

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 February 5, 2008 in Room 136-N of the Capitol.

All members were present except Senator Barone.

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:

William Sneed, Polsinelli Law Firm, representing State Farm Insurance; Sandy Braden, Gaches, Braden, Barbee & Associates, representing the Kansas Association of Financial Services; John Meetz and Cindy Hermes, Kansas Insurance Department

Others attending:

See attached list.

The Chair called the meeting to order.

Bill Introduction

Bill Sneed, on behalf of State Farm Insurance Company, said the issue of a Property and Casualty Flex-rating Regulatory Improvement Model Act was referenced earlier in the session. He said this issue was examined during the summer and fall, and on advice of the Chair of both House and Senate Committees, it was suggested that the Flex-Rating bill should be introduced through the Senate Committee so that it could be analyzed and reviewed simultaneously with SB 274. He said additional information will be provided at the time of the hearings. He respectfully requested that the bill be introduced. (Attachment 1)

Senator Brungardt moved that the bill be introduced. Senator Wysong seconded. Motion passed.

Sandy Braden, on behalf of the Kansas Association of Financial Services, requested introduction of a bill that would provide an amendment that would eliminate the \$100,000 maximum coverage restriction for creditor/debtor group life insurance. She said the amendment would allow Kansas consumers to elect for group credit/mortgage life insurance coverage in an amount equal to their unpaid loan balance. (Attachment 2)

Senator Steineger moved introduction of the bill. Senator Wilson seconded. Motion passed.

Hearing on:

SB 465 - concerning insurance companies; relating to certain requirements regarding filing rates and forms.

The Chair called on Melissa Calderwood for an overview. She said SB 465 was requested by the Kansas Insurance Department and would amend the law governing the filing of certain rates and forms to allow the Insurance Commissioner to disapprove of filed insurance or indemnity contracts because the contract does not comply with Kansas Law. Under the current law, the commissioner is allowed to disapprove a filing because the rates only are determined to be inadequate, excessive, unfairly discriminate or otherwise fail to meet the requirements of the law. There will be no fiscal effect associated with the enactment of this bill.

John Meetz, the Kansas Insurance Department, testified that K.S.A. 40-216 gives authority to the Commissioner of Insurance to approve insurance forms. This language was enacted as a result of SB 539, he said. He said the main focus of SB 539 was to move from prior approval on forms to a file-and-use concept. He said currently the statute says that the Commissioner may disapprove a contract if the, "rates are determined to be inadequate, excessive, unfairly discriminatory or otherwise fail to meet the requirements of

CONTINUATION SHEET

MINUTES OF THE Senate Financial Institutions and Insurance Committee at 9:30 A.M. on February 5, 2008 in Room 136-N of the Capitol.

this act.” He said SB 465 removes this portion of the statute and replaces it with language that allows the Insurance Department to disapprove forms if they do not comply with Kansas law. He said since language pertaining to rates already exists elsewhere in statute and since the presence of the rating language in the form statute creates confusion, the Department recommends that changes made in SB 465 be passed favorably in an attempt to clarify our state’s insurance laws. (Attachment 3)

The Chair called on Bill Sneed, on behalf of State Farm. He said his client has no opposition to SB 465; however, he urged the Committee to delete the phrase “Kansas law” found on page 1, lines 29-30, and page 2, line 8, and insert in its place “current Kansas Law in compliance with this Act.” He said this language makes it very clear that the only change intended by the Legislature is the deletion of the inappropriate standards stated in the Insurance Department’s presentation. The Chair closed the hearing on SB 465.

The Chair opened the hearing on **SB 443 - concerning the Long-Term Care Partnership Program.**

