

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 8, 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; David Hanson, Kansas Insurance Associations

Others attending:

See attached list.

The Chair called the meeting to order.

Hearing on:

HB 2109 - concerning insurance; pertaining to risk-based capital requirements

John Meetz, Government Affairs Liaison, Kansas Insurance Department, testified in support of HB 2109. Mr. Meetz said this bill is a proposal to amend K.S.A. 40-2c01(j), which is the definition of risk-based capital instructions for insurance companies. RBC is a method that has been used by the Kansas Insurance Department since the mid 1990s to evaluate the financial solvency of insurance companies doing business in Kansas. The RBC statutes prescribe various forms of regulatory action that may be taken in the event 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. These instructions and 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. 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, 2006.

(Attachment 1)

David Hanson, Legislative Counsel, Kansas Insurance Association, testified in support of HB 2109. Mr. Hanson said 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. Mr. Hanson said while his organization believes their companies remain in good standing under the previously adopted NAIC instructions and formula, it is also their opinion that any significant changes in those instructions and formula by the NAIC in the future should be carefully considered before adoption in Kansas. (Attachment 2)

The Chair closed the hearing on HB 2109.

Action on:

Senator Wysong moved to put HB 2109 on the consent calendar. Senator Wilson seconded. Motion carried.

Ken Wilke presented a balloon on **Sub HB 2108 - An act relating to insurance unfair trade practices.**
(Attachment 3)

Senator Vicki Schmidt moved to accept the amendments as presented. Senator Wysong seconded the motion. Motion carried.

Senator Schmidt moved the bill out favorably for passage as amended. Senator Wysong seconded. Motion carried.

CONTINUATION SHEET

MINUTES OF THE Senate Financial Institutions and Insurance Committee at 9:30 A.M. on March 8, 2007 in Room 234-N of the Capitol.

Ken Wilke presented a balloon to amend **HB 2110 - An act concerning insurance companies; pertaining to merger authority; and HB 2106 - concerning insurance; pertaining to the preparation and filing of certain reports combining the two bills into HB 2112 and amending the title to state "An act concerning insurance companies; relating to corporate seals; pertaining to merger authority; pertaining to the preparation and filing of certain reports; amending K.S.A. 409-218 and repealing the existing section, 40-252, 40-309 and 40-1702 and K.S.A. 2006 Supp. 490-3213 and 75-1508 and repealing the existing sections** along with other minor technical changes. (Attachment 4)

Senator Brownlee moved to adopt the balloon as presented. Senator Barnett seconded. Motion carried.

Senator Brownlee moved HB 2112 out favorably for passage as amended. Senator Barnett seconded. Motion carried.

The meeting adjourned at 10 a.m.

FINANCIAL INSTITUTIONS & INSURANCE COMMITTEE GUEST LIST

DATE: 3-8-07

NAME	REPRESENTING
Alex Kotlyantz	P.I.A.
John Meetz	KID
Matt Bryant	TCC
David Hanson	Ks Insur Assns
William Sneed	Am Insur Life
Kerri Spielman	KATA
Ranne Ann Lower	KATP



Kansas Insurance Department

Sandy Praeger COMMISSIONER OF INSURANCE

COMMENTS
ON
HB 2109—RISK BASED CAPITAL REQUIREMENTS
SENATE COMMITTEE ON FINANCIAL INSTITUTIONS AND INSURANCE
March 8, 2007

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 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 and 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, 2005 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, 2006.

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

John Meetz
Government Affairs Liaison

*FI # I
3-8-07
Attachment 1*

KANSAS INSURANCE ASSOCIATIONS

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800 S.W. JACKSON, SUITE 900
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TELEPHONE NO. (785) 232-0545
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Senate Financial Institutions and Insurance Committee Testimony on House Bill 2109

March 8, 2007

Madam Chair 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 in the future should be carefully considered before adoption in Kansas.

