

MINUTES OF THE SENATE FINANCIAL INSTITUTIONS AND INSURANCE COMMITTEE

The meeting was called to order by Chairperson Ruth Teichman at 9:30 a.m. on January 27, 2004 in Room 234-N of the Capitol.

All members were present except:
Senator David Adkins- absent

Committee staff present:
Bill Wolff, Legislative Research
Ken Wilke, Office of the Revisor of Statutes
Nancy Shaughnessy, Committee Secretary

Conferees appearing before the committee:
Jarrod Forbes, Kansas Insurance Department

Others attending:
See Attached List.

Senator Teichman asked for approval of the minutes for January 13th, 14th and 15th. So moved.

Bill Introduction:

Ron Gaches appearing on behalf of KS. Association of Financial Services, a trade group of some prime lenders. KASF is asking for introduction of a bill (Attachment 1) which deals with two topics, and would amend the Kansas UCCC, Chapter 16A. The first component would be to allow a fee to be charged by lenders when a borrower contacts a lender to authorize a payment to be made electronically from their bank account. This is a service that lenders are providing currently to their borrowers but because it is not an enumerated fee in UCCC they are not able to charge for it. The bill asks for a maximum of a five dollar (\$5) fee for providing this service. The second component of the bill would seek to amend a notification requirement under the current law. Under current law if a borrower submits an insufficient funds check the lender is authorized to charge the borrower an insufficient funds fee. However the fee can only go on the balance due of the borrower falling notification of the lender to the borrower. KASF is requesting that lenders be allowed to put the fee on the statement that is received each month. Kansas is one of the very few states that is required to provide a separate notice of the fee.

Senator Salmans made a motion to accept the bill as introduced which was seconded by Senator Barnett.
Motion passed.

Laura Howard, Deputy Secretary SRS, appeared to introduce legislation (Attachment 2) that the State Children's health insurance program would remove the requirement that the program be capitated. This would give SRS some flexibility with the management of the program.

Senator Barnett made a motion to accept the bill as introduced which was seconded by Senator Buhler.
Motion passed.

Chuck Stones of the KBA, Kansas Banker's Association, introduced two separate bills (Attachment # 3) which both had to do with lienholders. The first one is in the case of a towed vehicle and the second one is a notice to lienholder in the case of seized property.

Senator Salmans made a motion to accept the bill as introduced which was seconded by Senator Buhler.
Motion passed.

Peggy Hanna of the State Treasurer's office introduced a bill (attachment # 4) which amends the unclaimed property act. The bill is presented to the Insurance Committee because it has to do with the demutualization of life insurance companies.

Senator Salmans made a motion to accept the bill as introduced which was seconded by Senator Barnett.
Motion passed.

The Chair opened the hearing on SB 340 regarding risk-based capital requirements (RBC). (Attachment#5) Jarrod Forbes of the Kansas Insurance Department indicated that the bill changes the date for risk based capital requirements. The RBC is the method the Department uses to evaluate the solvency of insurance companies.

CONTINUATION SHEET

MINUTES OF THE SENATE FINANCIAL INSTITUTIONS AND INSURANCE COMMITTEE at 9:30 a.m. on January 27, 2004 in Room 234-N of the Capitol.

The Chair asked the Committee if they would be comfortable moving the bill to the consent agenda.

Senator Buhler made a motion to move the bill out to the consent agenda. Seconded by Senator Brungardt. Motion passed.

The meeting adjourned at 10:14 A.M..

