

MEMORANDUM

To: Joint Committee on Administrative Rules and Regulations
From: Diane Minear,
Kansas Insurance Department
Re: K.A.R. 40-1-37 – Audited financial statements
Date: December 2, 2014

My name is Diane Minear and I am Assistant General Counsel and Governmental Relations Director for the Kansas Insurance Department. With me today is Ken Abitz, Director of our Financial Surveillance Division. I would like to thank the Committee for allowing the Department to appear and comment on the proposed amendment to K.A.R. 40-1-37.

This amendment to the existing regulation adopts by reference the most recent references to the *Annual Statement Instructions, Accounting Practices and Procedures Manual* and the *Financial Condition Examiners Handbook* of the National Association of Insurance Commissioners (NAIC). The regulation requires that insurers file on an annual basis (1) an annual audit of financial statements reporting the financial position and the results of operations of insurers by independent certified public accountants, (2) Communication of Internal Control Related Matters Noted in an Audit, and (3) Management's Report of Internal Control over Financial Reporting.

The economic impact, if any, will be positive because the reports that are required to be filed in Kansas are uniform formats as established by the NAIC. There

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will be little or no economic impact on the Kansas Insurance Department, consumers, small businesses or other government agencies.

We would be happy to answer any questions the members of the Committee might have. Again, thank you for allowing us to appear today and comment on the proposed regulation.

MEMORANDUM

To: Joint Committee on Administrative Rules and Regulations
From: Diane Minear
Kansas Insurance Department
Re: K.A.R. 40-1-48 – Risk-based capital instructions for health organizations
Date: December 2, 2014

My name is Diane Minear and I am Assistant General Counsel & Governmental Relations Director for the Kansas Insurance Department. With me today to answer technical questions is Ken Abitz, Director of Financial Surveillance of KID. Thank you for allowing the Department to appear and comment on the proposed amendment to K.A.R. 40-1-48.

This amendment to the existing regulation adopts by reference the most recent version of National Association of Insurance Commissioners (NAIC) health risk-based capital report, including overview and forecasting instructions, for health companies. Risk-based capital is a method of measuring the minimum amount of capital appropriate for an insurance entity to support its overall business operation in consideration of its size and risk profile. Risk-based capital standards for health organizations were enacted in Kansas in the year 2000. This regulation sets out the requirements and format of the risk-based capital report that all domestic health organizations are required to file each year.

The economic impact on companies, if any, will be positive because the reports that are required to be filed in Kansas are uniform formats as established by the NAIC. There will be little or no economic impact on the Kansas Insurance Department, consumers, small businesses or other government agencies.

At the request of the Department of Administration, the Department made additional edits to correct syntax errors; however, those changes are not substantive.

We are happy to answer any questions the members of the Committee might have. Again, thank you for allowing us to appear and testify on this regulation.

MEMORANDUM

To: Joint Committee on Administrative Rules and Regulations
From: Diane Minear
Kansas Insurance Department
Re: K.A.R. 40-4-37e
Date: December 2, 2014

My name is Diane Minear and I am Assistant General Counsel & Governmental Relations Director for the Kansas Insurance Department. With me today is Mark McClafin, with the Accident & Health Division. Thank you for allowing the Department to appear and comment on the proposed amendment to K.A.R. 40-4-37e.

The existing regulation states that a long-term care policy shall not contain an elimination period greater than 100 days for each period of confinement in a nursing home or for all confinements in a nursing home which are due to the same or related causes and separated from each other by less than six months. The proposed amendment, strikes "greater than 100 days" and inserts "more than one" so that the regulation is consistent with K.S.A. 40-2228(a)(1) which prohibits regulations from limiting the number of days in an elimination period. Carriers writing long term care policies are already complying with the proposed amendment and there would be no economic impact on the Kansas Insurance Department, consumers, small businesses, or other governmental entities.

At the request of the Department of Administration, the Department made additional edits to correct syntax errors however, those changes are not substantive.

Because these national standards already exist, most companies will not change current practice or experience any fiscal impact. There could be minimal impact on companies required to update their procedures, although these updates would be required by other states as well. The proposed amendment will not have any economic impact on other insurance companies, this or other government agencies, regulated entities, large or small businesses or the general public.

We are happy to answer any questions the members of the committee might have. Again, thank you for allowing us to appear and testify on this regulation.

MEMORANDUM

To: Joint Committee on Administrative Rules and Regulations
From: Diane Minear, Kansas Insurance Department
Re: K.A.R. 40-9-118
Date: December 2, 2014

My name is Diane Minear and I am Assistant General Counsel & Governmental Relations Director for the Kansas Insurance Department. With me today is Jason Lapham, with the Life Division. Thank you for allowing us to appear and comment on the proposed amendment to K.A.R. 40-9-118.

Since KID last amended K.A.R. 40-9-118 in 1998, the use of technology in advertising has increased and changes in the insurance marketplace over the last decade have rendered the current regulation out of date. Specifically, the Internet and social media have become increasingly critical marketing channels. By referencing "...the Internet, social media, or any other mass communication media," the proposed amendment allows for additional methods of communication and advertising in the future. It is worth pointing out that LinkedIn, Facebook, YouTube, and Twitter did not even exist until 2003, 2004, 2005, and 2006 respectively.

Another noteworthy change is a requirement that companies regularly notify their producers of the procedures necessary for company approval prior to the use of any advertisements not furnished by the company. This is an important safeguard for both

the insurance consuming public as well as producers who may wish to produce their own advertising material.

Finally, the proposed amendment also clarifies what are known as known as "nonguaranteed" and "determinable" policy elements as well as elaborates on the proper use of professional designations by agents.

We are happy to answer any questions the members of the committee might have. Again, thank you for allowing us to appear and testify on this amendment.

MEMORANDUM

To: Joint Committee on Administrative Rules and Regulations
From: Diane Minear, Kansas Insurance Department
Re: K.A.R. 40-9-126
Date: December 2, 2014

My name is Diane Minear and I am Assistant General Counsel & Governmental Relations Director for the Kansas Insurance Department. With me today is Mark McClafin, with the Accident & Health Division. Thank you for allowing the Department to appear and comment on the adoption of the NAIC Model Rule Governing Advertisements of Medicare Supplement Insurance with Interpretive Guidelines.

Pursuant to the Accident & Sickness Model Regulation adopted in 1976, KID had the ability to review Medicare Supplement Insurance advertising. In 2000, KID adopted a newer model rule governing insurance companies' advertisements for accident and sickness policies, however, in the process, inadvertently excluded Medicare supplement insurance advertising. Under K.S.A. 40-2221 and K.A.R. 40-4-35, companies are required to file advertisements, including radio, television, or printed media, with KID.

The adoption of this regulation would restore KID's ability to review Medicare Supplement advertising. Because current industry practice is consistent with this proposed regulation, KID does not anticipate an economic impact on consumers, health insurers, small businesses, the KID, or any government agencies.

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We are happy to answer any questions the members of the committee might have. Again, thank you for allowing us to appear and testify on this regulation.