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

Respectfully,

DAVID A. HANSON

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

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

Substitute for HOUSE BILL No. 2108

By Committee on Insurance and Financial Institutions

2-7

FJ# I
3-8-07
Attachment 3

9 AN ACT relating to insurance; concerning unfair trade practices.

; amending K.S.A. 40-2416 and repealing the existing section

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

11 Section 1. (a) The commissioner of insurance shall have the authority
12 to adopt such rules and regulations to protect service members of the
13 United States armed forces from dishonest and predatory insurance sales
14 practices by declaring certain identified practices to be false, misleading,
15 deceptive or unfair.

except that such rules and regulations shall not affect federal insurance programs under subchapter III of chapter 19 of title 38, United States Code

16
17 (b) This section shall be part of and supplemental to the unfair trade
18 practice law.

19 Sec. 2. K.S.A. 40-2401 through 40-2414, and amendments thereto,
20 may be cited as the unfair trade practice law.

section 1 and section 2

5 21 ~~Sec. 3~~ This act shall take effect and be in force from and after its
22 publication in the statute book.

Sec. 3. K.S.A. 40-2416 is hereby amended to read as follows:

40-2416. Same, definitions. When used in this act: "Commissioner" shall mean the commissioner of insurance of this state; "unfair trade practice law" shall mean K.S.A. 40-2401 through 40-2414, and acts amendatory thereof and supplemental thereto; "residents" shall mean and include person, partnership or corporation, domestic, alien or foreign.

section 1 and section 2

History: L. 1963, ch. 265, § 2; July 1.

Sec. 4. K.S.A. 40-2416 is hereby repealed.

HOUSE BILL No. 2112

By Committee on Insurance and Financial Institutions

1-18

pertaining to merger authority; pertaining to the preparation and filing of certain reports;

FI&I
3-8-07
Attachment 4

9 AN ACT concerning insurance companies; relating to corporate seals;
10 amending K.S.A. 40-218 [and repealing the existing section].

, 40-252, 40-309 and 40-1702 and K.S.A. 2006 Supp.
40-3213 and 75-1508 and repealing the existing sections

11
12 *Be it enacted by the Legislature of the State of Kansas:*

13 Section 1. K.S.A. 40-218 is hereby amended to read as follows: 40-
14 218. Every insurance company, or fraternal benefit society, on applying
15 for authority to transact business in this state, and as a condition prece-
16 dent to obtaining such authority, shall file in the insurance department
17 its written consent, irrevocable, that any action or garnishment proceed-
18 ing may be commenced against such company or fraternal benefit society
19 in the proper court of any county in this state in which the cause of action
20 shall arise or in which the plaintiff may reside by the service of process
21 on the commissioner of insurance of this state, and stipulating and agree-
22 ing that such service shall be taken and held in all courts to be as valid
23 and binding as if due service had been made upon the president or chief
24 officer of such corporation. Such consent shall be executed by the pres-
25 ident and secretary of the company, ~~authenticated by the seal of the cor-~~
26 ~~poration~~, and shall be accompanied by a duly certified copy of the order
27 or resolution of the board of directors, trustees or managers authorizing
28 the president and secretary to execute the same. The summons, accom-
29 panied by a fee of \$25, shall be directed to the commissioner of insurance,
30 and shall require the defendant to answer by a certain day, not less than
31 40 days from its date.

32 Service on the commissioner of insurance of any process, notice or
33 demand against an insurance company or fraternal benefit society shall
34 be made by delivering to and leaving with the commissioner or the com-
35 missioner's designee, the original of the process and two copies of the
36 process and the petition, notice of demand, or the clerk of the court may
37 send the original process and two copies of both the process and petition,
38 notice or demand directly to the commissioner by certified mail, return
39 receipt requested. In the event that any process, notice or demand is
40 served on the commissioner, the commissioner shall immediately cause
41 a copy thereof to be forwarded by certified mail, return receipt requested
2 to the insurance company or fraternal benefit society address to its gen-
3 eral agent if such agent resides in this state or to the secretary of the

insurance company or fraternal benefit society sued at its registered or principal office in any state in which it is domesticated. The commissioner of insurance shall make return of the summons to the court from whence it issued, showing the date of its receipt, the date of forwarding such copies, and the name and address of each person to whom a copy was forwarded. Such return shall be under the hand and seal of office, and shall have the same force and effect as a due and sufficient return made on process directed to a sheriff. The commissioner of insurance shall keep a suitable record in which shall be docketed every action commenced against an insurance company, the time when commenced, the date and manner of service; also the date of the judgment, its amount and costs, and the date of payment thereof, which shall be certified from time to time by the clerk of the court.