The next meeting is scheduled for Wednesday January 28th, 2004

Senate Financial Institutions and Insurance Committee

Date: 1/20/04
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Name:

Representing:

Janet Heber	KID
Ron Caches	Ks Asso. Financial Services
Laura Howard	SRS
Peggy Nanna	Treasurer's Office
Josie Torres	SILCK
Bill Sneed	State Farm
Kathy Olsen	Ks Bankers Assn.
Chuck Stones	KBA
Shari Heber	Com Bankers Assn of Ks.
Michael Byington	KR. Assn fit (Blind) + visually impaired.
Chin Collins	KAMMCO
Natalie Y. Haag	Security Benefit
Lina Byrnes	Ass Sec. SALMANS

**Senate Financial Institutions and Insurance Committee
Kansas Financial Services Association Bill Requests
Submitted by Ron Gaches,
Gaches, Braden, Barbee & Associates**

1. Allow a fee for pay by phone services by amending 16a-2-501.

Suggested language: "A charge amounting to five dollars (\$5.00) per payment if a borrower makes a payment by authorizing a licensee (verbally or in writing) to write a check or process a payment through the use of Automated Clearing House procedures on the borrower's checking account."

*

2. Remove the requirement to send out separate notification of a non-sufficient fund fee, contained in 16a-2-501(1)(iii).

Under current law, the licensee is required to provide a separate notification to the borrower that a non-sufficient fund fee will be levied for a non-sufficient fund check. We ask flexibility to include the notification of the non-sufficient fund check on the monthly statement, making the borrower aware proactively of the fee, instead of retroactively.

Senate FI & I Committee

Meeting Date: 1-27-04

Attachment No.: #1



K A N S A S

JANET SCHALANSKY, SECRETARY

KATHLEEN SEBELIUS, GOVERNOR

DEPARTMENT OF SOCIAL AND
REHABILITATION SERVICES

January 27, 2004

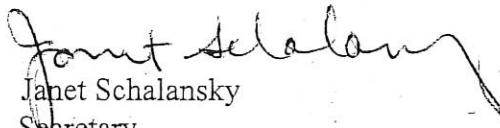
Honorable Ruth Teichman
Kansas Senate
Room 143-N, Statehouse
Topeka, Kansas 66612

Dear Senator Teichman:

I would like to request the introduction of a legislative proposal regarding removal of the requirement that managed care be capitated from the State Children's Health Insurance Program. This proposal provides SRS with the flexibility to manage the State Children's Health Insurance Program to achieve the best balance of cost effectiveness and quality.

I appreciate your Committee's introduction of this bill, and will be glad to testify or provide additional information as requested.

Sincerely,


Janet Schalansky
Secretary

cc: Audrey Dunkel, KLRD
Julie Thomas, Budget Division
Norm Furse, Revisor of Statutes

PROPOSED BILL NO. _____

By

AN ACT concerning the state children's health insurance program; amending K.S.A. 38-2004 and K.S.A. 2003 Supp. 38-2001 and repealing the existing sections.

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

Section 1. K.S.A. 2003 Supp. 38-2001 is hereby amended to read as follows: 38-2001. (a) The secretary of social and rehabilitation services shall develop and submit a plan consistent with federal guidelines established under section 4901 of public law 105-33 (42 U.S.C. 1397aa et seq.; title XXI).

(b) The plan developed under subsection (a) shall be a **capitated** managed care plan covering Kansas children from zero to 19 years which:

(1) Contains benefit levels at least equal to those for the early and periodic screening, diagnosis and treatment program;

(2) provides for presumptive eligibility for children where applicable;

(3) provides continuous eligibility for 12 months once a formal determination is made that a child is eligible subject to subsection (e);

(4) has performance based contracting with measurable outcomes indicating age appropriate utilization of plan services to include, but not limited to, such measurable services as immunizations, vision, hearing and dental exams, emergency room utilization, annual physical exams and asthma;

(5) shall use the same prior authorization standards and requirements as used for health care services under medicaid to further the goal of seamlessness of coverage between the two programs; and

(6) will provide targeted low-income children, as defined under section 4901 of public law 105-33 (42 U.S.C. 1397aa, et seq.), coverage subject to appropriations.

