The bill will change the way the insurance department issues certificates of authority. Currently, the department issues the certificate of authority to the attorney-in-fact of the reciprocal rather than to the reciprocal itself. Under this new law, our department would issue certificates of authority to the reciprocal directly.

3. The bill provides additional protections for the subscribers of a reciprocal by outlining the procedures for modifying the subscribers agreement and appointing or removing the attorney-in-fact.

4. The bill also clarifies the requirements unique to a domestic reciprocal as compared to foreign reciprocals.

We have made every attempt to coordinate our efforts with reciprocal insurers who will be affected by this legislation. We have sought to avoid significant public policy shifts or issues in redrafting Kansas reciprocal law. In a straightforward manner, we simply want to update our laws. We encourage your adoption of this bill.

SENATE BILL No. 79

By Committee on Financial Institutions and Insurance

1-21

*John W. 99*

*1-5  
HSC Ins Comm  
3-23-00  
# 5*

10 AN ACT relating to insurance; concerning municipal funded pools;  
11 amending K.S.A. 12-2618, 12-2620, 12-2622, 12-2627 and 44-586 and  
12 K.S.A. 1998 Supp. 12-2621, 44-584 and 44-585 and repealing the ex-  
13 isting sections;

12-2630

section

14  
15 *Be it enacted by the Legislature of the State of Kansas:*

16 Section 1. K.S.A. 12-2618 is hereby amended to read as follows: 12-  
17 2618. Application for a certificate of authority to operate a pool shall be  
18 made to the commissioner of insurance not less than 30 days prior to the  
19 proposed inception date of the pool. The application shall include the  
20 following:

21 (a) A copy of the bylaws of the proposed pool, a copy of the articles  
22 of incorporation, if any, and a copy of all agreements and rules of the  
23 proposed pool. If any of the bylaws, articles of incorporation, agreements  
24 or rules are changed, the pool shall notify the commissioner within 30  
25 days after such change.

26 (b) Designation of the initial board of trustees and administrator.  
27 When there is a change in the membership of the board of trustees or  
28 change of administrator, the pool shall notify the commissioner within 30  
29 days after such change.

30 (c) The address where the books and records of the pool will be  
31 maintained at all times. If this address is changed, the pool shall notify  
32 the commissioner within 30 days after such change.

33 (d) Evidence that the annual Kansas gross premium of the pool will  
34 be not less than \$250,000 for each of the categories described in subpar-  
35 agraphs (1) through (4) of this subsection: (1) All property insurance un-  
36 der article 9 of chapter 40 of the Kansas Statutes Annotated except motor  
37 vehicle physical damage; (2) motor vehicle liability and physical damage  
38 insurance; (3) workers' compensation and employers' liability insurance;  
39 (4) all casualty insurance under article 11 of chapter 40 of the Kansas  
40 Statutes Annotated except insurance under categories (2) and (3) above;  
41 (5) group sickness and accident insurance if at the date of issue the annual  
42 gross premium for such coverage will be not less than \$1,000,000; and  
43 (6) group life insurance if at the date of issue the coverage will insure at

5-2

1 [Such rates shall either be the rates effective June 1, 1994, or the pro-  
2 spective loss costs, as defined in K.S.A. 40-1113, and amendments  
3 thereto, plus expenses necessary to administer the pool. For purposes of  
4 subsection (b) the prospective loss costs shall be presumed to be the 70%  
5 required to be deposited in the claims fund. If the pool has been in  
6 operation for more than five years, the board of trustees may determine  
7 such rates as approved by the commissioner.

8 (b) At least 70% of the annual premium shall be placed into a des-  
9 ignated depository for the sole purpose of paying claims. If so approved  
10 by the commissioner of insurance, the annual premium to be designated  
11 to such depository may be determined to be the net amount of premium  
12 after all or a portion of the specific and aggregate excess insurance pre-  
13 mium costs have been paid. This shall be called the claims fund account.  
14 The remaining annual premium shall be placed into a designated depos-  
15 itory for the payment of taxes, fees and administrative costs. This shall be  
16 called the administrative fund account. *If a pool has been in operation for*  
17 *more than five years, the commissioner may authorize allocation of a*  
18 *different amount to the claims fund account, if solvency of the pool would*  
19 *not be endangered.*

