

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 March 7, 2007 in Room 234-N of the Capitol.

All members were present.

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:

John Meetz, Government Affairs Liaison, KID; and Scott Heidner, Kansas Self Insurers Association

Others attending:

See attached list.

The Chair welcomed everyone to the meeting.

Hearing on:

HB 2107 - concerning insurance; relating to security deposits in financial institutions.

John Meetz, Government Affairs Liaison, Kansas Insurance Department, testified in support of HB 2107. He said this bill changes K.S.A. 40-229a regarding the definition of financial institutions as they pertain to security deposits. The main purpose of this proposed bill is to add trust companies to the list of allowed custodial entities for statutory deposits because they were not specifically identified in the law, he said. Mr. Meetz said the original version of this bill mistakenly omitted savings and loan associations and savings banks. This was done in accordance with the NAIC model law. After consulting with representatives of the savings banks, the Department would like to re-include them in the statute that defines financial institutions. (Attachment 1)

The Chair closed the hearing on HB 2107.

Hearing on:

HB 2115 - concerning the workers compensation group-funded pool; relating to the collection of the premium tax.

John Meetz again testified in support of HB 2115. Mr. Meetz testified that under the current statute, the collection of this tax is based on the gross manual premium calculation before any available premium discounts. He said this tax is necessary to cover the administration of the pools for the following year. The Insurance Department proposes that this tax be collected on the actual Kansas gross premium collected by each pool in the preceding fiscal year. The pools will still be able to make certain deductions from their collected premiums. The Insurance Department believes that collecting the premium tax upon the actual premium collected is a more accurate representation of the money that comes into workers compensation group-funded pools. (Attachment 2)

Scott Heidner, Executive Director, Kansas Self Insurers Association, also testified in support of HB 2115. He said this bill corrects a potential inconsistency in how the amount of premium taxes owed to the state by a self-insured pool is calculated. He said this bill confirms that those work comp pools pay premium taxes to the state on only those fees that are collected from pool members. (Attachment 3)

The Chair closed the hearing on HB 2115.

CONTINUATION SHEET

MINUTES OF THE Senate Financial Institutions and Insurance Committee at 9:30 A.M. on March 7, 2007 in Room 234-N of the Capitol.

Hearing on:

HB 2116 - concerning certain rules and regulations of the commissioner of insurance.

John Meetz testified in support of HB 2116 stating that this bill mostly makes technical changes to K.S.A. 40-2252 which currently states that the Insurance Commissioner and the Department of Health and Environment may adopt rules and regulations with regard to K.S.A. 40-2251. HB 2116 would simply change “secretary of health and environment” to “Kansas health policy authority,” in order to update K.S.A. 40-2252 with the changes made to K.S.A. 40-2251 last year. (Attachment 4)

The Chair closed the hearing on HB 2116.

Senator Wysong moved to approve the minutes of February 28 and March 6. Senator Steineger seconded. Motion carried.

Senator Brungardt moved HB 2107 out favorably for passage. Senator Steineger seconded. Motion carried.

Senator Brungardt moved HB 2116 out favorably for passage. Senator Steineger seconded. Motion carried.

The meeting was adjourned at 9:55 a.m.

FINANCIAL INSTITUTIONS & INSURANCE COMMITTEE GUEST LIST

DATE: 3-7-07

NAME	REPRESENTING
Alex Kotoyantz	P.I.A.
Doug Wareham	Kansas Bankers Association
John Beetz	KID
Ken Abitz	KID
Bill Sneed	Am. Inv Life
Dan Hoffman	Builders Assn.
Scott Heiden	KS Self Insurers Association
Lindsey Douglas	Hein Law Firm
David Shriver	KASB
Ranne Ann Power	KAHP



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 HB 2107

SENATE FINANCIAL INSTITUTIONS AND INSURANCE
March 7, 2007

Madam Chair and Members of the Committee:

Thank you for the opportunity to speak with you today regarding House bill 2107.

