

MINUTES OF THE HOUSE INSURANCE AND FINANCIAL INSTITUTIONS COMMITTEE

The meeting was called to order by Chairman Clark Shultz at 3:30 P.M. on January 24, 2008 in Room 527-S of the Capitol.

All members were present except:

Representative Tom Burroughs- excused
Representative Brenda Landwehr- excused
Representative Ty Masterson- 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:

Sandy Praeger, Kansas Insurance Department
Ron Hein, Mental Health Credentialing Coalition

Others attending:

See attached list.

Introduction of Bills:

Ron Hein, representing the Mental Health Credentialing Coalition, introduced a bill regarding reimbursement for Licensed Marriage and Family Therapists, Licensed Professional Counselors, and Licensed Clinical Psychotherapists. Representative Grant moved for introduction of the bill. Seconded by Representative Goico. Motion carried.

Sandy Praeger, Insurance Commissioner, Kansas State Insurance Department, (Attachment #1), requested the following six bill introductions:

Risk-based Capital

Updating the effective date for NAIC RBC requirements (40-2c01)

Handling of certain documents

Re-establishes confidentiality requirements for certain documents

Interest on life and annuity policies

Amend K.S.A. 40-428, to require dividends and interest to continue to accrue during any deferral period between the surrender of the policy and the payment of the proceeds thereof

Property and Casualty Actuarial Opinion Model Law

Amend K.S.A. 17-2233 to allow for qualification by experience serving in agency regulating credit unions in another state or federal agency

Modernization of group life insurance laws

Amend K.S.A. 2007 Supp. 40-433, to remove participation requirements in group life insurance

Market Conduct

Amend K.S.A. 2007 Supp. 40-222, to grant insurance commissioner discretion to require a market conduct study

Representative Dillmore made a motion to introduce the six bills presented by Insurance Commissioner Praeger. Seconded by Representative Neighbor. Motion carried.

Following the bill introductions, Insurance Commissioner Praeger gave an overview of 2007.

CONTINUATION SHEET

MINUTES OF THE House Insurance and Financial Institutions Committee at 3:30 P.M. on January 24, 2008 in Room 527-S of the Capitol.

Representative Grant recommended without objection to move adoption of the committee minutes of January 23, 2008. Motion carried.

Next meeting will be Monday, January 28, 2008, 3:30 PM

Meeting adjourned at 4:07 PM.

Insurance and Financial Institutions Committee

Guest Sign In Sheet

Thursday, January 24, 2008

Name	Representing
Janine Slack	federico Consulting
Christin Puelden	Polsinelli
Kawel Hobbs	VHG
Nilee Reed	GBBA
Michelle Peterson	Capitol Strategies
Lori Church	KAPCIC
Jonathan Stokes	KAS
Austin Hayden	Hein Law Firm
Kerri Spielman	KATA
Amy Campbell	KMHC
KATE FIREBAUGH	KEARNEY ASSOC.
Bill Brady	Covington First
Isaac Ferguson	Kansas Chamber
Tara Harbor	KHPA
Adele Berck	Goreo
Mikelle Ples	PHS
Laura Webb	Nile Dillmore
John Kiefhaber	ks. Chiropractic Assn.



Kansas Insurance Department

Sandy Praeger, Commissioner of Insurance

HOUSE INSURANCE AND FINANCIAL INSTITUTIONS

Sandy Praeger, Commissioner of Insurance

January 24, 2008

Mr. Chairman and Members of the Committee:

Thank you for the opportunity to address you today. My name is Sandy Praeger and I am the Commissioner of Insurance for the state of Kansas. I am the chief executive of the Kansas Insurance Department, whose primary responsibilities are to assist and educate consumers, regulate and review companies, and license agents selling insurance products in the state.

I would like to begin by requesting the introduction of five bills for consideration by the committee:

RBC-Update the effective date for NAIC RBC requirements (40-2c01).

Handling of certain documents-This bill would re-establish the confidentiality of any document, material or other information in the control or possession of the department that is furnished by an insurance entity or an employee or agent thereof. The bill would also codify the confidentiality of medical information solicited or obtained by a viatical settlement broker.

Interest on life and annuity policies-This would require companies to continue crediting interest on life and annuity policies between the time they receive a surrender request and when they actually issue the surrender check which, under current law, could be a time period of up to six months. We've had cases where a company froze the policy value as of the date the surrender request was received, and then sat on it for several weeks (40-428).