Sec. ~~27~~ K.S.A. 40-218 ~~is~~ hereby repealed.

Sec. ~~28~~ This act shall take effect and be in force from and after its publication in the statute book.

, 40-252, 40-309 and 40-1702 and K.S.A. 2006 Supp. 40-3213 and 75-1508 are

HOUSE BILL No. 2110

By Committee on Insurance and Financial Institutions

1-18

10 AN ACT concerning insurance companies; pertaining to merger author-
 11 ity; amending K.S.A. 40-309 and repealing the existing section.
 12

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

14 Section ~~12~~ K.S.A. 40-309 is hereby amended to read as follows: 40-
 15 309. (a) (1) Any insurance company and any health maintenance organ-
 16 ization of this state may unite, merge or consolidate with any other com-
 17 pany or companies of this or any other state engaged in like business and
 18 having similar corporate powers, upon such terms and conditions, includ-
 19 ing the reinsurance of the business in force, as may be approved at a
 20 meeting of the stockholders of any such company or companies of this
 21 state, called for that purpose, such approval to be by vote of stockholders
 22 owning not less than two-thirds of the shares of stock of any such company
 23 or companies of this state. The agreement for such union, merger, con-
 24 solidation and reinsurance shall be subject to the approval of the com-
 25 missioner of insurance. There shall be filed with the commissioner of
 26 insurance a verified schedule by the actuaries of the companies or health
 27 maintenance organizations interested showing that the legal reserve for
 28 the policyholders of each of the several companies is of the amount re-
 29 quired by law.

30 (2) Where companies of other states are uniting, consolidating, merg-
 31 ing and reinsuring with a company or health maintenance organization
 32 of this state the commissioner of insurance also shall approve in the same
 33 manner such amendments to the articles of incorporation of such com-
 34 panies of this state as may be necessary and proper. Such agreement shall
 35 provide for payment in cash to any dissenting stockholder of an amount
 36 equal to the fair value of the stock if the stockholder shall refuse to assent
 37 to the union, merger or consolidation.

38 (3) When a company or health maintenance organization of this state
 39 shall be merged, consolidated or united with a company organized under
 40 the laws of any other state, the commissioner of insurance in the com-
 41 missioner's order of approval shall direct that the assets of the domestic
 42 company or health maintenance organization be delivered to the company
 43 with which the domestic company is united, merged or consolidated.

HB 2110—Am.

1 (b) For the purposes of this section the term "health maintenance
 2 organization" shall have the meaning ascribed to it in K.S.A. 40-3202,
 3 and amendments thereto.

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HOUSE BILL No. 2106

By Committee on Insurance and Financial Institutions

1-18

9 AN ACT concerning insurance; pertaining to the preparation and filing
10 of certain reports; amending K.S.A. 40-252 and 40-1702 and K.S.A.
11 2006 Supp. 40-3213 and 75-1508 and repealing the existing sections.

12
13 *Be it enacted by the Legislature of the State of Kansas:*

14 Section ~~43~~ K.S.A. 40-252 is hereby amended to read as follows: 40-
15 252. Every insurance company or fraternal benefit society organized un-
16 der the laws of this state or doing business in this state shall pay to the
17 commissioner of insurance fees and taxes specified in the following
18 schedule:

A

Insurance companies organized under the laws of this state:

21	1. Capital stock insurance companies and mutual legal reserve life insurance companies:	
22	Filing application for sale of stock or certificates of indebtedness	\$25
23	Admission fees:	
24	Examination of charter and other documents	500
25	Filing annual statement	100
26	Certificate of authority	10
27	Annual fees:	
28	Filing annual statement	100
29	Continuation of certificate of authority	10
30	2. Mutual life, accident and health associations:	
31	Admission fees:	
32	Examination of charter and other documents	\$500
33	Filing annual statement	100
34	Certificate of authority	10
35	Annual fees:	
36	Filing annual statement	100
37	Continuation of certificate of authority	10
38	3. Mutual fire, hail, casualty and multiple line insurers and reciprocal or interinsurance	
39	exchanges:	
40	Admission fees:	
41	Examination of charter and other documents	\$500
42	Filing annual statement	100
43	Certificate of authority	10

1	Annual fees:	
2	Filing annual statement	100
3	Continuation of certificate of authority	10

4 In addition to the above fees and as a condition precedent to the con-
5 tinuation of the certificate of authority provided in this code, all such
6 companies shall pay a fee of \$2 for each agent certified by the company
7 and shall also pay a tax annually upon all premiums received on risk lo-
8 cated in this state at the rate of 1% for tax year 1997, and 2% for all tax
9 years thereafter per annum less (1) for tax years prior to 1984, any taxes
10 paid on business in this state pursuant to the provisions of K.S.A. 40-1701
11 to 40-1707, inclusive, and 75-1508 and amendments thereto and (2) for
12 tax years 1984 and thereafter, any taxes paid on business in this state
13 pursuant to the provisions of K.S.A. 75-1508 and amendments thereto
14 and the amount of the firefighters relief tax credit determined by the
15 commissioner of insurance. The amount of the firefighters relief tax credit
16 for a company for the current tax year shall be determined by the com-
17 missioner of insurance by dividing (A) the total amount of credits against
18 the tax imposed by this section for taxes paid by all such companies on
19 business in this state under K.S.A. 40-1701 to 40-1707, inclusive, and
20 amendments thereto for tax year 1983, by (B) the total amount of taxes
21 paid by all such companies on business in this state under K.S.A. 40-1703
22 and amendments thereto for the tax year immediately preceding the cur-
23 rent tax year, and by multiplying the result so obtained by (C) the amount
24 of taxes paid by the company on business in this state under K.S.A. 40-
25 1703 and amendments thereto for the current tax year.

26 In the computation of the gross premiums all such companies shall be
27 entitled to deduct any premiums returned on account of cancellations,
28 including funds accepted before January 1, 1997, and declared and taxed
29 as annuity premiums which, on or after January 1, 1997, are withdrawn
30 before application to the purchase of annuities, all premiums received for
31 reinsurance from any other company authorized to do business in this
32 state, dividends returned to policyholders and premiums received in con-
33 nection with the funding of a pension, deferred compensation, annuity
34 or profit-sharing plan qualified or exempt under sections 401, 403, 404,
35 408, 457 or 501 of the United States internal revenue code of 1986. Funds
36 received by life insurers for the purchase of annuity contracts and funds
37 applied by life insurers to the purchase of annuities shall not be deemed
38 taxable premiums or be subject to tax under this section for tax years
39 commencing on or after January 1, 1997.

B

*Fraternal benefit societies organized
under the laws of this state:*

40 Admission fees:

Examination of charter and other documents	\$500
2 Filing annual statement	100
3 Certificate of authority	10
4 Annual fees:	
5 Filing annual statement	100
6 Continuation of certificate of authority	10

C

8 *Mutual nonprofit hospital service corporations, nonprofit medical service corporations, nonprofit dental service corporations, nonprofit optometric service corporations and nonprofit pharmacy service corporations organized under the laws of this state:*

11 1. Mutual nonprofit hospital service corporations:

12 Admission fees:

13 Examination of charter and other documents	\$500
14 Filing annual statement	100
15 Certificate of authority	10

16 Annual fees:

17 Filing annual statement	100
18 Continuation of certificate of authority	10

19 2. Nonprofit medical service corporations:

20 Admission fees:

21 Examination of charter and other documents	\$500
22 Filing annual statement	100
23 Certificate of authority	10

24 Annual fees:

25 Filing annual statement	100
26 Continuation of certificate of authority	10

27 3. Nonprofit dental service corporations:

28 Admission fees:

29 Examination of charter and other documents	\$500
30 Filing annual statement	100
31 Certificate of authority	10

32 Annual fees:

33 Filing annual statement	100
34 Continuation of certificate of authority	10

35 4. Nonprofit optometric service corporations:

36 Admission fees:

37 Examination of charter and other documents	\$500
38 Filing annual statement	100
39 Certificate of authority	10

40 Annual fees:

41 Filing annual statement	100
42 Continuation of certificate of authority	10

43 5. Nonprofit pharmacy service corporations:

1 Admission fees:	
2 Examination of charter and other documents	\$500
3 Filing annual statement	100
4 Certificate of authority	10
5 Annual fees:	
6 Filing annual statement	100
7 Continuation of certificate of authority	10

8 In addition to the above fees and as a condition precedent to the continuation of the certificate of authority, provided in this code, every corporation or association shall pay annually to the commissioner of insurance a tax in an amount equal to 1% for tax year 1997, and 2% for all tax years thereafter per annum of the total of all premiums, subscription charges, or any other term which may be used to describe the charges made by such corporation or association to subscribers for hospital, medical or other health services or indemnity received during the preceding year. In such computations all such corporations or associations shall be entitled to deduct any premiums or subscription charges returned on account of cancellations and dividends returned to members or subscribers.

D

Insurance companies organized under the laws of any other state, territory or country:

11 1. Capital stock insurance companies and mutual legal reserve life insurance companies:

12 Filing application for sale of stock or certificates of indebtedness.....	\$25
--	------

13 Admission fees:

14 Examination of charter and other documents	500
15 Filing annual statement	100
16 Certificate of authority	10

17 Annual fees:

18 Filing annual statement	100
19 Continuation of certificate of authority	10

20 In addition to the above fees all such companies shall pay \$5 for each agent certified by the company, except as otherwise provided by law.

21 As a condition precedent to the continuation of the certificate of authority, provided in this code, every company organized under the laws of any other state of the United States or of any foreign country shall pay a tax upon all premiums received during the preceding year at the rate of 2% per annum.

22 In the computation of the gross premiums all such companies shall be entitled to deduct any premiums returned on account of cancellations, including funds accepted before January 1, 1997, and declared and taxed as annuity premiums which, on or after January 1, 1997, are withdrawn before application to the purchase of annuities, dividends returned to

4-4

policyholders and all premiums received for reinsurance from any other company authorized to do business in this state and premiums received in connection with the funding of a pension, deferred compensation, annuity or profit-sharing plan qualified or exempt under sections 401, 403, 404, 408, 457 or 501 of the United States internal revenue code of 1986. Funds received by life insurers for the purchase of annuity contracts and funds applied by life insurers to the purchase of annuities shall not be deemed taxable premiums or be subject to tax under this section for tax years commencing on or after January 1, 1997.

2. Mutual life, accident and health associations:

Admission fees:

Examination of charter and other documents	\$500
Filing annual statement	100
Certificate of authority	10

Annual fees:

Filing annual statement	100
Continuation of certificate of authority	10

In addition to the above fees, every such company organized under the laws of any other state of the United States shall pay \$5 for each agent certified by the company, and shall pay a tax annually upon all premiums received at the rate of 2% per annum.

In the computation of the gross premiums all such companies shall be entitled to deduct any premiums returned on account of cancellations, including funds accepted before January 1, 1997, and declared and taxed as annuity premiums which, on or after January 1, 1997, are withdrawn before application to the purchase of annuities, dividends returned to policyholders and all premiums received for reinsurance from any other company authorized to do business in this state and premiums received in connection with the funding of a pension, deferred compensation, annuity or profit-sharing plan qualified or exempt under sections 401, 403, 404, 408, 457 or 501 of the United States internal revenue code of 1986. Funds received by life insurers for the purchase of annuity contracts and funds applied by life insurers to the purchase of annuities shall not be deemed taxable premiums or be subject to tax under this section for tax years commencing on or after January 1, 1997.

