

MINUTES OF THE SENATE FINANCIAL INSTITUTIONS AND INSURANCE COMMITTEE

The meeting was called to order by Chairman Ruth Teichman at 9:30 A.M. on February 13, 2007 in Room 234-N of the Capitol.

All members were present except:

Jim Barone- excused

Committee staff present:

Melissa Calderwood, Kansas Legislative Research Department

Terri Weber, Kansas Legislative Research Department

Ken Wilke, Office of Revisor of Statutes

Bev Beam, Committee Secretary

Conferees appearing before the committee:

Ted Clark, Kansas Insurance Dept.

John Meetz, Kansas Insurance

Bill Sneed, AHIP

Others attending:

See attached list.

The Chair called the meeting to order.

Senator Wysong moved to approve the minutes of January 24, 25, 30, 31; and February 1, 6, 7, and 8. Senator Brungardt seconded the motion. Motion carried.

Hearing on:

SB 208 - concerning criminal history records; authorizing access by the insurance department to criminal history record information for certain purposes.

Ted Clark, Anti-Fraud Director, Kansas Insurance Department testified that the intention of SB 208 is to allow the Anti-Fraud Division of the Kansas Insurance Department the opportunity to apply for access to the Kansas Criminal Justice Information System (KCJIS). Mr. Clark said access to KCJIS is imperative for any criminal justice agency to determine the criminal histories of suspects and witnesses. Mr. Clark said the Kansas Insurance Department introduced a substitute bill to SB 208. The original bill designated the Kansas Insurance Department as an entity that would be granted access to the KCJIS. This created problems because agencies with access to KCJIS must have at least 50% of their budget going to law enforcement procedures. Under the substitute bill, the Anti-Fraud Division under the Kansas Insurance Department will be recognized by statute as a criminal justice entity and be eligible to apply for access to KCJIS. Copy of substitute language is attached. (Attachment 1)

Hearing on:

SB 239 - concerning long-term care insurance; providing for prompt payment of claims.

The Chair asked Melissa Calderwood for an overview of the bill. Ms. Calderwood stated that sections one through three and the amendments shall be known as the Kansas Long-Term Care Insurance Prompt Payment Act and shall apply to any policy of long-term care insurance issued or renewed in this state. Within 30 days after receipt of any claim, the insurer issuing a policy of long-term care insurance shall pay for reimbursement or send a written or electronic notice acknowledging receipt of and the status of the claim. The notice shall include the date the claim was received by the insurer.

John Meetz, Kansas Insurance Department, testified that SB 239 was designed specifically for long-term care insurance. Mr. Meetz said the reason for a long-term care prompt pay bill is that several companies are treating long-term care payments on a short term basis allowing payments that should have been routine or automatic to be delayed 60 to 90 days. Mr. Meetz said originally SB 239 required that companies writing long-term care insurance must pay clean claims within 15 days after the information gathering process or must

CONTINUATION SHEET

MINUTES OF THE Senate Financial Institutions and Insurance Committee at 9:30 A.M. on February 13, 2007 in Room 234-N of the Capitol.

send a written or electronic notice that states the insurer refuses to reimburse all or part of the claim. He said since the bill was originally drafted, KID has discussed a compromise with the long-term care industry. The industry suggested the statute require claims be paid within 30 days as opposed to 15. Kansas Insurance Department has agreed that 30 days is sufficient to accomplish goals of prompt-pay. (Attachment 2)

Bill Sneed, representing America's Health Insurance Plans, testified that the Kansas Insurance Department, in an effort to expand the prompt pay laws for both dental and long-term care, approached America's Health Insurance Plans regarding this proposal. Inasmuch as member companies who sell long-term care policies do so on a national basis, AHIP requested the Department mirror those statutes already in effect in the country. AHIP requested that the Department change on Page 2, line 15, the number of days from 15 to 30. AHIP respectfully requests that Kansas mirror other states for ease of administration and continue to keep costs down. AHIP requests that the committee approve the amendments and pass the bill out favorably as amended. (Attachment 3)

Kansas Health Care Association presented written testimony supporting SB 239. (Attachment 4)

Jim Hall, American Council of Life Insurers presented written testimony supporting SB 239. (Attachment 5)

The Chair asked Ken Wilke for the balloon language. Mr. Wilke said the balloon simply changes the figure on page 2, line 15 (d) from 15 days to 30.

The Chair closed the hearing on SB 239.

Action on:

SB 113 - concerning insurance agents and producers; relating to the continuing education requirements; amending K.S.A. 2006 Supp. 40-4903 and repealing the existing section.