Property and Casualty Actuarial Opinion Model Law-Every property and casualty insurance company doing business in this state, unless otherwise exempted by the domiciliary commissioner, shall annually submit the opinion of an Appointed Actuary entitled "Statement of Actuarial Opinion." This opinion shall be filed in accordance with the appropriate NAIC Property and Casualty Annual Statement Instructions. This NAIC model law will be an accreditation standard by 2009.

Modernization of group life insurance laws-This bill changes the current group life insurance law to include the removal of group size requirements, minimum participation requirements and the prohibition on employee "pay all." These reflect changes made in the NAIC group life model in 1986 (40-433).

Market Conduct-Updating K.S.A. 40-222, by differentiating the two types of examinations, financial and market conduct. The act clarifies that while financial examinations are required at least every five years, that market conduct examinations do not have such a requirement. In addition, it would remove any doubt that the Department need not conclude a market conduct examination with an analysis of the company's actions under the Unfair Trade Practice Act.

House Insurance
Date: 1-24-08
Attachment # 1

Record Year

The Kansas Insurance Department helped thousands of Kansas consumers settle disputes with their insurance companies in 2007. The department recovered a record setting \$15 million in insurance claims for policyholders. During the same period the Insurance Department actually saw a drop in complaints and inquiries.

Savings by Year		Complaints by Year		Inquiries by Year	
Year	Savings	Year	Complaints	Year	Inquiries
2004	\$11,144,573.41	2004	5,039	2004	2,044
2005	\$13,632,946.20	2005	4,594	2005	1,700
2006	\$11,100,648.55	2006	4,529	2006	1,642
2007	\$15,096,012.38	2007	4,420	2007	1,509

Devastating Storms

In 2007, Kansas saw some of the most devastating storms on record. The most dramatic of these storms was the Greensburg tornado on May 4, 2007 which caused \$153 million in estimated insured property losses.

As devastating as the tornado was, it turns out that this tragic storm was an example of all the things that are right with the insurance industry in Kansas. Company representatives were on their way to Greensburg as early as 8:00 a.m. the morning after the tornado and about 80 percent of affected policyholders received emergency funds from their respective companies within a week's time. Overall, the industry responded quickly and efficiently to the disaster in Greensburg.

Unfortunately, the Kansas floods of 2007 exposed a major vulnerability in the financial security of most Kansans. In fact a recent NAIC survey showed that 33 percent of policyholders incorrectly believe that their policy will cover damages to their house in the event of a flood. Flood insurance is only available through the National Flood Insurance Program (NFIP) that is run by FEMA.

While we do not have statewide figures, we do know that in Coffeyville alone 300 structures were damaged by last year's floods, and only 30 of those had flood insurance through the NFIP. Fortunately, flood insurance is available for Kansans that reside in the 100 counties that participate in NFIP.

All-Perils Insurance

One solution being proposed is all-perils insurance coverage. A multi-peril bill proposed in the United States House of Representatives would have allowed the NFIP to offer wind coverage. This approach would help resolve potential conflicts between consumers and insurers regarding the cause of damage to their homes during a hurricane. An alternative offered by the NAIC would be an all-perils product offered by the private market that could be supported by a federal backstop or credit line that would cap the industry's share of such catastrophic losses—helping insurers manage their claims-paying ability while keeping insurance affordable for consumers.

Optional Federal Charter

Something that state regulators and the NAIC have had a close eye on recently is a proposal for an Optional Federal Charter. An Optional Federal Charter would establish an Office of National Insurance that essentially takes over the job of insurance regulation that is currently delegated to the states.

There is little doubt that such a charter would create a massive federal bureaucracy with limited experience and limited accountability. Currently, state regulators enforce state laws developed by state legislatures that are uniquely positioned to accurately reflect local values, concerns, culture and socioeconomic conditions. Most arguments for a federal charter site the lack of uniformity and consistency between different state regulators, but the NAIC continues working to modernize insurance regulation through initiatives such as the Interstate Insurance Compact, the accreditation program, SERFF, NIPR and harmonized financial solvency regulation.

Health Insurance Reform

It comes as no surprise that in an election year the topic of health insurance reform is front and center. As the presidential race heats up, and each candidate touts the advantages of their respective plans, we feel it is important to be there as an authority to point out what works and what doesn't.