3. Mutual fire, casualty and multiple line insurers and reciprocal or interinsurance exchanges:

Admission fees:

Examination of charter and other documents and issuance of certificate of authority	\$500
Filing annual statement	100
Certificate of authority	10

Annual fees:

4-5

1 Filing annual statement	100
2 Continuation of certificate of authority	10

In addition to the above fees, every such company or association organized under the laws of any other state of the United States shall pay a fee of \$5 for each agent certified by the company and shall also pay a tax annually upon all premiums received at the rate of 2% per annum.

For tax years 1998 and thereafter, the annual tax shall be reduced by the "applicable percentage" of (1) any taxes paid on business in this state pursuant to the provisions of K.S.A. 75-1508 and amendments thereto and (2) the amount of the firefighters relief tax credit determined by the commissioner of insurance. The amount of the firefighters relief tax credit for a company taxable under this subsection for the current tax year shall be determined by the commissioner of insurance by dividing (A) the total amount of taxes paid by all such companies on business in this state under K.S.A. 40-1701 to 40-1707 and amendments thereto for tax year 1983 as then in effect, by (B) the total amount of taxes paid by all such companies on business in this state under K.S.A. 40-1703 and amendments thereto for the tax year immediately preceding the current tax year, and by multiplying the result so obtained by (C) the amount of taxes paid by the company on business in this state under K.S.A. 40-1703 and amendments thereto for the current tax year. The "applicable percentage" shall be as follows:

Tax Year	Applicable Percentage
1998	10%
1999	20%
2000	30%
2001	40%
2002	50%
2003	60%
2004	70%
2005	80%
2006	90%
2007 and thereafter	100%

In the computation of the gross premiums all such companies shall be entitled to deduct any premiums returned on account of cancellations, all premiums received for reinsurance from any other company authorized to do business in this state, and dividends returned to policyholders.

E
Fraternal benefit societies organized under the laws of any other state, territory or country:

Admission fees:

Examination of charter and other documents	\$500
Filing annual statement	100

1	Certificate of authority	10
2	Annual fees:	
3	Filing annual statement	100
4	Continuation of certificate of authority	10
5	F	
6	<i>Mutual nonprofit hospital service corporations, nonprofit medical service corporations, non-</i>	
7	<i>profit dental service corporations, nonprofit optometric service corporations and non-</i>	
8	<i>profit pharmacy service corporations organized under the laws of any other state, ter-</i>	
9	<i>ritory or country:</i>	
10	1. Mutual nonprofit hospital service corporations:	
11	Admission fees:	
12	Examination of charter and other documents	\$500
13	Filing annual statement	100
14	Certificate of authority	10
15	Annual fees:	
16	Filing annual statement	100
17	Continuation of certificate of authority	10
18	2. Nonprofit medical service corporations, nonprofit dental service corporations, nonprofit	
19	optometric service corporations and nonprofit pharmacy service corporations:	
20	Admission fees:	
21	Examination of charter and other documents	\$500
22	Filing annual statement	100
23	Certificate of authority	10
24	Annual fees:	
25	Filing annual statement	100
26	Continuation of certificate of authority	10
27	In addition to the above fees and as a condition precedent to the con-	
28	tinuation of the certificate of authority, provided in this code, every cor-	
29	poration or association shall pay annually to the commissioner of insur-	
30	ance a tax in an amount equal to 2% per annum of the total of all	
31	premiums, subscription charges, or any other term which may be used to	
32	describe the charges made by such corporation or association to subscri-	
33	bers in this state for hospital, medical or other health services or indemnity	
34	received during the preceding year. In such computations all such cor-	
35	porations or associations shall be entitled to deduct any premiums or	
36	subscription charges returned on account of cancellations and dividends	
37	returned to members or subscribers.	

G

Payment of Taxes.

For the purpose of insuring the collection of the tax upon premiums, assessments and charges as set out in subsection A, C, D or F, every insurance company, corporation or association shall at the time it files its annual statement, as required by the provisions of K.S.A. 40-225, and

1 amendments thereto, make a return, ~~verified by affidavits generated by~~
2 *or at the direction* of its president and secretary or other chief officers,
3 *under penalty of K.S.A. 21-3711, and amendments thereto,* to the com-
4 missioner of insurance, stating the amount of all premiums, assessments
5 and charges received by the companies or corporations in this state,
6 whether in cash or notes, during the year ending on the December 31
7 next preceding.