(c) The secretary is authorized to contract with entities authorized to transact health insurance business in this state to implement the health insurance coverage plan pursuant to

subsection (a) providing for several plan options to enrollees which are coordinated with federal and state child health care programs, except that when contracting to provide managed mental health care services the secretary shall assure that contracted entities demonstrate the ability to provide a full array of mental health services in accordance with the early and periodic screening, diagnosis and treatment plan. The secretary shall not develop a request for proposal process which excludes community mental health centers from the opportunity to bid for managed mental health care services.

(d) When developing and implementing the plan in subsection (a), the secretary to the extent authorized by law:

(1) Shall include provisions that encourage contracting insurers to utilize and coordinate with existing community health care institutions and providers;

(2) may work with public health care providers and other community resources to provide educational programs promoting healthy lifestyles and appropriate use of the plan's health services;

(3) shall plan for outreach and maximum enrollment of eligible children through cooperation with local health departments, schools, child care facilities and other community institutions and providers;

(4) shall provide for a simplified enrollment plan;

(5) shall provide cost sharing as allowed by law;

(6) shall not count the caring program for children, the Kansas health insurance association plan or any charity health care plan as insurance under subsection (e)(1); and

(7) may provide for payment of health insurance premiums, including contributions to a medical savings account if applicable, if it is determined cost effective, taking into account the number of children to be served and the benefits to be provided.

(e) A child shall not be eligible for coverage and shall lose coverage under the plan developed under subsection (a) of

K.S.A. 38-2001, and amendments thereto, if such child's family has not paid the enrollee's applicable share of any premium due.

If the family pays all of the delinquent premiums owed during the year, such child will again be eligible for coverage for the remaining months of the continuous eligibility period.

(f) The plan developed under section 4901 of public law 105-33 (42 U.S.C. 1397aa et seq., and amendments thereto) is not an entitlement program. The availability of the plan benefits shall be subject to funds appropriated. The secretary shall not utilize waiting lists, but shall monitor costs of the program and make necessary adjustments to stay within the program's appropriations.

Sec. 2. K.S.A. 38-2004 is hereby amended to read as follows: 38-2004. The secretary in contracting for ~~capitated~~ managed health care for children shall include in the pool of persons to be covered those eligible children covered by the Kansas medicaid program as law allows.

Sec. 3. K.S.A. 38-2004 and K.S.A. 2003 Supp. 38-2001 are hereby repealed.

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

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- **Notice to Lienholder of Towed Vehicle – KSA 8-1103 and 1104.** *This proposal would require any person who tows a vehicle under these provisions of law, to notify any lienholder of record within 15 days of towing the vehicle. It would also shorten the time period that the vehicle had to be held before it could be sold by the tower.*

Senate F I & I Committee

Meeting Date: 1-27-04

Attachment No.: 03

KBA Request for Legislation - 2004

Notice to Lienholder of Towed Vehicle

8-1103. Towed motor vehicles, lien thereon; procedure; personal property; providing notice of fee. (a) Whenever any person providing wrecker or towing service, as defined by law, while lawfully in possession of a vehicle, at the direction of a law enforcement officer or the owner, renders any service to the owner thereof by the recovery, transportation, protection, storage or safekeeping thereof, a first and prior lien on the vehicle is hereby created in favor of such person rendering such service and the lien shall amount to the full amount and value of the service rendered. The lien may be foreclosed in the manner provided in this act. If the name of the owner of the vehicle is known to the person in possession of such vehicle, then within 15 days, notice shall be given to the owner that the vehicle is being held subject to satisfaction of the lien. ***In addition, notice shall be given to any lienholder of record within 15 days after such person has taken possession of the vehicle.*** Any vehicle remaining in the possession of a person providing wrecker or towing service for a period of 60 days after such wrecker or towing service was provided may be sold to pay the reasonable or agreed charges for such recovery, transportation, protection, storage or safekeeping of such vehicle and personal property therein, the costs of such sale, the costs of notice to the owner of the vehicle and publication as required by this act, except that any such vehicle and personal property of a total value of less than \$1,000 may be sold at any time, after giving the notices required by this act, unless a court order has been issued to hold such vehicle for the purpose of a criminal investigation or for use as evidence at a trial. If a court orders any vehicle to be held for the purpose of a criminal investigation or for use as evidence at a trial, then such order shall be in writing, and the court shall assess as costs the reasonable or agreed charges for the protection, storage or safekeeping accrued while the vehicle was held pursuant to such written order. Any personal property within the vehicle need not be released to the owner thereof until the reasonable or agreed charges for such recovery, transportation or safekeeping have been paid, or satisfactory arrangements for payment have been made, except that personal medical supplies shall be released to the owner thereof upon request. The person in possession of such vehicle and personal property shall be responsible only for the reasonable care of such property. Any personal property within the vehicle not returned to the owner shall be sold at the auction authorized by this act.

