

Approved: January 31, 2005
Date

MINUTES OF THE HOUSE INSURANCE COMMITTEE

The meeting was called to order by Chairman Clark Shultz at 3:30 P.M. on January 26, 2006 in Room 527-S of the Capitol.

All members were present except:

Representative Eric Carter- excused
Representative Ray Cox- excused
Representative Nancy Kirk- excused
Representative Virgil Peck- excused
Representative Bonnie Sharp- excused

Committee staff present:

Melissa Calderwood, Kansas Legislative Research Department
Terri Weber, Kansas Legislative Research Department
Ken Wilke, Revisor of Statutes Office
Sue Fowler, Committee Secretary

Conferees appearing before the committee:

Jarrod Forbes, Kansas Department of Insurance, Topeka, KS
Dave Hanson, KS Insurance Associations, Topeka, KS

Others attending:

See attached list.

Introduction of Bills:

Representative Grant introduced a committee bill regarding underinsured car insurance coverage.

Representative Grant moved for the introduction of the bill. Seconded by Representative Kelsey. Motion carried.

Hearing on:

HB 2691: Health insurance; HIPAA technical changes.

Proponent:

Jarrod Forbes, KS State Department of Insurance, (Attachment #1), appeared before the committee in support of **HB 2691**.

Hearing closed on **HB 2691**.

Hearing on:

HB 2692: Insurance; risk-based capital requirements.

Proponent:

Jarrod Forbes, Kansas Department of Insurance, (Attachment #2), appeared before the committee in support of **HB 2692**.

Dave Hanson, KS Insurance Associations, (Attachment #3), gave testimony in support of **HB 2692**.

Hearing closed on **HB 2692**.

CONTINUATION SHEET

MINUTES OF THE House Insurance Committee at 3:30 P.M. on January 26, 2006 in Room 527-S of the Capitol.

Discussion and action on:

HB 2691: Health insurance; HIPAA technical changes.

Representative Kelsey moved HB 2691 favorable for passage and sent to Consent Calendar. Seconded by Representative Dillmore. Motion passed.

HB 2692: Insurance; risk-based capital requirements.

Representative Kelsey moved HB 2692 favorable for passage and sent to Consent Calendar. Seconded by Representative Dillmore. Motion passed.

Representative Grant moved to approve the committee minutes of January 24, 2006, with name corrections. Seconded by Representative Dillmore. Motion passed.

Meeting was adjourned at 3:50 P.M.

Next meeting will be Tuesday, January 31, 2006, at 3:30 P.M., in Room 527-S.



Kansas Insurance Department

Sandy Praeger COMMISSIONER OF INSURANCE

COMMENTS
ON
HB 2691—HEALTH INSURANCE; HIPAA TECHNICAL CHANGE
HOUSE COMMITTEE ON INSURANCE
January 26, 2006

Mr. Chairman and Members of the Committee:

Thank you for the opportunity to visit with you on behalf of the Kansas Insurance Department. House Bill 2691 amends the Kansas Mental Health Parity Law (K.S.A. 40-2258) by extending the sunset date for one more year to December 31, 2006.

The controlling federal legislation was recently passed and signed into law. Kansas, along with every other state, is required by this legislation to change its sunset date to December 31, 2005. Failure to do so would surrender regulatory control in this area to the federal government.

Thank for the opportunity to speak today I would be happy to stand for any questions the committee may have.

Jarrod Forbes
Government Affairs Officer

House Insurance
Date: 1-26-06
Attachment # 1



K a n s a s I n s u r a n c e D e p a r t m e n t

Sandy Praeger COMMISSIONER OF INSURANCE

COMMENTS
ON
HB 2692—RISK BASED CAPITAL REQUIREMENTS
HOUSE COMMITTEE ON INSURANCE
January 26, 2006

Mr. Chairman 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 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, 2004 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, 2005.

Thank for the opportunity to speak today I would be happy to stand for any questions the committee may have.

Jarrod Forbes
Government Affairs Officer

House Insurance
Date: 1-26-06
Attachment # 2

KANSAS INSURANCE ASSOCIATIONS

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House Insurance Committee Testimony on House Bill 2692

Kansas Association of Property & Casualty Ins. Cos.

Member Companies:

Armed Forces Insurance
Exchange
Ft. Leavenworth

Bremen Farmers Mutual
Insurance Co.
Bremen

Columbia Insurance Group
Salina

Farm Bureau Mutual
Insurance Company
Manhattan

Farmers Alliance Mutual
Insurance Company
McPherson

Farmers Mutual Insurance Co.
Ellinwood

Federated Rural Electric
Insurance Exchange
Lenexa

Kansas Mutual Insurance Co.
Topeka

Marysville Mutual Insurance Co.
Marysville

Mutual Aid Association of the
Church of the Brethren
Abilene

Mutual Aid eXchange
Overland Park

Upland Mutual Insurance Co.
Chapman

January 26, 2006

Mr. Chairman and Members of the Committee:

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

The risk-based capital provisions referenced in the Bill were developed by the NAIC for adoption and use by the states as a standardized method of monitoring the solvency of insurers and assessing the need for corrective action. The reference date in the statutory definition of "RBC instructions" was originally requested 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 evaluation 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 adoption in Kansas.

At this point, we do not believe there will be any substantial adverse effect from the latest revisions referred to in the Bill before you. Thank you for your consideration.

Respectfully,



DAVID A. HANSON

Kansas Life Insurance Association

Member Companies:

The American Home Life
Insurance Company
Topeka

American Investors Life
Insurance Company
Topeka

Blue Cross/Blue Shield
of Kansas
Topeka

Employers Reassurance
Corporation
Overland Park

First Life America Corporation
Topeka

Preferred Health Systems
Wichita

The Pyramid Life Insurance
Company
Shawnee Mission

Security Benefit Life Insurance
Company
Topeka