This bill is a change to K.S.A. 40-229a regarding the definition of financial institutions as they pertain to security deposits. The main purpose of this proposed bill is to add trust companies to the list of allowed custodial entities for statutory deposits because they were not specifically identified in the law.

This change will give insurance companies another entity to accept custody of security deposits and thus a great deal more flexibility.

The original version of the bill mistakenly omitted savings and loan associations and savings banks. This was done in accordance with the NAIC model law; however, after consulting with the representatives of the savings banks we would like to re-include them in the statute that defines financial institutions.

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

John Meetz
Government Affairs Liaison

*FI&I
3-7-07
Attachment 1*



Kansas Insurance Department

Sandy Praeger COMMISSIONER OF INSURANCE

TESTIMONY ON HB 2115

SENATE FINANCIAL INSTITUTIONS AND INSURANCE
March 7, 2007

Madam Chair and Members of the Committee:

Thank you for the opportunity to speak with you today regarding House bill 2115. K.S.A. 44-588 relates to the collection of the premium tax on workers compensation group-funded pools.

Under the current statute, this tax is collected based on the gross manual premium calculation before any available premium discounts. This tax is necessary to cover the administration of the pools for the following year. The Insurance Department would propose that this tax be collected on the actual Kansas gross premium collected by each pool in the preceding fiscal year. Thus, the pools will still be able to make certain deductions from their collected premiums, such as those premiums that were returned on account of cancellation. In addition, this statute will read exactly the same as the one applicable to municipal group-funded workers compensation pools.

The Insurance Department believes that collecting the premium tax upon the actual premium collected is a more accurate representation of the money that comes into workers compensation group-funded pools.

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

John Meetz
Government Affairs Liaison

*FI&I
3-7-07
Attachment 2*



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TESTIMONY ON HOUSE BILL 2115
PRESENTED TO
SENATE COMMITTEE ON FINANCIAL INSTITUTIONS AND INSURANCE
BY
SCOTT HEIDNER, EXECUTIVE DIRECTOR
KANSAS SELF INSURERS ASSOCIATION
MARCH 7, 2007

Chairman Teichman, members of the committee, thank you for the opportunity to appear today in support of House Bill 2115. My name is Scott Heidner, I am the Executive Director of the Kansas Self Insurers Association (KSIA). KSIA represents employers, both public and private, who are self insured for workers compensation in Kansas. This group includes several self funded pools impacted by the proposed legislation.

House Bill 2115 corrects a potential inconsistency in how the amount of premium taxes owed to the state by a self insured pool is calculated. It has always been our understanding that premium taxes should be calculated and paid on those premiums *actually collected* by a pool. Individual members of those pools will occasionally receive discounts for size, good safety records, etc, reducing the amount of the premium they pay to the work comp pool. House Bill 2115 would confirm that those work comp pools pay premium taxes to the state on only those fees that are collected from pool members. There has been some modest ambiguity in recent years, which this bill would correct.

Thank you for the opportunity to appear today. I'd be happy to answer questions at the appropriate time.

FI&I
3-7-07
Attachment 3



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 HB 2116

SENATE FINANCIAL INSTITUTIONS AND INSURANCE
March 7, 2007

Madam Chair and Members of the Committee:

Thank you for the opportunity to speak to you today regarding HB 2116. This bill makes technical changes to K.S.A. 40-2252 in accordance with the changes made to K.S.A. 40-2251 last year.

Previously, K.S.A. 40-2251 referred to the Department of Health and Environment as the agency that was to serve as a statistical agent for the recording and reporting of premiums and loss and expense experience by accident and health insurers. Last years Senate Bill 577 gave this responsibility to the Kansas Health Policy Authority instead of the Department of Health and Environment.

K.S.A. 40-2252 still currently states that the Insurance Commissioner and the Department of Health and Environment may adopt rules and regulations in regards to K.S.A. 40-2251. House bill 2116 would simply change "secretary of health and environment" to "Kansas health policy authority," in order to update K.S.A. 40-2252 with the changes made to K.S.A. 40-2251 last year.

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

John Meetz
Government Affairs Liaison

*FI&I
3-7-07
Attachment 4*