Melissa Calderwood gave an overview of the bill. Ms. Calderwood said SB 443 would help to make the long-term care insurance policies possible. SB 443 would enact the Long-Term Care Partnership Program Act. It is an act that would require the Kansas Health Policy Authority, in conjunction with the Kansas Insurance Department to establish a long-term care partnership in Kansas to provide for the financing of long term care through a combination of private insurance and medical assistance. The bill would allow individuals who are beneficiaries of Kansas Long Term Care Partnership program policies to be eligible for assistance under the state’s maximum assistance program, using the assets disregard. The long term care partnership program is defined by the bill as a qualified state long term care insurance partnership. The bill would require that the program provide incentives for individuals to ensure against the cost of providing for their long term care needs, provide a mechanism for individuals to qualify for coverage under medical assistance while having certain assets disregarded for eligibility determinations and recover and reduce the financial burden of the state’s medical assistance program by encouraging the pursuit of private initiatives. The Act provides for dollar-for-dollar asset protection for individuals who are beneficiaries of qualified long-term care insurance partnership policies. The bill authorizes the executive director of the Kansas Health Policy Authority, the secretary of the Department of Social and Rehabilitation Services, the secretary of the Department on Aging and the Insurance Commissioner to each promulgate rules and regulations necessary to carry out the provisions of the Act. Ms. Calderwood said according to the fiscal note, there will be a negligible fiscal effect on the operations of these four state agencies who are directing the responsibilities under the bill. The Health Policy Authority stated that the medical assistance expenditures could increase by a small amount which is estimated at less than \$100,000 from the state general fund for both fiscal year 2009 and 2010. The authority estimates the program will be cost neutral in five to seven years and any increase in medical assistance procedures would be offset by savings in nursing facility expenditures.

Cindy Hermes, Kansas Insurance Department, testified that SB 443 would establish the Long-Term Care Partnership Program in Kansas. She said this bill is a joint collaboration by the Department on Aging, Kansas Insurance Department, the Kansas Health Policy Authority and the Department of SRS. She said this is a consumer-friendly bill that provides an incentive for individuals in Kansas to purchase long-term care insurance. She continued that the Long Term Care Partnership Program provides dollar-for-dollar asset protection. Each dollar that a Partnership policy pays out in benefits entitles the individual to keep a dollar of his or her assets if they ever need to apply for Medical Assistance. Ms. Hermes said included in this bill is language that would authorize the Kansas Insurance Department to require insurance companies to exchange long-term care policies that meet all qualifications of a partnership policy but were sold before the date of April 1, 2007 for a partnership policy. (Attachment 4)

Following lengthy discussion, the Chair closed the hearing on SB 443.

The Chair asked for a motion to approve the Minutes of January 22, 23, 24, 29 and 30. Senator Wysong so moved. Senator Barnett seconded. Motion passed.

The meeting adjourned at 10:30 a.m.

Polsinelli

Shalton | Flanigan | Suelthaus PC

Memorandum

TO: THE HONORABLE RUTH TEICHMAN
CHAIR, SENATE FINANCIAL INSTITUTIONS AND INSURANCE
COMMITTEE

FROM: WILLIAM W. SNEED, LEGISLATIVE COUNSEL
THE STATE FARM INSURANCE COMPANIES

RE: S.B. 465

DATE: FEBRUARY 5, 2008

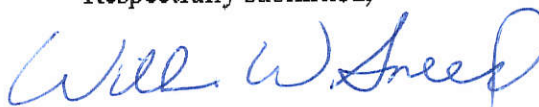
Madam Chair, Members of the Committee: My name is Bill Sneed and I am Legislative Counsel for the State Farm Insurance Companies. State Farm is the largest insurer of homes and automobiles in Kansas. State Farm insures one out of every three cars and one out of every four homes in the United States. We appreciate the opportunity to share with the Committee our thoughts regarding S.B. 465.

My client has no opposition to S.B. 465 as it has been explained to us. However, we would urge the Committee to delete the phrase "Kansas law" found on page 1, lines 29-30, and page 2, line 8, and insert in its place "requirements of this act." We would contend that this language will make it very clear that the only change intended by the Legislature is the deletion of the inappropriate standards stated in the Insurance Department's presentation.

Thus, with the above change my client would have no opposition to the Committee's favorable passage of S.B. 465.

I am available for additional questions or comments at your convenience.

Respectfully submitted,



William W. Sneed

WWS

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*FI & I Committee
February 5, 2008
Attachment 1*

TOTAL P.002



GACHES, BRADEN, BARBEE & ASSOCIATES

PUBLIC AFFAIRS & ASSOCIATION MANAGEMENT

825 S. Kansas Avenue, Suite 500 ♦ Topeka, Kansas 66612 ♦ Phone: (785) 233-4512 ♦ Fax: (785) 233-2206

To: Senator Ruth Teichman, Chair, and Members of the Senate Financial Institutions and Insurance Committee

From: Sandy Braden, on behalf of the Kansas Association of Financial Services

Subject: Bill Introduction Request

On behalf of the Kansas Association of Financial Services, I would like to request introduction of a bill that would provide an amendment that would eliminate the \$100,000 maximum coverage restriction for creditor/debtor group life insurance. The amendment would allow Kansas consumers to elect for group credit/mortgage life insurance coverage in an amount equal to their unpaid loan balance.