The Chair asked Ken Wilke to go over the balloon. Mr. Wilke said he has rewritten material on page 2, lines 2 through 16. It now states that instead of requiring 24 hours continuing education credit immediately, there will be a phase in. For license biennium commencing on or after January 1, 2011, each licensed agent who is an individual and holds a life, accident and health or variable contract shall biennially complete 24 CEC's under this act and that must include three hours in insurance ethics and legal compliance. There is a change in terminology from insurance ethics to insurance ethics and legal compliance, per the Department's request. Concerning license bienniums commencing January 1, 2009 and ending December 31, 2010, agents must obtain 18 credit hours with at least three hours of instruction in insurance ethics and legal compliance. Concerning the current biennium which ends December 31, 2008 the current requirement of 12 hours with at least one hour of instruction in ethics and legal compliance would continue. There is also included a subsection to allow carry over of hours from one biennium to the next if they are not necessary to satisfy requirements that may be left from a prior biennium. The agent must have obtained all the necessary requirements for compliance. In the licensing biennium ending in 2008, no CEC's would be carried over. However, the next biennium between 2009 and ending in 2010, you can carry over a maximum of 9 hours. After that, you can carry over a maximum of 12 hours from one licensing period to the next.

Following Q & A, Leroy Brungardt said this is a compromise on the part of the Department and the Department is comfortable with it.

The Chair called for action on SB 113. Senator Wilson moved to accept the balloon amendments to SB 113. Seconded by Senator Schmidt. Motion carried with Senator Wysong voting no.

Senator Wilson moved to pass SB 113 out favorably as amended. Senator Brownlee seconded. Motion passed with Senator Wysong voting no.

Senator Schmidt moved to amend SB 239 and pass it out favorably. Senator Wysong seconded. Motion carried.

Meeting adjourned at 10:30 a.m.

FINANCIAL INSTITUTIONS & INSURANCE COMMITTEE GUEST LIST

DATE: 2-13-07

NAME	REPRESENTING
Bill Sneed	AHLA
Alex Kotyantz	P.I.A.
LARRY MAGILL	KATA
KERRI SPIELMAN	KATA
John Meck	KID
Ted Clark	KID



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

TESTIMONY ON SB 208

SENATE FINANCIAL INSTITUTIONS AND INSURANCE
February 13, 2007

Madam Chair and Members of the Committee:

Thank you for the opportunity to speak with you today regarding Senate Bill 208. My name is Ted Clark and I am the Director of the Anti-Fraud Division of the Kansas Insurance Department. The intention of this bill is to allow the Anti-Fraud Division of the Kansas Insurance Department the opportunity to apply for access to the Kansas Criminal Justice Information System (KCJIS).

Access to KCJIS is imperative for any criminal justice agency to determine the criminal histories of suspects and witnesses. Without access, investigators are vulnerable to potentially violent criminals during the investigation process.

As you will see we have introduced a substitute bill to SB 208. The original bill designated the Kansas Insurance Department as an entity that would be granted access to the KCJIS. This created problems because agencies with access to KCJIS must have at least 50% of their budget going to law enforcement procedures.

The revision of the original bill was accomplished with the assistance of the Kansas Highway Patrol and Kansas Bureau of Investigation. Under the substitute bill the Anti-Fraud Division under the Kansas Insurance Department will be recognized by statute as a criminal justice entity and thus be eligible to apply for access to KCJIS.

Thank you for your time and I would be happy to stand for any questions.

Ted Clark
Anti-Fraud Director
Kansas Insurance Department

*FI&I
2-13-07
Attachment 1*



Kansas Insurance Department

Sandy Praeger COMMISSIONER OF INSURANCE

TESTIMONY ON

SB 239

SENATE FINANCIAL INSTITUTIONS AND INSURANCE

February 13, 2006

Madam Chair and Members of the Committee:

Thank you for the opportunity to speak with you today regarding Senate Bill 239. This bill is a "prompt pay" law designed specifically for long-term care insurance.

Long-term care bills tend to be for conditions that are more chronic in nature. The need for a long-term care prompt pay bill is that several companies were treating long term care payments on a short term basis and so payments that should have been routine or automatic were being delayed 60 to 90 days over and over again.

Complaints from consumers regarding this problem are frequent. Requests for payment are often made on behalf of the insured by family members and often by long-term care providers, yet from certain companies payments are consistently two to three months late

Originally, SB 239 required that companies writing long-term care insurance must pay clean claims within 15 days after the information gathering process or must send a written or electronic notice that states the insurer refuses to reimburse all or part of the claim and specifies the reason for the denial.

Any insurer that fails to pay or deny the claim within the specified period of time shall pay interest on the amount of the claim at a rate of 1% per month.

Since the bill was originally drafted we have discussed a compromise with the long-term care industry. The industry suggested the statute require claims be paid within 30 days as opposed to 15. The Department has agreed that 30 days will be sufficient to accomplish our goals of prompt-pay. Additionally, the department appreciates the industry's willingness to work with us in an attempt to make improvements.

Thank you for your time and I would be happy to stand for any questions.