8 Commencing in 1985 and annually thereafter the estimated taxes shall
9 be paid as follows: On or before June 15 and December 15 of such year
10 an amount equal to 50% of the full amount of the prior year's taxes as
11 reported by the company shall be remitted to the commissioner of in-
12 surance. As used in this paragraph, "prior year's taxes" includes (1) taxes
13 assessed pursuant to this section for the prior calendar year, (2) fees and
14 taxes assessed pursuant to K.S.A. 40-253, and amendments thereto, for
15 the prior calendar year, and (3) taxes paid for maintenance of the de-
16 partment of the state fire marshal pursuant to K.S.A. 75-1508, and
17 amendments thereto, for the prior calendar year.

18 Upon the receipt of such returns the commissioner of insurance shall
19 verify the same and assess the taxes upon such companies, corporations
20 or associations on the basis and at the rate provided herein and the bal-
21 ance of such taxes shall thereupon become due and payable giving credit
22 for amounts paid pursuant to the preceding paragraph, or the commis-
23 sioner shall make a refund if the taxes paid in the prior June and Decem-
24 ber are in excess of the taxes assessed.

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25 The fee prescribed for the examination of charters and other docu-
26 ments shall apply to each company's initial application for admission and
27 shall not be refundable for any reason.

28 Sec. ~~24~~ K.S.A. 40-1702 is hereby amended to read as follows: 40-
29 1702. (a) On or before April 1 of each year, every insurance company
30 doing business in this state shall return to the commissioner of insurance
31 a just and true account, ~~verified by oath generated by or at the direction~~
32 *of its president and secretary or other chief officers, under penalty of*
33 *K.S.A. 21-3711, and amendments thereto,* of all premiums received for
34 fire and lightning insurance covering risks located within this state during
35 the year ending December 31, or the fire and lightning portion of any
36 other insurance transacted by the insurance company covering risks
37 within this state. Every insurance company shall include in its return an
38 account of all premiums received for fire and lightning insurance covering
39 risks located within this state.

40 (b) Each firefighters relief association shall prepare and file with the
41 commissioner a plat drawn to scale showing the area provided fire pro-
42 tection service by the fire department of the firefighters relief association
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and the location of each fire department house. No such plat shall include any part of any area served by another fire department.

3 Sec. ~~25~~ K.S.A. 2006 Supp. 40-3213 is hereby amended to read as
4 follows: 40-3213. (a) Every health maintenance organization and medi-
5 care provider organization subject to this act shall pay to the commissioner
6 the following fees:

- 7 (1) For filing an application for a certificate of authority, \$150;
- 8 (2) For filing each annual report, \$50;
- 9 (3) For filing an amendment to the certificate of authority, \$10.

10 (b) Every health maintenance organization subject to this act which
11 has operated for a period of three years but not more than five years shall
12 pay annually to the commissioner at the time such organization files its
13 annual report a privilege fee in an amount equal to one-half of one per
14 cent (.005) per annum of the total of all premiums, subscription charges
15 or any other term which may be used to describe the charges made by
16 such organization to enrollees; and after operating for a period of more
17 than five years from the time of organization a health maintenance or-
18 ganization shall pay annually to the commissioner at the time such organ-
19 ization files its annual report, a privilege fee in an amount equal to 1%
20 per annum of the total of all premiums, subscription charges or any other
21 term which may be used to describe the charges made by such organi-
22 zation to enrollees. In such computations all such organizations shall be
23 entitled to deduct therefrom any premiums or subscription charges re-
24 turned on account of cancellations and dividends returned to enrollees.
25 If the commissioner shall determine at any time that the application of
26 the privilege fee would cause a denial of, reduction in or elimination of
27 federal financial assistance to the state or to any health maintenance or-
28 ganization subject to this act, the commissioner is hereby authorized to
29 terminate the operation of such privilege fee.