(b) At the time of providing wrecker or towing service, any person providing such wrecker or towing service shall give written notice to the driver, if available, of the vehicle being towed that a fee will be charged for storage of such vehicle. Failure to give such written notice shall invalidate any lien established for such storage fee.

8-1104. Sale of vehicles and personal property; verification; notice. Before any such vehicle and personal property is sold, the person intending to sell such vehicle shall **send notice of sale to the owner and any lienholder of record, if any.** ~~request verification from the division of vehicles of the last registered owner and any lienholders, if any. Such verification request shall be submitted to the division of vehicles no less than 45 days nor more than 60 days after such person took possession of the vehicle, except that if the value of the vehicle and personal property is less than \$1,000, the verification request shall be submitted to the division of vehicles within 60 days after such person took possession of the vehicle.~~ Notice of sale, as provided in this act, shall be mailed by certified mail to any such registered owner and any such lienholders ~~within 40~~ **no sooner than 30 days nor more than 45 days** after ~~receipt of verification of the last owner and any lienholders, if any~~ **such person took possession of the vehicle.** The person intending to sell such vehicle and personal property pursuant to this act shall cause a notice of the time and place of sale, containing a description of the vehicle and personal property, to be published in a newspaper published in the county where such sale is advertised to take place, and if there is no newspaper published in such county, then the notice shall be published in some newspaper of general circulation in such county. Notices given under this section shall state that if the amount due, together with storage, publication, notice and sale costs, is not paid within 15 days from the date of mailing, the vehicle and personal property will be sold at public auction.

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Dated 01/27/2004

PROPOSED BILL NO. _____

BY

An act concerning unclaimed property that is the result of the demutualization of an insurance company; amending K.S.A. 2002 Supp. 58-3935 and K.S.A. 58-3950 and repealing the existing sections.

Section 1. K.S.A. 2002 Supp. 58-3935 is hereby amended to read as follows: K.S.A. 58-3935. (a) Property is presumed abandoned if it is unclaimed by the apparent owner during the time set forth below for the particular property:

(1) Traveler's check, 15 years after its issuance;

(2) money order, seven years after issuance;

(3) except as provided in K.S.A. 58-3943, and amendments thereto, stock or other equity interest in a business association or financial organization, including a security entitlement under article 8 of the uniform commercial code, five years after the earlier of:

(A) The date of the most recent dividend, stock split or other distribution unclaimed by the apparent owner; or

(B) the date of the second mailing of a statement of account or other notification or communication that was returned as undeliverable or after the holder discontinued mailings, notifications or communications to the apparent owner;

(4) debt of a business association or financial organization, other than a bearer bond or an original issue discount bond, five years after the date of the most recent interest payment unclaimed by the apparent owner;

(5) a demand, savings or time deposit, including a deposit that is automatically renewable, five years after the earlier of maturity or the date of the last indication by the owner

Senate FI & I Committee

Meeting Date: 1-27-04

Attachment No.: 4

of interest in the property, except that a deposit that is automatically renewable is deemed matured for purposes of this section upon its initial date of maturity, unless the owner has consented to a renewal at or about the time of the renewal and the consent is in writing or is evidenced by a memorandum or other record on file with the holder;

