

SENATE BILL No. 528

By Committee on Federal and State Affairs

3-5

1 AN ACT concerning insurance; enacting the Kansas municipal self-funded
2 health and prescription drug insurance pool act; relating to group-
3 funded pools; establishing certain reserve, maximum exposure funding
4 and reporting requirements for municipal self-funded medical and
5 prescription drug insurance pools; amending K.S.A. 12-2618 and 12-
6 2621 and K.S.A. 2025 Supp. 12-2620 and repealing the existing
7 sections.
8

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

10 New Section 1. The amendments made to K.S.A. 12-2618 and 12-
11 2621, and amendments thereto, and K.S.A. 2025 Supp. 12-2620, and
12 amendments thereto, by this act shall be known and may be cited as the
13 Kansas municipal self-funded health and prescription drug insurance pool
14 act.

15 Sec. 2. K.S.A. 12-2618 is hereby amended to read as follows: 12-
16 2618. Application for a certificate of authority to operate a pool shall be
17 made to the commissioner of insurance not less than 60 days prior to the
18 proposed inception date of the pool. The application shall include the
19 following:

20 (a) A copy of the bylaws of the proposed pool, a copy of the articles
21 of incorporation, if any, and a copy of all agreements and rules of the
22 proposed pool. If any of the bylaws, articles of incorporation, agreements
23 or rules are changed, the pool shall notify the commissioner within 30 days
24 after such change.

25 (b) Designation of the initial board of trustees and administrator.
26 When there is a change in the membership of the board of trustees or
27 change of administrator, the pool shall notify the commissioner within 30
28 days after such change.

29 (c) The address where the books and records of the pool will be
30 maintained at all times. If this address is changed, the pool shall notify the
31 commissioner within 30 days after such change.

32 (d) Evidence that the annual Kansas gross premium of the pool will
33 be not less than \$250,000 for each of the categories described in
34 ~~subparagraphs paragraphs~~ (1) through (4) ~~of this subsection~~: (1) All
35 property insurance under article 9 of chapter 40 of the Kansas Statutes
36 Annotated, *and amendments thereto*, except motor vehicle physical

1 damage; (2) motor vehicle liability and physical damage insurance; (3)
2 workers' compensation and employers' liability insurance; (4) all casualty
3 insurance under article 11 of chapter 40 of the Kansas Statutes Annotated,
4 *and amendments thereto*, except insurance under ~~categories paragraphs~~
5 (2) and (3) ~~above~~; (5) group sickness and accident insurance if at the date
6 of issue the annual gross premium for such coverage will be not less than
7 \$1,000,000; and (6) group life insurance if at the date of issue the coverage
8 will insure at least 60% of the eligible participants or the total number of
9 persons covered will exceed 600. The pool shall notify the commissioner
10 within 30 days if the minimum premium qualification or participation
11 requirement is less than that specified ~~in this subsection for any of the~~
12 ~~above categories of insurance in paragraphs (1) through (5).~~

13 (e) An agreement binding the group and each member thereof to
14 comply with the provisions of the workers compensation act if such
15 coverage is to be provided by the pool. For all lines of coverage, all
16 members of the pool shall be jointly liable for the payment of claims to the
17 extent of the assets of the pool.

18 (f) A copy of the procedures adopted by the pool to provide services
19 with respect to underwriting matters and, with respect to the ~~categories~~
20 ~~identified in subsection~~ *types of insurance specified in subsection (d)(1)*
21 through (4), safety engineering.

22 (g) A copy of the procedures adopted by the pool to provide claims
23 adjusting and accumulation of income and expense and loss data.

24 (h) (I) A confirmation that specific and aggregate excess insurance
25 provided by an insurance company holding a Kansas certificate of
26 authority or reinsurance approved by the commissioner is or will be in
27 effect concurrent with the assumption of risk by the pool, as selected by
28 the board of trustees of the pool, or adequate surplus funds as approved by
29 the commissioner, in the pool. The pool shall notify the commissioner
30 within 30 days of any change in the specific or aggregate excess insurance
31 or reinsurance carried by the pool. For the purposes hereof, "surplus
32 funds" ~~shall mean~~ *means* retained earnings of the pool after reserves have
33 been established for all known and incurred but not reported losses of the
34 pool and after all other liabilities of the pool, including unearned premium
35 reserves, have been deducted from total assets. The term "adequate surplus
36 funds" ~~shall mean~~ *means* the amount necessary for the pool to fund its
37 self-insured obligations.

