

Approved: 3-6-01
Date

MINUTES OF THE SENATE COMMITTEE ON FINANCIAL INSTITUTIONS AND INSURANCE.

The meeting was called to order by Chairperson Sandy Praeger at 9:30 a.m. on February 27, 2001 in Room 234-N of the Capitol.

All members were present except: Senator Feleciano, excused

Committee staff present: Dr. Bill Wolff, Kansas Legislative Research Department
Ken Wilke, Office of the Revisor of Statutes
JoAnn Bunten, Committee Secretary

Conferees appearing before the committee:

Linda DeCoursey, Director of Government Affairs, Kansas Insurance Department
David A. Hanson, Kansas Insurance Associations

Others attending: See attached list.

Hearing on HB 2031 - Insurance; Risk based capital requirements

Linda DeCoursey, Director of Government Affairs, Kansas Insurance Department, testified before the Committee in support of **HB 2031** which would make a change to the law dealing with the filing of financial reports by insurance companies with the Department. The bill would reflect a change in the date of the standard so that carriers use the RBC formulas in effect as of December 31, 2000. (Attachment 1)

David A. Hanson, Kansas Insurance Associations, testified in support of **HB 2031**, and noted that the companies he represents believe there will not be any substantial adverse effect from the latest revisions referred to in the bill. (Attachment 2)

There were no opponents to the bill.

Hearing on HB 2032 - Insurance; removing references to the insurance commissioner from medical malpractice screening statutes

Linda DeCoursey, Director of Government Affairs, Kansas Insurance Department, testified in support of **HB 2032** which would make changes in two statutes dealing with the filing of malpractice screening panel opinions. Ms. DeCoursey noted that the Kansas Insurance Department really has no need to receive the malpractice screening panels, and she views this legislation as simply a paperwork reduction measure. (Attachment 3)

Written testimony in support of the bill was received from Terry Humphrey, Kansas Trial Lawyers Association. (Attachment 4)

There were no opponents to the bill.

Senator Salmans made a motion that the Committee recommend **HB 2032** favorable for passage, seconded by Senator Steineger. The motion carried.

Approval of Committee minutes

Senator Salmans made a motion to approve the Committee minutes of February 19, 20 and 21, seconded by Senator Teichman. The motion carried.

Adjournment

The meeting was adjourned at 10:10 a.m. The next meeting of the Committee is scheduled for February 28, 2001.



Kathleen Sebelius
Commissioner of Insurance
Kansas Insurance Department

TO: Senate Committee on Financial Institutions & Insurance
FROM: Linda J. De Coursey, Director of Government Affairs
RE: H.B. 2031 (Risk Based Capital)
DATE: February 27, 2001

Mdm. Chairwoman and members of the Committee:

I am appearing in support of House Bill 2031, which was introduced at the request of the Kansas Department of Insurance. This bill makes a change to the law dealing with the filing of financial reports by insurance companies with the Department.

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

X Our current law (K.S.A. 2000 Supp. 40-2c01) requires companies to use the 1999 version of the RBC instructions. The bill would reflect a change in the date of the standard so that carriers use the RBC formulas in effect as of December 31, 2000.

I respectfully ask that this committee approve H.B. 2031 favorably for passage.

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Senate Financial Inst. & Insurance
Date: 2-27-01
Attachment No. 1

KANSAS INSURANCE ASSOCIATIONS

David A. Hanson, Legislative Counsel
800 S.W. Jackson St. – Suite 900
Topeka, Kansas 66612-1259

PHONE 785-232-0545
FAX 785-232-0005

Kansas Association of Property & Casualty Insurance Cos.