(6) money or credits owed to a customer as a result of a retail business transaction, five years after the obligation accrued;

(7) amount owed by an insurer on a life or endowment insurance policy or an annuity that has matured or terminated, three years after the obligation to pay arose or, in the case of a policy or annuity payable upon proof of death, three years after the insured has attained, or would have attained if living, the limiting age under the mortality table on which the reserve is based;

(8) property distributable by a business association or financial organization in a course of dissolution, one year after the property becomes distributable;

(9) property received by a court as proceeds of a class action, and not distributed pursuant to the judgment, one year after the distribution date;

(10) property held by a court, state or other government, governmental subdivision, agency or instrumentality, one year after the property becomes distributable;

(11) wages or other compensation for personal services, one year after the compensation becomes payable;

(12) deposit or refund owed to a subscriber by a utility, one year after the deposit or refund becomes payable;

(13) property held by agents and fiduciaries in a fiduciary capacity for the benefit of another person, five years after it has become payable or distributable, unless the owner has increased or decreased the principal, accepted payment of principal or income, communicated

concerning the property or otherwise indicated an interest as evidenced by a memorandum or other record on file prepared by the fiduciary;

(14) property in an individual retirement account, defined benefit plan or other account or plan that is qualified for tax deferral under the income tax laws of the United States, three years after the earliest of the date of the distribution or attempted distribution of the property, the date of the required distribution as stated in the plan or trust agreement governing the plan, or the date, if determinable by the holder, specified in the income tax laws of the United States by which distribution of the property must begin in order to avoid a tax penalty;

(15) property distributable in the course of a demutualization, rehabilitation, or related reorganization of an insurance company shall be deemed abandoned as follows:

(A) any check or draft, two years after the date of the demutualization or reorganization, if the check or draft has not been presented for payment and the owner has not otherwise communicated with the holder or its agent regarding the property;

(B) any other property, two years after the date of the demutualization or reorganization if instruments or statements reflecting the distribution are either mailed to the owner and returned by the post office as undeliverable, or not mailed to the owner because of an address on the books and records of the holder that is known to be incorrect; and

i. the owner has not communicated in writing with the holder or its agent regarding the property or;

ii. otherwise communicated with the holder or its agent regarding the property as evidenced by a memorandum or other record on file with the holder or its agent.

(C) Property not subject to subsection subsection (A) or (B) above within two years of the distribution shall remain reportable under other sections of this chapter.

~~(15)~~(16) all other property, five years after the owner's right to demand the property or after the obligation to pay or distribute the property arises, whichever first occurs; and

(~~16~~17) any proceeds of a sale pursuant to K.S.A. 58-817, and amendments thereto, which remain after satisfaction of the lien provided by K.S.A. 58-816, and amendments thereto, that have been unclaimed by the owner for one year from receipt of the proceeds of the sale and satisfaction of the lien.

(b) At the time that an interest is presumed abandoned under subsection (a) any other property right accrued or accruing to the owner as a result of the interest, and not previously presumed abandoned, is also presumed abandoned.

(c) Property is unclaimed if, for the applicable period set forth in subsection (a), the apparent owner has not communicated in writing or by other means reflected in a contemporaneous record prepared by or on behalf of the holder, with the holder concerning the property or the account in which the property is held, and has not otherwise indicated an interest in the property. A communication with an owner by a person other than the holder or the holder's representative who has not in writing identified the property to the owner is not an indication of interest in the property by the owner.

(d) An indication of an owner's interest in property includes:

(1) The presentment of a check or other instrument of payment of a dividend or other distribution made with respect to an account or underlying stock or other interest in a business association or financial organization or, in the case of a distribution made by electronic or similar means, evidence that the distribution has been received;

(2) owner-directed activity in the account in which the property is held, including a direction by the owner to increase, decrease or change the amount or type of property held in the account;

(3) the making of a deposit to or withdrawal from a bank account; and

(4) the payment of a premium with respect to a property interest in an insurance policy, except that the application of an automatic premium loan provision or other nonforfeiture provision contained in an insurance policy does not prevent a policy from maturing or terminating if the insured has died or the insured or the beneficiary of the policy has otherwise become entitled to the proceeds before the depletion of the cash surrender value of a policy by the application of those provisions.