20 (c) Any surplus moneys for a fund year in excess of the amount nec-  
21 essary to fulfill all obligations under the workers compensation act for  
22 that fund year may be declared to be refundable by the trustees not less  
23 than 12 months after the end of the fund year, upon the approval of the  
24 commissioner. Such approval can be obtained only upon satisfactory ev-  
25 idence that sufficient funds remain on deposit for the payment of all  
26 outstanding claims and expenses, including incurred but not reported  
27 claims. Any such refund shall be paid only to those employers who re-  
28 mained participants in the pool for an entire year. Payment of previously  
29 earned refunds shall not be contingent on continued membership in the  
30 pool.

31 Sec. 8. K.S.A. 44-586 is hereby amended to read as follows: 44-586.  
32 The trustees shall not utilize any of the moneys collected as premiums  
33 for any purpose unrelated to Kansas workers' compensation. Moneys not  
34 needed for current obligations may be invested by the trustees. Such  
35 investments shall be limited to bonds or other evidences of indebtedness  
36 issued, assumed or guaranteed by the United States of America, or by  
37 any agency or instrumentality thereof, in certificates of deposit in a fed-  
38 erally insured bank, or in shares or savings deposits in a federally insured  
39 savings and loan association *Unless authorized elsewhere in this act, all*  
40 *funds of a pool shall be invested only in securities or other investments*  
41 *permitted by Article 2a of Chapter 40 of the Kansas Statutes Annotated,*  
42 *or such other securities or investments as the commissioner may permit.*

43 Sec. 9. K.S.A. 12-2618, 12-2620, 12-2622, 12-2627 and 44-586 and

Section 1. K.S.A. 12-2630 is hereby amended to read as follows: 12-2630.

~~12-2630. Allowing municipalities in Douglas, Johnson, Leavenworth, Miami and Wyandotte counties to pool with municipalities outside of state.~~ Notwithstanding the provisions of K.S.A. 12-2616 through 12-2629 and amendments thereto, any municipalities as defined in K.S.A. 75-6102 and amendments thereto, located in [and including Douglas, Johnson, Leavenworth, Miami and Wyandotte counties] may qualify to enter into agreements to pool their [sickness and accident] related liabilities in accordance with K.S.A. 12-2617 *et seq.* and amendments thereto with municipalities located in other states if such a pool was formed on or before January 1, 1990. Any investments held by such pool shall be held in an entity described in K.S.A. 12-2622 and amendments thereto. In the event the law or laws of any other state in which a member of the pool is located are inconsistent with or contrary to any provision of K.S.A. 12-2617 through 12-2626, 12-2628 and 12-2629 and amendments thereto, the law of the state with the more stringent requirement shall apply.

} the state of Kansas

History: L. 1991, ch. 60, § 8; May 23.

1 [K.S.A. 1998 Supp. 12-2621, 44-584 and 44-585 are] hereby repealed. [ 12-2630 is  
2 Sec. 10. This act shall take effect and be in force from and after its  
3 publication in the statute book.

3

3

## Substitute for SENATE BILL No. 600

By Senator Brownlee

3-10

9 AN ACT concerning insurance; relating to standards for prompt, fair and  
10 equitable settlement of health care claims and payment for health care  
11 services; establishing an unfair trade practices act violation.

12

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

14 Section 1. This act shall apply to any policy of accident and sickness  
15 insurance issued or renewed in this state.

16 Sec. 2. (a) The term "clean claim" means a claim that has no defect  
17 or impropriety, including any lack of required substantiating documen-  
18 tation, or particular circumstance requiring special treatment that pre-  
19 vents timely payment from being made on the claim under this act.

20 (b) The term "claim" means a written proof of loss as defined in  
21 paragraph (7) of subsection (A) of K.S.A. 40-2203, and amendments  
22 thereto, or an electronic proof of loss which contains the information  
23 required by paragraph (7) of subsection (A) of K.S.A. 40-2203, and  
24 amendments thereto.

