

MINUTES OF THE HOUSE COMMITTEE ON INSURANCE.

The meeting was called to order by Chairperson Rep. Robert Tomlinson at 4:30 p.m. on February 14, 2001 in Room 313-S of the Capitol.

All members were present except:

Representative Carlos Mayans
Representative Gene O'Brien
Representative Ralph Ostmeyer
Representative Bonnie Sharp
Representative Jene Vickery

Committee staff present:

Bill Wolff, Legislative Research
Ken Wilke, Legislative Revisor
Mary Best, Committee Secretary

Conferees appearing before the committee:

Commissioner Kathleen Sebelius, Kansas Insurance Dept.
Mr. Matthew All, Kansas Insurance Department
Mr. Brad Smoot, American Insurance Association
Blue Cross/Blue Shield and of Kansas City
Ms. Larry Ann Lower, Kansas Association of Health Plans
Mr. John Peterson, Security Benefit Group
Mr. David Hanson, National Association of Independent Insurers
Mr. Lee Wright, Farmers Insurance
Mr. Kevin Davis, American Family Insurance

Others attending:

See Attached Guest List

The hearing scheduled was on **HB 2480**-Adoption of model regulations concerning privacy of financial health information of consumers. The power-point presentation was set up and the first conferee was recognized by the Chairman. Commissioner Sebelius spoke without written testimony giving an overview of the bill. She then recognized Mr. Matt All, of the Kansas Insurance Department. Mr. All's Proponent Testimony was with power-point and a written copy of this testimony is (Attachment #1) attached hereto and incorporated into the Minutes by reference. Mr. All explained the bill would allow the Insurance Department to "adopt strong, effective, privacy standards to protect consumers financial and health information from disclosures by insurance companies. He stated the statute was translated into insurance language and it was then determined it was necessary to be sure all people who used insurance products regardless of the kind or purpose (household, personal, family etc) needed to be included. This would also include beneficiaries. He continued on to state that the Model Regulation bill was passed unanimously by all insurance commissioners and mirrored Title V and the federal regulation for financial information.

He stated that the Model offered more protection for health information. It requires companies to obtain, in advance, the consumers consent if they are going to disclose personal information outside of the broad realm of business and functional exceptions. The Model provides an "opt-out" notice to the consumers, if the insured is going to disclose personal information about the consumer. Mr. All discussed the Gramm-Leach-Bliley Act, 1999. He explained that health and financial information is to be protected.

Mr. All explained that the Model Regulation is to bring uniformity state to state, be generally uniform with the federal regulation, translate the Title V program into language real and understandable by the insurance industry, and "provide enhanced protection for health information, since insurers, unlike banks, are likely to have health information." He related to the committee that Congress made Title 5 a "federal floor", allowing states to enact provisions for privacy on their own, as long as those provisions offer as much or more protection to the consumer than Title V does. Mr. All then explained why the Insurance Department felt this bill should be passed. They believe very simply put that Kansans need it and deserve it. They feel this is the only way to developing uniform privacy standards from one state to the next. They feel it offers balance between consumers and realities doing business in the insurance market. Mr. All stood for questions. There were none.

Mr. Brad Smoot, representing Blue Cross Blue Shield of Kansas, and the American Insurance Association, was the next conferee to come to the committee with Proponent Testimony. A copy of the testimony is (Attachment #'s 2 & 3) attached hereto and incorporated into the Minutes by reference. Mr. Smoot stated his companies agreed with and supported the NAIC model privacy regulation and felt this was the best way to uniformity within all of the states. They applaud the Committee and the KID for their work in developing the privacy implementation schedule in the bill. Mr. Smoot stood for questions. A question was asked by Representative Kirk.

Ms. Larry Ann Lower, Kansas Association of Health Plans, gave Proponent Testimony to the committee next. A copy of the testimony is (Attachment #4) attached hereto and incorporated into the Minutes by reference. Ms. Lower informed the committee that her clients approved the bill and greatly supported it. Ms. Lower represents the HMO's of Kansas, and that they have already begun the process of bringing themselves into compliance with regulations. She stood for questions. A question was asked by Representative Kirk.

Representative Jim Garner, Mr. Roger Viola, Security Benefit Life Insurance Company, by way of Mr. John Peterson, and Ms. Chris Collins, Kansas Medical Society, each gave written testimony only to the committee in support of the bill. Their Proponent Testimony is (Attachment #'s 5,6,7) attached hereto and incorporated into the Minutes by reference.

Mr. David Hanson, National Association of Independent Insurers, offered Opponent Testimony on behalf of Ann Weber, Counsel, Des Plaines, Ill. A copy of the testimony is (Attachment #8) attached hereto and incorporated into the Minutes by reference. Mr. Hanson related to the committee the concerns had by the NAI. They do not feel the GLB includes health information and therefore does not need any action by any of the states now. They feel the regulations are inconsistent with and required for compliance with GLB. They feel it could result in dual compliance standards in the insurance industry regarding property and casualty insurers. They also feel it can bring about confusion and frustration for the consumer. He stated that many of the businesses property/casualty companies do business with fall under federal regulation. They feel to be made to follow these regulations will be costly to the insurers and that cost will be passed on to the consumer. They also pointed out that GLB excludes workers' compensation since it is a limited coverage. They feel this will subject carriers and businesses to new privacy practices and procedures.

Mr. Hansen continued on to relate that they felt the model may create new producer liability, and that "consumer" is a broad enough base to include third party claimants. Mr. Hanson summarized the testimony for the committee and stood for questions. Chairman Tomlinson, Representatives Huff, and Kirk had questions for Mr. Hanson.

Mr. Lee Wright, Farmers Insurance, gave Opponent Testimony. A copy of the testimony is (Attachment #9) attached hereto and incorporated into the Minutes by reference. Mr. Wright supported Mr. Hanson's testimony. There were no questions.

Mr. Kevin Davis, American Family Insurance offered written testimony only. A copy of the testimony is (Attachment #10) attached hereto and incorporated into the Minutes by reference.

Commissioner Sebelius informed the Chairman that her office would provide the committee with the most up to date information they had, as well as information on other states policies.

The meeting was adjourned. The time was 5:30 p.m.

The next meeting will be February 15, 2001.