(e) Property is payable or distributable for the purpose of this act notwithstanding the owner's failure to make demand or to present any instrument or document otherwise required to obtain payment.

(f) Any demand or savings account or matured timed deposit with a financial organization shall not be presumed abandoned if regular correspondence to an owner of the account has not been returned to the sender.

(g) Any outstanding check, draft, credit balance, customer's overpayment or unidentified remittance issued to a sole proprietorship or business association as part of a commercial transaction in the ordinary course of a holder's business shall not be presumed abandoned.

(h) A holder may not impose with respect to any property payable or distributable for the purpose of this act, including any income or increment derived therefrom, any fee or charge due to dormancy or inactivity or cease payment of interest unless:

(1) There is an enforceable written contract between the holder and the owner of the property pursuant to which the holder may impose a charge or cease payment of interest;

(2) for property in excess of \$100, the holder, no more than three months before the initial imposition of those charges or cessation of interest, has mailed written notice to the owner of the amount of those charges at the last known address of the owner stating that those charges will be imposed or that interest will cease, but the notice provided in this section need not be given with respect to charges imposed or interest ceased before the effective date of this act, or for property described in K.S.A. 58-3937 and 58-3938, and amendments thereto; and

(3) the holder regularly imposes such charges or ceases payment of interest and in no instance reverses or otherwise cancels them or retroactively credits interest with respect to the property. Charges imposed because of dormancy or inactivity may be made and collected monthly, quarterly or annually except that beginning with the effective date of this act, such charges may only be imposed for a maximum of five calendar years.

(i) For the purpose of this section, a person who holds property as an agent for a business association is deemed to hold the property in a fiduciary capacity for that business association alone unless the agreement between the agent and the business association provides otherwise.

(j) For the purposes of this act, a person who is deemed to hold property in a fiduciary capacity for a business association alone is the holder of the property only insofar as the interest of the business association in the property is concerned, and the business association is the holder of the property insofar as the interest of any other person in the property is concerned.

(k) Any property held by a financial organization that would otherwise be presumed abandoned under this section shall not be presumed abandoned if the apparent owner:

(1) Owns other property which is not presumed abandoned and if the financial organization communicates in writing with the owner with regard to the property that would otherwise be presumed abandoned under this section at the address to which communications regarding the other property regularly are sent; or

(2) had another relationship with the financial organization concerning which the owner has:

(A) Communicated in writing with the financial organization; or

(B) otherwise indicated an interest as evidenced by a memorandum or other record on file prepared by an employee of the financial organization and if the financial organization communicates in writing with the owner with regard to the property that would otherwise be abandoned under this section at the address to which communications regarding the other relationship regularly are sent.

Section 2. K.S.A. 58-3950 is hereby amended to read as follows: K.S.A. 58-3950. (a) Except as provided in subsection (i), a holder of property presumed abandoned shall make a report to the administrator concerning the property.

(b) The report must be verified and must contain:

(1) A description of the property;

(2) except with respect to a traveler's check or money order, the name, if known, and last known address, if any, and social security number or taxpayer identification number, if readily ascertainable, of the apparent owner of property of the value of \$100 or more;

(3) an aggregated amount of items valued under \$100 each;

(4) in the case of an amount of \$100 or more held or owing under an annuity or a life or endowment insurance policy, the full name and last known address of the insured or annuitant and of the beneficiary;

(5) in the case of property held in a safe deposit box or other safekeeping depository, a description of the property and any amounts owing to the holder;

(6) the date, if any, on which the property became payable, demandable or returnable and the date of the last transaction with the apparent owner with respect to the property; and

(7) other information that the administrator prescribes by rules and regulations as necessary for the administration of this act.