Suggested language is attached.

Thank you

Sandy Braden
Gaches, Braden, Barbee and Associates
825 S Kansas Suite 500
Topeka, Kansas 66612
10785-233-4512

*FI & I Committee
February 5, 2008
Attachment 2*

This amendment language updates and modernizes the group life insurance provisions by eliminating the \$100,000 maximum coverage restriction for creditor/debtor group life insurance. The amendment will allow Kansas consumers to elect group credit/mortgage life insurance coverage in an amount equal to their unpaid loan balance.

Words underlined are additions; words ~~stricken~~ are deletions.

Amend Subsection (2)(d) of Section 40-433 "Group Life insurance; types of policies and requirements", Chapter 40 "Insurance", Article 4. "General Provisions Relating to Life Insurance Companies" of Kansas Statutes Annotated to read as follows:

40-433 (2)

(d) The amount of insurance on the life of any debtor shall at no time, ~~under one or more policies,~~ exceed the amount owed by that debtor which is repayable in installments to the creditor, ~~or \$100,000, whichever is less.~~



Kansas Insurance Department

Sandy Praeger, Commissioner of Insurance

TESTIMONY ON SB 465

SENATE FINANCIAL INSTITUTIONS AND INSURANCE February 5, 2008

Madam Chair and Members of the Committee:

Thank you for the opportunity to appear before you today in support of SB 465. This bill is an attempt to "clean up" the language in K.S.A 40-216, section 2.

K.S.A. 40-216 gives authority to the Commissioner of Insurance to approve insurance forms. This language was enacted as a result of SB 539 of the 2006 legislative session. The main focus of SB 539 was to move from prior approval on forms to a file and use concept. Currently the statute says that the Commissioner may disapprove a contract (form) if the, "rates are determined to be inadequate, excessive, unfairly discriminatory or otherwise fails to meet the requirements of this act." This exact language exists under our statute that outlines the law regarding rate filing (K.S.A. 40-955 [d]).

SB 465 removes this portion of the statute and replaces it with language that allows the Insurance Department to disapprove forms if they, "do not comply with Kansas law."

Since language pertaining to rates already exists elsewhere in statute and since the presence of the rating language in the form statute creates confusion, we would like to recommend that changes made in SB 465 be passed favorably in an attempt to clarify our states insurance laws.

Thank you for the opportunity to speak today and I will now stand for questions.

John Meetz
Government Affairs Liaison

*FI & I Committee
February 5, 2008
Attachment 3*



Kansas Insurance Department

Sandy Praeger, Commissioner of Insurance

TESTIMONY ON SB 443

SENATE FINANCIAL INSTITUTIONS AND INSURANCE
February 5, 2008

Madam Chair and Members of the Committee:

Thank you for the opportunity to visit with you on behalf of the Kansas Insurance Department. SB 443 would establish the Long-Term Care Partnership Program in Kansas, providing for a partnership of private long-term care insurance and medical assistance. SB 443 is a joint collaboration by the Department of Aging, Kansas Insurance Department, the Kansas Health Policy Authority and the Department of SRS. This is a consumer-friendly bill that provides an incentive for individuals in Kansas to purchase long-term care insurance.

The Long-Term Care Partnership Program provides dollar-for-dollar asset protection. Each dollar that a Partnership policy pays out in benefits entitles the individual to keep a dollar of his/her assets if they ever need to apply for Medical Assistance.

Specifically, included in the bill is language that would authorize the Kansas Insurance Department to require insurance companies to exchange long-term care policies that meet all qualifications of a partnership policy but were sold before the date of April 1, 2007 for a partnership policy. The exchange of policies, made by the insurance companies, would be of minimal cost to the insurance company since the policy has already been issued, but it would allow the individual the ability to "protect or disregard" an amount of assets when the time comes to apply for Medical Assistance. As stated before, this is a consumer-friendly bill that will eventually save the State of Kansas State General Fund dollars in the future because individuals who normally would not purchase long-term care insurance may realize the incentive to "protect" their homes or other assets and still be eligible for Medical Assistance when their long-term care insurance benefits have been exhausted.

At the present time, the Kansas Insurance Department has authorized 10 different companies that offer Long-Term Care Partnership Policies. The requirements necessary for a policy to meet partnership status include:

- A tax-qualified plan
- A plan with consumer protection provisions, including rate stabilization
- Inflation protection

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

*FI&I Committee
February 5, 2008
Attachment 4*