John Meetz
Government Affairs Liaison
Kansas Insurance Department

*FI & I
2-13-07
Attachment 2*

Polsinelli | Shalton
Welte | Suelthaus_{PC}

Memorandum

TO: THE HONORABLE RUTH TEICHMAN, CHAIR
SENATE FINANCIAL INSTITUTIONS AND INSURANCE COMMITTEE

FROM: WILLIAM W. SNEED, LEGISLATIVE COUNSEL
AMERICA'S HEALTH INSURANCE PLANS

RE: S.B. 239

DATE: FEBRUARY 13, 2007

Mr. Chairman, Members of the Committee: My name is Bill Sneed and I am Legislative Counsel for America's Health Insurance Plans ("AHIP"). AHIP is a trade association representing nearly 1,300 member companies providing health insurance coverage to more than two million Americans. Our member companies offer medical expense insurance; long-term care insurance, disability income insurance, dental insurance, supplemental insurance, stop-loss insurance and reinsurance to consumers, employers and public purchasers. We appreciate the opportunity to present testimony in support of proposed amendments to S.B. 239, and thereafter, support of the bill.

The Kansas Insurance Department in an effort to expand the prompt pay laws for both dental and long-term care approached my client relative to this proposal. Inasmuch as our member companies that sell long-term care policies do so on a national basis, we requested the Department mirror those statutes already in effect in the country.

To meet that goal, the Department introduced a new statute dealing with long-term care and prompt pay as opposed to simply inserting long-term care in the current law. Long-term care, although sold under the license of an accident and health certificate is truly not accident and health in the traditional sense and as such my clients attempt, whenever possible, to separate long-term care statutes from accident and health statutes.

Secondly, my client requested that the Department change on Page 2, line 15, the number of days from 15 to 30. Again, as we sell throughout the country state laws, which do provide for prompt pay statutes relative to long-term care contracts, have a 30-day timeframe. Although most if not all clean claims are paid well in advance of that, we respectfully request that Kansas mirror those other states for ease of administration and to continue to keep costs down.

*FI?I
2-13-07
Attachment 3*

Based on the foregoing and with the amendments we would respectfully request that the committee approve the amendments and pass the bill out as amended, favorably. I'm available for questions at your convenience.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'William W. Sneed', written in a cursive style.

William W. Sneed

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February 13, 2007

Senate Financial Institutions and Insurance

Madam Chairwoman and Members of the Committee:

On behalf of the Kansas Health Care Association which represents over 180 nursing homes, assisted living, and nursing facilities for mental health thank you for the opportunity to provide support for Senate Bill 239, the long term care insurance prompt payment of claims legislation.

In Kansas, providers are starting to see between 10-15% of our residents using long term care insurance to supplement the cost of their care. This is especially true in assisted living settings. From what my providers report to me the process of filing claims is so cumbersome that it is difficult for most elderly people to navigate the system. If residents do not have an advocate it is nearly impossible to keep up with what the companies require. We all hope as more people are using their long term care insurance policies this will improve industry wide. In the meantime our providers do not hesitate to contact the Kansas Insurance Department when problems arise.

The providers who advocate on behalf of their residents report the insurance companies seem to ask for the same information over and over again. As one administrator told me, she does not mind the monthly status calls but she believes it gets a little ridiculous when someone's status has not changed for months.

These seniors have paid their long term care insurance premiums loyally for years. Now they find themselves having to cash their private savings (cd's) to cover their expenses because of the delay in legitimate benefits being delayed for payment. This becomes a real hardship financially. These are the people who have saved for years so they could be responsible for their own care as they aged. We believe the prompt payment of claims legislation for long term care insurance would begin to address this problem when issues arise.

Please consider the passage of SB 239 favorably out of committee.

Thank you.

Cindy Luxem
CEO/President
Kansas Health Care Association

FI&I
2-13-07
Attachment 4



James D. Hall
Regional Vice President, State Relations

February 12, 2007

The Honorable Ruth Teichman
Chair, Senate Financial Institutions and Insurance
State Capitol, Room 241E
300 SW 10th Street,
Topeka, KS 66612

Re: SB 239

Dear Senator Teichman:

I am writing on behalf of the American Council of Life Insurers (ACLI), a national trade association whose 373 members account for 91% of the life insurance and 95% of the annuities sold in America. Our members also account for a significant percentage of the long-term care insurance sold today.

We are writing in support of SB 239, The Kansas Long-Term Care Prompt Payment Act. We believe that setting forth specific requirements for paying long-term care insurance claims will benefit both consumers and the insurance companies.

We also support what we anticipate will be an amendment to Section 3 (d) of the bill wherein the number 15 would be changed to the number 30. Making the amendment to 30 days will make the time period for paying a clean claim in accordance with this section consistent with the 30 days which are initially given to the insurance company for either paying the claim or notifying the insured of the status of the claim and also consistent with the 30 days which are given to the claimant to provide the insurer with any additional required information. Allowing 30 days recognizes the occasional minor delays that can occur in claims processing; e.g. mail delays and absences of personnel.

Again, the ACLI supports SB 239 and we appreciate the opportunity to comment on this important legislation.

Very truly yours,

James D. Hall