(c) If a holder of property presumed abandoned is a successor to another person who previously held the property for the apparent owner or the holder has changed its name while holding the property, the holder shall file with the report its former names, if any, and the known names and addresses of all previous holders of the property.

(d) The report must be filed before November 1 of each year and cover the 12 months next preceding July 1 of that year, but a report with respect to a life insurance company must be filed before May 1 of each year for the calendar year next preceding. The initial report of property distributable in the course of a demutualization, rehabilitation, or related reorganization of an insurance company shall be due by November 1, 2004 as of December 31, 2003.

(e) The holder of property presumed abandoned shall send written notice to the apparent owner, not more than 120 days or less than 60 days before filing the report, stating that the holder is in possession of property subject to this act if:

(1) The holder has in its records an address for the apparent owner which the holder's records do not disclose to be inaccurate;

(2) the claim of the apparent owner is not barred by a statute of limitations; and

(3) the value of the property is \$100 or more, or is reported under K.S.A. 58-3943 or 58-3949 and amendments thereto.

(f) The written notice shall also contain the following:

(1) Nature and identifying number, if any, or description of the funds or other property;
and

(2) the amount appearing on the records of the holder to be due the apparent owner.

(g) If the holder is not a life insurance company, the written notice shall set-forth an additional statement that the funds or other property will be reported as unclaimed property to the state treasurer of Kansas no later than November 1 of the current year.

(h) If the holder is a life insurance company, the written notice shall set forth an additional statement that the funds or other property will be reported as unclaimed property to the state treasurer of Kansas no later than May 1 of the current year.

(i) The holder of property presumed abandoned does not need to file a report under the provisions of this section if such holder has no individual property valued over \$100 and the total value of such holder's aggregated property is under \$250, unless required to do so by the provisions of subsection (k).

(j) Before the date for filing the report, the holder of property presumed abandoned may request the administrator to extend the time for filing the report. The administrator may grant the extension for good cause. The holder, upon receipt of the extension, may make an interim payment on the amount the holder estimates will ultimately be due which terminates the accrual of additional interest on the amount paid.

(~~ki~~) The administrator, in the administrator's discretion, may require that any holder of property presumed abandoned, file a report as required by this section.

Section 3. K.S.A. 2003 Supp. 58-3935 and K.S.A.58-3950 are hereby repealed.

Section 4. This act shall take effect and be in force from and after July 1, 2004.



Kansas Insurance Department

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Sandy Praeger COMMISSIONER OF INSURANCE

COMMENTS
ON
SB 340—RISK-BASED CAPITAL REQUIREMENTS
January 27, 2004

Madam Chair and Members of the Committee:

Thank you for the opportunity to visit with you on behalf of the Kansas Insurance Department. This bill is a proposal to amend K.S.A. 40-2c01(j), which is the definition of "RBC instructions" for life and property & casualty insurance companies.

Risk-based capital (RBC) is a method that has been used by the Kansas Insurance Department since the mid 1990's to evaluate the financial solvency of insurance companies doing business in this state. The RBC statutes also prescribe various forms of regulatory action that may be taken, or shall be taken, in the event that a company's calculated RBC meets certain thresholds.

Companies must file financial reports with the Department using RBC instructions and formulas developed by the National Association of Insurance Commissioners (NAIC). These instructions, including the formulas, are amended each year to address various matters, such as changes to line references in the annual statement blanks and to reflect any necessary modifications or adjustments to the formulas.

The current law requires companies to use the December 31, 2002 version of the "RBC instructions". This bill would reflect a change in the date of the standard so that companies would use the "RBC instructions", including the formulas, in effect as of December 31, 2003.

The passage of this bill would be beneficial in our efforts to monitor and regulate the insurance industry and on behalf of the Kansas insured.

Jarrod Forbes
Legislative Liaison

Senate FI & I Committee

Meeting Date: 1-27-04

Attachment No.: 5