

Approved: March 6, 2008

Date

MINUTES OF THE HOUSE INSURANCE AND FINANCIAL INSTITUTIONS COMMITTEE

The meeting was called to order by Chairman Clark Shultz at 3:50 P.M. on March 5, 2008 in Room 527-S of the Capitol.

All members were present except:

Representative Tom Burroughs- excused  
Representative Jeff Colyer- excused  
Representative Joe Humerickhouse- excused  
Representative Brenda Landwehr- excused  
Representative Cindy Neighbor- excused  
Representative Vincent Wetta- excused

Committee staff present:

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

Conferees appearing before the committee:

William Sneed, America's Health Insurance Plans  
Cindy Hermes, Kansas Department of Insurance

Others attending:

See attached list.

Hearing on:

**Sub SB 209** **Insurance; rate and form filings; error notification procedure**

Melissa Calderwood, Legislative Research Department, provided a brief overview on **Sub SB 209**.

Proponents:

William Sneed, America's Health Insurance Plans, (Attachment #1), presented testimony before the committee in support of **Sub SB 209**.

Cindy Hermes, Kansas Department of Insurance, (Attachment #2), appeared before the committee in support of **Sub SB 209**.

Hearing closed on **Sub SB 209**.

Hearing on:

**SB 441** **Health insurance; HIPAA date change**

Melissa Calderwood, Legislative Research Department, provided a brief overview of **SB 441**.

Proponent:

Cindy Hermes, Kansas Department of Insurance, (Attachment #3), gave testimony in support of **SB 441**.

Hearing closed on **SB 441**.

Next meeting will be Tuesday, March 6, 2008, 3:30 PM, in Room 527-S.

Meeting adjourned at 4:08 PM.



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Shalton | Flanigan | Suelthaus PC

## Memorandum

**TO:** THE HONORABLE CLARK SHULTZ, CHAIRMAN  
HOUSE INSURANCE AND FINANCIAL INSTITUTIONS COMMITTEE

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

**RE:** SUB. S.B. 209

**DATE:** MARCH 5, 2008

Mr. Chairman, Members of the Committee: my name is William W. 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 meet with the Committee again on Sub. S.B. 209.

In June, 2004, the AHIP Board of Directors adopted a policy statement calling for uniformity in health insurance processes, naming as one of its first priorities the development of a uniform system for rate and form filings. AHIP undertook the development of a model for use by all states, and in June, 2005, presented a draft to the National Association of Insurance Commissioners ("NAIC") for consideration. The NAIC embraced the concept of uniformity for filing processes, and under the leadership of Insurance Commissioner Sandy Praeger, in the July, 2005, the NAIC published its own draft based on upon the AHIP prototype. The NAIC Model was then adopted in June, 2006.

During the 2007 legislative session, we requested the introduction of S.B. 209. In essence, S.B. 209 is the NAIC Model for rate and form filings. Unfortunately, we were unable to draft a bill that could co-exist with Kansas law. Thus, at the time of introduction, I requested that the bill be referred to an interim committee to allow my client and staff to work on redrafting the bill so that it would not be in conflict with current Kansas law. That group met several times during the summer, and S.B. 209 inserts the NAIC language throughout existing Kansas statutes, except for one minor exception that I will discuss later.

Allow me the opportunity to reiterate my client's strong support of S.B. 209.

House Insurance  
Date: 3-5-08  
Attachment # 1

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AHIP and its members have long advocated for uniformity of processes as an important regulatory reform initiative. State-to-state variations that have nothing to do with the benefits ultimately received by consumer do nothing but add unnecessary costs and regulatory burdens to the health care financing and delivery system.

States should adopt the NAIC Model in order to bring certainty to the process of getting products into the market and to permit carriers to bring new and innovative products to consumers in a timely manner.

This Model *does not* impact the state's ability to regulate the content of health insurance or managed care policies and plans. What the Model bill does is:

- Provide for a specific time frame within which state insurance departments must review initial product submissions.
- Require states to develop a template or other document that sets forth all state filing requirements, along with their statutory or regulatory authority. Requirements not contained in the template may not be used to disapprove policy filings, thereby solving the often-cited problem of regulator use of so-called "desk drawer" or unwritten rules to disapprove policy filings.
- Require carriers to be rigorous in their approach to policy filings. Submissions that are found to be grossly inadequate may be returned without review.
- Require states to do a complete review of a policy filing in the first instance and, with the exception of errors of law, prohibit states from retroactively disapproving a policy filing for reasons not contained in the original notice of deficiency or disapproval.
- Provide a time certain within which carriers must resubmit policy forms or rates that have been determined to be deficient or have been disapproved.
- Create a deemer provision that carriers may use without fear of retroactive disapprovals.