25 (c) The term "policy of accident and sickness insurance" means any  
26 policy or contract insuring against loss resulting from sickness or bodily  
27 injury or death by accident, or both, any hospital or medical expense  
28 policy, health, hospital, medical service corporation contract issued by a  
29 stock or mutual company or association, a health maintenance organiza-  
30 tion or any other insurer, third party administrator or other entity which  
31 pays claims pursuant to a policy of accident and sickness insurance. The  
32 term policy of accident and sickness insurance does not include any policy  
33 or contract of reinsurance, life insurance, endowment or annuity contract,  
34 policies or certificates covering only credit, disability income, long-term  
35 care, medicare supplement, dental, drug, or vision-care only policy, cov-  
36 erage issued as a supplement to liability insurance, insurance arising out  
37 of a workers compensation or similar law, automobile medical-payment  
38 insurance or insurance under which benefits are payable without regard  
39 to fault and which is statutorily required to be contained in any liability  
40 insurance policy or equivalent self-insurance.

41 Sec. 3. (a) Within 30 days after receipt of any claim, and amendments  
42 thereto, any insurer issuing a policy of accident and sickness insurance  
43 shall pay a clean claim for reimbursement in accordance with this section

5-4

5-5

1 or send a written or electronic notice acknowledging receipt of and the  
2 status of the claim. Such notice shall include the date such claim was  
3 received by the insurer and state that:

4 (1) The insurer refuses to reimburse all or part of the claim and spec-  
5 ify each reason for denial; or

6 (2) additional information is necessary to determine if all or any part  
7 of the claim will be reimbursed and what specific additional information  
8 is necessary.

9 (b) If any insurer issuing a policy of accident and sickness insurance  
10 fails to comply with subsection (a), such insurer shall pay interest at the  
11 rate of 1.5% per month on the amount of the claim that remains unpaid  
12 30 days after the receipt of the claim. The interest paid pursuant to this  
13 subsection shall be included in any late reimbursement without requiring  
14 the person who filed the original claim to make any additional claim for  
15 such interest.

16 (c) After receiving a request for additional information, the person  
17 claiming reimbursement shall submit all additional information requested  
18 by the insurer within 30 days after receipt of the request for additional  
19 information. Failure to furnish such additional information within the  
20 time required shall not invalidate nor reduce the claim if it was not rea-  
21 sonably possible to give such information within such time, provided such  
22 proof is furnished as soon as possible as defined (within the time pre-  
23 scribed) in paragraph (7) of subsection (A) of K.S.A. 40-2203, and amend-  
24 ments thereto.

25 (d) Within 15 days after receipt of all the requested additional infor-  
26 mation, an insurer issuing a policy of accident and sickness insurance shall  
27 pay a clean claim in accordance with this section or send a written or  
28 electronic notice that states:

29 (1) Such insurer refuses to reimburse all or part of the claim; and

30 (2) specifies each reason for denial. Any insurer issuing a policy of  
31 accident and sickness insurance that fails to comply with this subsection  
32 shall pay interest on any amount of the claim that remains unpaid at the  
33 rate of 1.5% per month.

34 (e) The provisions of subsection (b) shall not apply when there is a  
35 good faith dispute about the legitimacy of the claim, or when there is a  
36 reasonable basis supported by specific information that such claim was  
37 submitted fraudulently.

38 (f) Any violation of this act by an insurer issuing a policy of accident  
39 and sickness insurance with flagrant and conscious disregard of the pro-  
40 visions of this act or with such frequency as to constitute a general busi-  
41 ness practice shall be considered a violation of the unfair trade practices  
42 act in K.S.A. 40-2401 et seq. and amendments thereto.

43 (g) The commissioner of insurance shall adopt rules and regulations

- 1 necessary to carry out the provisions of this act.
- 2 Sec. 4. This act shall take effect and be in force from and after Jan-
- 3 uary 1, 2001, and its publication in the statute book.

5-6

## Substitute for SENATE BILL No. 600

By Senator Brownlee

3-10

9 AN ACT concerning insurance; relating to standards for prompt, fair and  
10 equitable settlement of health care claims and payment for health care  
11 services; establishing an unfair trade practices act violation.  
12

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

14 Section 1. This act shall apply to any policy of accident and sickness  
15 insurance issued or renewed in this state.

16 Sec. 2. (a) The term "clean claim" means a claim that has no defect  
17 or impropriety, including any lack of required substantiating documen-  
18 tation, or particular circumstance requiring special treatment that pre-  
19 vents timely payment from being made on the claim under this act.

