

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 January 23, 2008 in Room 136-N of the Capitol.

All members were present.

Committee staff present:

Melissa Calderwood, Kansas Legislative Research Department
Ken Wilke, Office of Revisor of Statutes
Bev Beam, Committee Secretary
Jill Shelley, Kansas Legislative Research Department

Conferees appearing before the committee:

Bill Sneed on behalf of America's Health Insurance Plans
John Meetz, Kansas Insurance Department

Others attending:

See attached list.

The Chair called the meeting to order and welcomed everyone to the meeting.

The Chair called on Melissa Calderwood, Legislative Research, for a report of the Electronic Motor Vehicle Financial Security Verification System Task Force. Ms. Calderwood said while the Task Force makes no recommendation on an electronic verification system, it does encourage continued monitoring of a number of issues identified during its meetings. She continued that the Task Force encourages the American Association of Motor Vehicle Administrators, the National Association of Insurance Commissioners and the National Conference of Insurance Legislators to adopt standards for states to use in developing their electronic financial security verification systems. She also noted that the Task Force calls on the Legislature to evaluate lower-cost insurance options and review the compulsory requirements for proof of auto insurance.

The Chair called on John Meetz, Kansas Insurance Department for comments on renewal of the Auto Insurance Verification Task Force Resolution. Mr. Meetz said the Task Force was charged with finding a solution to the problem of uninsured motorists in Kansas. He said this year the Kansas Insurance Department is proposing the Auto Insurance Verification Task Force (SCR 1616) be reauthorized to continue its job. He continued that the Task Force members have agreed to urge the Kansas Legislature for a reauthorization of the Task Force in hopes that further research and discussion will manifest a workable, cost-effective solution to the uninsured motorist problem. (Attachment 1)

Hearing on:

SB 209 - pertaining to accident and health insurance; relating to rate and form filings.

The Chair called Bill Sneed, Legislative Counsel for America's Health Insurance Plans (AHIP), who testified in support of SB 209. Mr. Sneed said during the 2007 legislative session, AHIP requested introduction of SB 209. He said SB 209 is the National Association of Insurance Commissioners (NAIC) Model for rate and form filings. He said unfortunately, a bill was not drafted that could co-exist with Kansas Law. Mr. Sneed said at the time of introduction, he requested that the bill be referred to an interim committee to allow his client and staff to work on redrafting the bill so it would not be in conflict with current Kansas Law. Attached to Mr. Sneed's testimony is a balloon draft of a substitute bill. Mr. Sneed continued that the balloon represents the NAIC Model except in one instance. He noted that currently Kansas law requires the Department to act upon a filing within 30 days. He said the NAIC Model allows up to 60 days. This period was arrived at as a compromise as there were many states that provided for 90 days, and even a few for 120 days for review, he said. He noted that there are states who are not willing at this time to move to a 30-day review process like Kansas currently employs. Mr. Sneed requested that SB 209 be amended as a Substitute Bill. (Attachment 2)

CONTINUATION SHEET

MINUTES OF THE Senate Financial Institutions and Insurance Committee at 9:30 A.M. on January 23, 2008 in Room 136-N of the Capitol.

John Meetz, Kansas Insurance Department, also testified in support of SB 209. Mr. Meetz said this bill codifies elements of the Kansas statute dealing with accident and health insurance.

He continued that 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. He said all provisions of the bill can be easily integrated into the current rate and form approval procedure. Mr. Meetz noted that SB 209 prohibits the use of “desk drawer” rules, which the Insurance Commissioner has been committed to removing since she has taken office. 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, he said. (Attachment 3)

The meeting adjourned at 10:25 a.m.

FINANCIAL INSTITUTIONS & INSURANCE COMMITTEE GUEST LIST

DATE: 1-23-08

NAME	REPRESENTING
Biff Sneed	AHP
SCOTT LARKIN	IVIN
Janine Slack	federico Consulting
JUDY ROBB	VIN/IBM
Marte Simmons	IVIN/IBM
Greg Al Long	IVIN
Isaac Ferguson	Kansas Chamber of Commerce
Lori Church	KAPCIC
James Taylor	United Healthcare
Karl Wenger	Kearney
Kerri Spielman	KAIA
Larry Magill	KAIA
CARMEN ALCOBET	KDOR
Toni Roberts	KDOR
MARCY RALSTON	KDOR
Tim Blevins	KDOR



Kansas Insurance Department

Sandy Praeger, Commissioner of Insurance

TESTIMONY ON SCR 1616

SENATE FINANCIAL INSTITUTIONS AND INSURANCE January 23, 2008

Madam Chair and Members of the Committee:

Two years ago SCR 1619 authorized the creation of an Auto Insurance Verification Task Force which was charged with finding a solution to the problem of uninsured motorists in Kansas. This year the Kansas Insurance Department is proposing the Auto Insurance Verification Task Force (SCR 1616) be reauthorized to continue its job.

Experts from around the country were able to weigh in on the types of things that an electronic verification system should possess in order to be effective across state lines, and the types of things that would make it most effective for Kansas.

The fact remains that cost is still the prohibiting factor in the implementation of a workable system. Thus, it is prudent for the task force to complete a cost/benefit analysis based on information from other states when designing an insurance verification system. Due to the relative infancy of experimental programs across the nation we feel it is necessary to continue watching these programs and gauge their success rates to avoid hastily implementing a system of our own.

Task Force members have agreed to urge the Kansas Legislature for a reauthorization of the Task Force in hopes that further research and discussion will manifest a workable, cost-effective solution to the uninsured motorist problem.

John Meetz
Government Affairs Liaison

*FI & I Committee
January 23, 2008
Attachment 1*

FIT
1/23/08

Polsinelli

Shalton | Flanigan | 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. 209

DATE: JANUARY 23, 2008

Madam Chair, 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 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.

You will recall that 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 attached to my testimony is a balloon draft of staff's work that would in essence create a substitute bill by inserting the NAIC language throughout existing Kansas statutes. We have left the bill in balloon form in hopes of making it a little easier to follow what has been done.

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FI&I Committee
January 23, 2008
Attachment 2

What is important to emphasize is that the language found in the balloon is the exact language found in S.B. 209 except for one small difference, which I will explain later in detail.

First, please allow me the opportunity to reiterate my client's strong support of S.B. 209.

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 balloon 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.

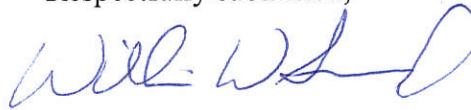
Your domestic insurers and plans have reviewed this proposal over the summer, and inasmuch as Kansas already requires a 30-day review, and because the state is able to do so within the 30-day time frame (and in many instances, before that), the domestic companies requested that we leave the 30-day period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

I have discussed this matter with Commissioner Praeger, and although it is a 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 in the balloon.

Again, I wish to express my client's gratitude to the Commissioner's office and to Senators Wyson and Betts and Representatives Gates and Schultz for their help with this project during the interim, and to Chair Teichman for allowing us to work this bill. Based upon the foregoing, we respectfully request that S.B. 209 be amended as a Substitute Bill, and that the Substitute Bill be 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

TESTIMONY ON SB 209

SENATE FINANCIAL INSTITUTIONS AND INSURANCE January 23, 2008

Madam Chair 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.

John Meetz
Government Affairs Liaison

*FI & I Committee
January 23, 2008
Attachment 3*