38 (2) (A) *Any municipal insurance pool seeking to provide medical and*
39 *prescription drug coverage on a self-funded basis shall demonstrate to the*
40 *commissioner that such pool is funded to the maximum exposure of the*
41 *pool's annual claims liability.*

42 (B) *The maximum claim exposure shall be determined utilizing*
43 *multiple years of claims data trended into the current year and shall, at a*

1 *minimum, be equivalent to a 12/18 aggregate stop-loss contract.*

2 *(C) No group failing to meet the reserve requirements provided in*
3 *K.S.A. 12-2621, and amendments thereto, shall be eligible to self-fund*
4 *pursuant to this paragraph.*

5 *(D) Each municipal self-funded medical and prescription drug pool*
6 *shall submit an annual certification to the Kansas department of insurance*
7 *verifying that the pool has been funded to the maximum exposure for the*
8 *plan year.*

9 *(E) As used in this subsection, "maximum exposure" means the total*
10 *potential financial liability for the pool, including stop-loss coverage costs*
11 *and thresholds, administrative costs and any other financial obligations*
12 *associated with the operation of the self-funded pool.*

13 *(i) After evaluating the application the commissioner shall notify the*
14 *applicant if the plan submitted is inadequate, fully explaining to the*
15 *applicant what additional requirements must be met. If the application is*
16 *denied, the applicant shall have 10 days to make an application for hearing*
17 *by the commissioner after the denial notice is received. A record shall be*
18 *made of such hearing, and the cost thereof shall be assessed against the*
19 *applicant requesting the hearing.*

20 *(j) Any other relevant factors the commissioner may deem necessary.*

21 *Sec. 3. K.S.A. 2025 Supp. 12-2620 is hereby amended to read as*
22 *follows: 12-2620. (a) All certificates granted hereunder shall be perpetual*
23 *unless sooner suspended or revoked by the commissioner or the attorney*
24 *general.*

25 *(b) Whenever the commissioner shall deem it necessary the*
26 *commissioner may make, or direct to be made, an examination of the*
27 *affairs and the financial condition of any pool. Each pool shall submit a*
28 *certified independent audited financial statement not later than 180 days*
29 *after the end of the fiscal year. The financial statement shall include*
30 *outstanding reserves for claims and for claims incurred but not reported.*
31 *Each pool shall file reports as to income, expenses and loss data at such*
32 *times and in such manner as the commissioner shall require. Any pool that*
33 *does not use rates developed by an approved rating organization shall file*
34 *with the commissioner an actuarial certification that such rates are*
35 *actuarially sound. Whenever it appears to the commissioner from such*
36 *examination or other satisfactory evidence that the ability to pay current*
37 *and future claims of any such pool is impaired, or that it is doing business*
38 *in violation of any of the laws of this state, or that its affairs are in an*
39 *unsound condition so as to endanger its ability to pay or cause to be paid*
40 *claims in the amount, manner and time due, the commissioner shall, before*
41 *filing such report or making the same public, grant such pool upon*
42 *reasonable notice a hearing, and, if on such hearing the report be*
43 *confirmed, the commissioner may require any of the actions allowed under*

1 K.S.A. 40-222b, and amendments thereto, or suspend the certificate of
2 authority for such pool until its ability to pay current and future claims
3 shall have been fully restored and the laws of the state fully complied with.
4 The commissioner may, if there is an unreasonable delay in restoring the
5 ability to pay claims of such pool and in complying with the law or if
6 rehabilitation or corrective action taken under K.S.A. 40-222b, and
7 amendments thereto, is unsuccessful, revoke the certificate of authority of
8 such pool to do business in this state. Upon revoking any such certificate
9 the commissioner shall communicate the fact to the attorney general,
10 whose duty it shall be to commence and prosecute an action in the proper
11 court to dissolve such pool or to enjoin the ~~same~~ *such pool* from doing or
12 transacting business in this state. The commissioner of insurance may call
13 a hearing under K.S.A. 40-222b, and amendments thereto, and the
14 provisions thereof shall apply to group-funded pools.

15 (c) On an annual basis, or within 30 days of any change ~~thereto~~ *in the*
16 *administrator or the administrator's qualifications*, each pool shall supply
17 to the commissioner the name and qualifications of the designated
18 administrator of the pools and the terms of the specific and aggregate
19 excess insurance contracts of the pool.