30 (c) For the purpose of insuring the collection of the privilege fee
31 provided for by subsection (b), every health maintenance organization
32 subject to this act and required by subsection (b) to pay such privilege
33 fee shall at the time it files its annual report, as required by K.S.A. 40-
34 3220, and amendments thereto, make a return, ~~verified by affidavits of~~
35 *generated by or at the direction of its chief officer or principal managing*
36 *director, under penalty of K.S.A. 21-3711, and amendments thereto,* to
37 the commissioner, stating the amount of all premiums, assessments and
38 charges received by the health maintenance organization, whether in cash
39 or notes, during the year ending on the last day of the preceding calendar
40 year. Upon the receipt of such returns the commissioner of insurance
41 shall verify the same and assess the fees upon such organization on the
42 basis and at the rate provided herein and such fees shall thereupon be-
43 come due and payable.

1 (d) Premiums or other charges received by an insurance company
2 from the operation of a health maintenance organization subject to this
3 act shall not be subject to any fee or tax imposed under the provisions of
4 K.S.A. 40-252, and amendments thereto.

5 (e) Fees charged under this section shall be remitted to the state
6 treasurer in accordance with the provisions of K.S.A. 75-4215, and
7 amendments thereto. Upon receipt of each such remittance, the state
8 treasurer shall deposit the entire amount in the state treasury to the credit
9 of the state general fund.

10 Sec. ~~A.6~~ K.S.A. 2006 Supp. 75-1508 is hereby amended to read as
11 follows: 75-1508. (a) For the purpose of maintaining the department of
12 the state fire marshal and the payment of the expenses incident thereto,
13 each fire insurance company doing business in this state shall pay to the
14 commissioner of insurance, on or before March 15 each year, in addition
15 to the taxes, fees and charges now required by law to be paid by it, such
16 levy as may be made by the state fire marshal. The levy shall not be more
17 than .80% for calendar year 2004, and each calendar year thereafter, of
18 a sum equal to the gross cash receipts as premiums of such company on
19 all fire business transacted by it in the state of Kansas during the calendar
20 year next preceding, as shown by its annual statement under oath to the
21 state insurance department.

22 (b) For the purposes of maintaining the emergency medical services
23 board and the payment of the expenses incident thereto, each fire insur-
24 ance company doing business in this state shall pay to the commissioner
25 of insurance, on or before March 15 each year, beginning with calendar
26 year 2002 and each calendar year thereafter, in addition to the taxes, fees
27 and charges now required by law to be paid by it, such levy as may be
28 made by the emergency medical services board. The levy shall not be
29 more than .25% of a sum equal to the gross cash receipts as premiums
30 of such company on all fire business transacted by it in the state of Kansas
31 during the calendar year next preceding, as shown by its annual statement
32 ~~under oath~~ to the state insurance department *generated by or at the*
33 *direction of its president and secretary or other chief officers under pen-*
34 *alty of K.S.A. 21-3711 and amendments thereto.*

35 (c) For the purposes of maintaining the fire service training program
36 of the university of Kansas and the payment of the expenses incident
37 thereto, each fire insurance company doing business in this state shall
38 pay to the commissioner of insurance, on or before March 15 each year,
39 beginning with calendar year 2004, and each calendar year thereafter, in
40 addition to the taxes, fees and charges now required by law to be paid by
41 it, such levy as may be made by the Kansas fire service training commis-
42 sion. The levy shall not be more than .20% of a sum equal to the gross
43 cash receipts as premiums of such company on all fire business transacted

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1 by it in the state of Kansas during the calendar year next preceding, as
2 shown by its annual statement under oath to the state insurance depart-
3 ment.

4 (d) The director of the fire service training program of the university
5 of Kansas shall submit a report concerning expenditures and activities of
6 the fire service training program of the university of Kansas to the house
7 committee on appropriations on or before February 1, 2005, and each
8 ensuing year thereafter.

9 ~~Sec. 5. K.S.A. 40-252 and 40-1702 and K.S.A. 2006 Supp. 40-3213
10 and 75-1508 are hereby repealed.~~

11 ~~Sec. 6. This act shall take effect and be in force from and after its
12 publication in the statute book.~~