

SESSION OF 2016

SUPPLEMENTAL NOTE ON SENATE BILL NO. 419

As Recommended by Senate Committee on
Financial Institutions and Insurance

Brief*

SB 419 would enact new law to allow mutual insurance companies organized to provide health care provider liability insurance to transfer, upon 90 days' written notice to the insured and the agent of record, an insured's coverage to an affiliate insurer authorized in Kansas to issue policies for the same exposures under any property and casualty policy that is used primarily for business or professional needs.

This transfer would not constitute a policy nonrenewal or cancellation if:

- Transfer is without any interruption in coverage; and
- Premium charged by the affiliate is no higher than the current rate charged by the affiliate for the same classification for the duration of the policy.

This new law would be part of and supplemental to Article 12a, Chapter 40 of the *Kansas Statutes Annotated*.

Background

The bill was introduced by the Senate Committee on Financial Institutions and Insurance at the request of the Kansas Medical Mutual Insurance Company (KaMMCO) whose representative stated, under current law, in order to

*Supplemental notes are prepared by the Legislative Research Department and do not express legislative intent. The supplemental note and fiscal note for this bill may be accessed on the Internet at <http://www.kslegislature.org>

transfer coverage to an affiliate company, the existing policy must be nonrenewed. A notice of nonrenewal could be confusing and disruptive to a policyholder and for physicians and health care providers, there are implications relating to credentialing as nearly all health insurers, hospitals, and health facilities include a question on credentialing applications about whether liability coverage has ever been canceled, restricted, declined, or nonrenewed. In addition to reasons for nonrenewal, such as adverse claims or standard of care concerns, nonrenewal relating to a transfer of policy to an affiliate would be a reportable event on any subsequent credentialing application for the physician for the next ten years. A representative of the Kansas Insurance Department (Department) and written testimony submitted by the Property Casualty Insurers Association of America indicated support for the bill, but also encouraged consideration of a more comprehensive bill also before the Senate Committee including other lines of business [2016 SB 438].

There was no opponent or neutral testimony submitted.

The fiscal note prepared by the Division of the Budget states, according to the Department, the bill would have no fiscal effect.