20 (d) (1) *In addition to any other reporting requirement established*
21 *under this section, each municipal self-funded medical and prescription*
22 *drug insurance pool shall include in its annual statement:*

23 (A) *The total claims paid during the preceding year;*

24 (B) *the reserve fund balance required by K.S.A. 12-2621, and*
25 *amendments thereto, and any adjustments to such reserve;*

26 (C) *all administrative expenses incurred;*

27 (D) *the actuarial certification required by K.S.A. 12-2618, and*
28 *amendments thereto; and*

29 (E) *all documentation necessary to demonstrate compliance with*
30 *K.S.A. 12-2618, and amendments thereto.*

31 (2) *The commissioner of insurance may examine and audit the*
32 *financial records of any such pool in order to demonstrate compliance*
33 *with the subsection.*

34 Sec. 4. K.S.A. 12-2621 is hereby amended to read as follows: 12-
35 2621. (a) With respect to the categories of coverage described in
36 ~~subparagraphs (d)(1) through (4) of K.S.A. 12-2618(d)(1) through (4), and~~
37 ~~amendments thereto,~~ premium contributions to the pool shall be based
38 upon appropriate manual classification and rates, plus or minus applicable
39 experience credits or debits, and minus any advance discount approved by
40 the trustees, not to exceed 25% of manual premium. The pool shall use
41 rules, classifications and rates as promulgated by an approved rating
42 organization for workers compensation if the pool has been in operation
43 for less than five years. Such rates shall be the prospective loss costs, as

1 authorized in K.S.A. 40-955, and amendments thereto, plus expenses
2 necessary to administer the pool. For purposes of subsection (b), the
3 prospective loss costs shall be presumed to be the 70% required to be
4 deposited in the claims fund. If the pool has been in operation for more
5 than five years, the board of trustees may determine such rates and
6 discounts as approved by the commissioner. Premium contributions to the
7 pool for all other lines of insurance shall be based on rates filed by a
8 licensed rating organization or on rates of certain companies filing rates
9 with the commissioner and approved by the commissioner for the pool. In
10 lieu of the foregoing, the board of trustees may determine such
11 classification, rates and discounts as approved by the commissioner.

12 Premium contributions to any pool providing life insurance or any pool
13 providing group sickness and accident insurance as described in K.S.A.
14 12-2617, and amendments thereto, shall be based on sound actuarial
15 principles.

16 (b) An amount equal to at least 70% of the annual premium shall be
17 maintained in a designated depository for the purpose of paying claims in
18 a claims fund account. If so approved by the commissioner of insurance,
19 the annual premium to be designated to such depository may be
20 determined to be the net amount of premium after all or a portion of the
21 specific and aggregate excess insurance premium costs have been paid.
22 This shall be called the claims fund account. If the pool has been in
23 operation for more than five years the commissioner may authorize
24 allocation of a different amount to the claims fund account, if solvency of
25 the pool would not be endangered. The remaining annual premium shall be
26 placed into a designated depository for the payment of taxes, fees and
27 administrative and other operational costs in an administrative fund
28 account.

29 (c) Any moneys for a fund year in excess of the amount necessary to
30 fulfill all obligations of the pool for that fund year, including any
31 obligation to retain adequate surplus funds, as defined by ~~subsection (h) of~~
32 K.S.A. 12-2618, and amendments thereto, in lieu of specific and aggregate
33 excess insurance, may be declared to be refundable by the trustees not less
34 than 12 months after the end of the fund year. Any such refund shall be
35 paid only to those members who remained participants in the pool for an
36 entire year. Payment of previously earned refunds shall not be contingent
37 on continued membership in the pool.

38 (d) *Municipal self-funded medical and prescription drug insurance*
39 *pools shall maintain a reserve equal to the greater of 20% of annual*
40 *claims liability or \$4,000,000. Such reserve shall be maintained in a*
41 *segregated account and used for the payment of claims and administrative*
42 *expenses related to medical and prescription drug coverage. Such reserve*
43 *shall be reviewed annually by an actuary to ensure compliance with the*

1 *requirements of this subsection.*

2 Sec. 5. K.S.A. 12-2618 and 12-2621 and K.S.A. 2025 Supp. 12-2620
3 are hereby repealed.

4 Sec. 6. This act shall take effect and be in force from and after its
5 publication in the statute book.