It is within this statutory framework that carriers, consumers and the regulatory community benefit from the creation of a system that requires both the state and product filers to maintain an exacting system of filing and review. It will prevent policy forms from languishing in the review process and will discourage the filing of policy form and rates that carriers know will not pass regulatory muster. Consumer will reap the benefit of better, new and innovative products in the marketplace in a timely fashion.

As I stated at the beginning of my testimony, the bill represents the NAIC Model except in one instance. Currently, Kansas law requires the Department to act upon a filing within 30 days. The NAIC Model allows up to 60 days. This period was arrived at as a compromise inasmuch as there were many states that provided for 90 days, and even a few for 120 days, for review. Thus, there are states that are not willing at this time to move to a 30-day review process like Kansas currently employs.

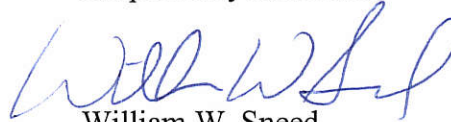
Your domestic insurers and plans have reviewed this proposal over the summer, and inasmuch as Kansas already requires a 30-day review, and because the state is able to do so within the 30-day time frame (and in many instances, before that), the domestic companies requested that we leave the 30-day period as it is currently in Kansas law.

I have discussed this matter with Commissioner Praeger, and although it is a slight deviation from the NAIC Model, it is a deviation for the benefit of policyholders and one that she supports. Thus, we would respectfully request that that small change be included.

Again, I wish to express my client's gratitude to the Commissioner's office and to Senators Wysong and Betts and Representatives Gates and Schultz for their help with this project during the interim. Based upon the foregoing, we respectfully request that Substitute for S.B. 209 be amended and passed out favorably by the Committee.

I am available for questions, and I thank you for your time.

Respectfully submitted,



William W. Sneed

WWS  
Attachment



# Kansas Insurance Department

Sandy Praeger, Commissioner of Insurance

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## TESTIMONY ON SB 209

### HOUSE INSURANCE AND FINANCIAL INSTITUTIONS March 5, 2008

Mr. Chairman and Member of the Committee:

Thank you for the opportunity to appear today in support of Senate Bill 209. This bill, proposed by America's Health Insurance Plans (AHIP), codifies elements of the Kansas statute dealing with accident and health insurance.

The bill is an attempt by AHIP to provide consistency and uniformity in the rate and form filing process for companies heavily involved in business across state lines. All provisions of the bill can be easily integrated into the current rate and form approval procedure.

Senate Bill 209 prohibits the use of "desk drawer" rules, which the Insurance Commissioner has been committed to removing since she has taken office. Furthermore, the Insurance Commissioner is committed to creating a consistent regulatory environment that allows insurance companies to more effectively conduct business in this state and across the nation.

Thank you for the opportunity to appear, and I will be happy to answer any questions at this time.

Cindy Hermes  
Director of Government Affairs

House Insurance  
Date: 3-5-08  
Attachment # 2



# Kansas Insurance Department

Sandy Praeger, Commissioner of Insurance

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## TESTIMONY ON SB 441

### HOUSE INSURANCE AND FINANCIAL INSTITUTIONS March 5, 2008

Mr. Chairman and Members of the Committee:

Thank you for the opportunity to visit with you on behalf of the Kansas Insurance Department. Senate Bill 441 amends the Kansas Mental Health Parity Law (K.S.A. 40-2258) by extending the sunset date for one more year to December 31, 2008.

The controlling federal legislation was passed and signed into law. Kansas, along with every other state, is required by this legislation to change its sunset date to December 31, 2008. Failure to do so would surrender regulatory control in this area to the federal government. However, we feel it is important for the Kansas Legislature to have the opportunity to revisit the law each year in the event that changes need to be made.

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

Cindy Hermes  
Director of Government Affairs

House Insurance  
Date: 3-5-08  
Attachment # 3