20 (b) The term "claim" means a written proof of loss as defined in  
21 paragraph (7) of subsection (A) of K.S.A. 40-2203, and amendments  
22 thereto, or an electronic proof of loss which contains the information  
23 required by paragraph (7) of subsection (A) of K.S.A. 40-2203, and  
24 amendments thereto.

25 (c) The term "policy of accident and sickness insurance" means any  
26 policy or contract insuring against loss resulting from sickness or bodily  
27 injury or death by accident, or both, any hospital or medical expense  
28 policy, health, hospital, medical service corporation contract issued by a  
29 stock or mutual company or association, a health maintenance organiza-  
30 tion or any other insurer, third party administrator or other entity which  
31 pays claims pursuant to a policy of accident and sickness insurance. The  
32 term policy of accident and sickness insurance does not include any policy  
33 or contract of reinsurance, life insurance, endowment or annuity contract,  
34 policies or certificates covering only credit, disability income, long-term  
35 care, medicare supplement, dental, drug, or vision-care only policy, cov-  
36 erage issued as a supplement to liability insurance, insurance arising out  
37 of a workers compensation or similar law, automobile medical-payment  
38 insurance or insurance under which benefits are payable without regard  
39 to fault and which is statutorily required to be contained in any liability  
40 insurance policy or equivalent self-insurance.

41 Sec. 3. (a) Within 30 days after receipt of any claim, and amendments  
42 thereto, any insurer issuing a policy of accident and sickness insurance  
43 shall pay a clean claim for reimbursement in accordance with this section



5-8

1 or send a written or electronic notice acknowledging receipt of and the  
2 status of the claim. Such notice shall include the date such claim was  
3 received by the insurer and state that:

4 (1) The insurer refuses to reimburse all or part of the claim and spec-  
5 ify each reason for denial; or

6 (2) additional information is necessary to determine if all or any part  
7 of the claim will be reimbursed and what specific additional information  
8 is necessary.

9 (b) If any insurer issuing a policy of accident and sickness insurance  
10 fails to comply with subsection (a), such insurer shall pay interest at the  
11 rate of 1.5% per month on the amount of the claim that remains unpaid  
12 ~~30~~ days after the receipt of the claim. The interest paid pursuant to this  
13 subsection shall be included in any late reimbursement without requiring  
14 the person who filed the original claim to make any additional claim for  
15 such interest.

45

16 (c) After receiving a request for additional information, the person  
17 claiming reimbursement shall submit all additional information requested  
18 by the insurer within 30 days after receipt of the request for additional  
19 information. Failure to furnish such additional information within the  
20 time required shall not invalidate nor reduce the claim if it was not rea-  
21 sonably possible to give such information within such time, provided such  
22 proof is furnished as soon as possible as defined (within the time pre-  
23 scribed) in paragraph (7) of subsection (A) of K.S.A. 40-2203, and amend-  
24 ments thereto.

25 (d) Within 15 days after receipt of all the requested additional infor-  
26 mation, an insurer issuing a policy of accident and sickness insurance shall  
27 pay a clean claim in accordance with this section or send a written or  
28 electronic notice that states:

29 (1) Such insurer refuses to reimburse all or part of the claim; and

30 (2) specifies each reason for denial. Any insurer issuing a policy of  
31 accident and sickness insurance that fails to comply with this subsection  
32 shall pay interest on any amount of the claim that remains unpaid at the  
33 rate of 1.5% per month.

34 (e) The provisions of subsection (b) shall not apply when there is a  
35 good faith dispute about the legitimacy of the claim, or when there is a  
36 reasonable basis supported by specific information that such claim was  
37 submitted fraudulently.

38 (f) Any violation of this act by an insurer issuing a policy of accident  
39 and sickness insurance with flagrant and conscious disregard of the pro-  
40 visions of this act or with such frequency as to constitute a general busi-  
41 ness practice shall be considered a violation of the unfair trade practices  
42 act in K.S.A. 40-2401 et seq. and amendments thereto.

43 (g) The organizations of insurance shall adopt rules and regulations

6-9

- 1 necessary to carry out the provisions of this act.
- 2 Sec. 4. This act shall take effect and be in force from and after Jan-
- 3 uary 1, 2001, and its publication in the statute book.