Member Companies:

Armed Forces Insurance Exchange
Ft. Leavenworth

Bremen Farmers Mutual Ins. Co.
Bremen

Columbia Mutual Ins. Group
Salina

Farm Bureau Mutual Ins. Co.
Manhattan

Farmers Alliance Mutual Ins. Co.
McPherson

Farmers Mutual Ins. Co.
Ellinwood

Federated Rural Electric Insurance
Exchange
Lenexa

Kansas Mutual Ins. Co.
Topeka

Marysville Mutual Ins. Co.
Marysville

MutualAid Exchange
Overland Park

Upland Mutual Ins., Inc.
Chapman

Senate Financial Institutions and Insurance Committee Testimony on House Bill 2031 Presented by David A. Hanson

February 27, 2001

Madam Chairperson and Members of the Committee:

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

The risk based capital provisions referenced in House Bill 2031 were developed by the NAIC for adoption and use by the states as a standardized method of monitoring the solvency of insurers and the need for corrective action. We had requested the reference date in the statutory definition of "RBC instructions" to make sure that the adopted instructions and formula were limited to those that we had had an opportunity to review, rather than potential future revisions, which could adversely affect our companies' risk-based capital and the resulting action or control levels. While we believe our companies' remain in good standing under the previously adopted NAIC instructions and formula, we also believe any significant changes in those instructions and formula by the NAIC should be carefully considered before adopting them in Kansas.

Our companies have been reviewing the proposed changes and we do not believe there will be any substantial adverse effect from the latest revisions referred to in House Bill 2031. Thank you for your consideration.

Respectfully,



DAVID A. HANSON

Kansas Life Insurance Association

Member Companies:

The American Home Life Ins. Co.
Topeka

American Investors Life Ins. Co.
Topeka

Blue Cross & Blue Shield of
Kansas
Topeka

Employers Reinsurance Corp.
Overland Park

First Life America Corporation
Topeka

Kansas Farm Bureau Life Ins. Co.
Manhattan

Preferred Health Systems, Inc.
Wichita

The Pyramid Life Insurance Co.
Shawnee Mission

Security Benefit Life Ins. Co.
Topeka



Kathleen Sebelius
Commissioner of Insurance
Kansas Insurance Department

TO: Senate Committee on Financial Institutions & Insurance
FROM: Linda J. De Coursey, Director of Government Affairs
RE: H.B. 2032 (Malpractice screening panel reports)
DATE: February 27, 2001

Mdm. Chairwoman and members of the Committee:

I am appearing in support of House Bill 2032, which was introduced at the request of the Kansas Department of Insurance. This bill makes changes in two statutes (K.S.A. 60-3505 and K.S.A. 65-4904) dealing with the filing of malpractice screening panel opinions.

Currently, professional malpractice screening panels convene if a professional malpractice liability action is filed in a district court and one of the parties to the action requests that a screening panel be convened. For instance, we recently received opinions under K.S.A. 60-3505 on attorneys and architects; and under K.S.A. 65-4904, we recently received opinions regarding medical doctors and dentists. The Commissioner has no jurisdiction over these professionals under review by the screening panels. Even if the screening panel would be convened concerning a licensed insurance agent, insurance agents are already required to notify the insurance department of the existence of liability insurance coverage, and the reports are of no practical use to the Department. Therefore, Kansas Insurance Department really has no need to receive the malpractice screening panel opinions. We view this as simply a paperwork reduction measure.

I respectfully ask that this committee approve H.B. 2032 favorably for passage.

420 SW 9th Street
Topeka, Kansas 66612-1678

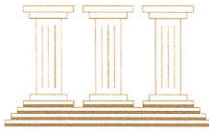
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Senate Financial Inst. & Insurance

Date: 2-27-01

Attachment No. 3



KANSAS TRIAL LAWYERS ASSOCIATION

Lawyers Representing Consumers

TO: Members of the Senate Committee on Financial Institutions and Insurance

FROM: Terry Humphrey
Executive Director
Kansas Trial Lawyers Association

RE: 2001 HB 2032

DATE: Feb. 27, 2001

Madam Chair and members of the Senate Committee on Financial Institutions and Insurance, thank you for the opportunity to provide comments on HB 2032, concerning professional malpractice liability screening panels. As the bill is drafted, KTLA supports removing the statutory requirement that copies of screening panel opinions be provided to the Kansas Commissioner of Insurance.

We appreciate your consideration of our comments on this bill and welcome any questions that you may have. Please let me know if we can be of further assistance.

Terry Humphrey, Executive Director

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E-Mail: triallaw@ink.org

Senate Financial Inst. & Insurance

Date: 2-27-01

Attachment No. 4