

MINUTES OF THE HOUSE COMMITTEE ON INSURANCE.

The meeting was called to order by Chairperson Rep. Robert Tomlinson at 3:34 p.m. on January 25, 2000 in Room 527-S of the Capitol.

All members were present except: Representative Tom Burroughs
Representative Toelkes

Committee staff present: Dr. Bill Wolff, Research
Ken Wilke, Revisor
Mary Best, Secretary

Conferees appearing before the committee: Linda DeCoursey–Kansas Department of Insurance
Larry Ann Lower–Kansas Association of
Health Plans
David Hanson–Kansas Insurance Associations

Others attending: See attached Committee Guest List

Immediately upon calling the meeting to order, Chairperson Tomlinson began the public hearings, on **HB 2651-Insurance; examination related expenses**, by distributing a copy of the fiscal note, (Attachment #1) attached hereto and incorporated into the Minutes by reference, on the bill to each member of the committee. The Chair then proceeded to recognize Linda DeCoursey of the Kansas Insurance Department.

Ms. DeCoursey presented the committee with written testimony. A copy of this written testimony was furnished to the committee and is (Attachment #2) attached hereto and incorporated into the Minutes by reference. Ms DeCoursey explained the bill compensated the insurance examiners for their benefits, expenses, all outside consulting and data processing fees for performing examinations and a pro rata aggregate amount of not more that \$18,000.00 paid by the insurance companies or societies being examined. This money is used to purchase, maintain and enhance the examination equipment and computer software for examination purposes. She further explained the amount paid for these consulting and data processing fees, as well as the prorated amount to fund the examination equipment should collectively not total more that \$25,000.00 for any one company examination or for one of its subsidiaries or any combination of businesses of that company.

Ms. DeCoursey continued to explain their request to change two (2) areas of K.S.A. 40-223. These changes would (1) increase the annual aggregate amount to \$75,000.00, and (2) to eliminate the cap of \$25,000.00. She went on to explain the law regarding the matter had not been changed since 1988, but the way the examiners conduct their business had (using computers). The goal of the Department is to soon be a paperless office. The Insurance Department feels “that companies will be able to comply with examiners request of sending information electronically. This goal being to save companies from paying the examiners travel and actual time spent examining the company”. Ms. DeCoursey then explained the Annual Aggregate and how it worked. She then addressed the deletion of the \$25,000.00 cap imposed on the Department at this time. After closing by explaining how the Insurance Department felt these changes would save the department money, Ms. DeCoursey stood for questions from the committee.

Mr. Don Gaskill, council for the Insurance Department, fielded the committee questions on behalf of Ms. DeCoursey. Questions were presented by Representatives Grant, Empson, Boston, and Chairperson Tomlinson. Questions ranged from: the number of examiners used to examine the companies to accreditation and number of examines; where did the \$75,000.00 amount come from.

With no further questions, Ms. Larry Ann Lower, Kansas Association of Health Plans, was introduced. Ms. Lower presented Neutral Testimony to the committee. A copy of the written testimony (Attachment #3) is attached hereto and incorporated into the Minutes by reference. Ms. Lower acknowledged the need for KID to have the resources necessary to perform their need tasks, but questioned the need to assess companies up to \$75, 000.00 for data processing equipment and software, which represented an increase of “more than 400% over the current amount”.

They also questioned the need to remove the aggregate cap of \$25,000.00 giving KID the authority to impose unlimited amounts for consulting fees on the companies being assessed. They (KAHP) opposed these increases “in the assessment authority for examination purposes with no apparent standard of reasonableness”. While they do not oppose an increase in the current \$18,000.00 and \$25,00.00 fee amounts, they do and would oppose complete removal of the \$25,000.00 aggregate cap for data processing equipment, consulting fees and software.

Ms Lower then stood for questions from the committee. Questions were asked by Representative Cox regarding the KID pro rata (75,000/20). With no further questions by the committee, the Chairperson recognized Mr. David Hanson, Kansas Insurance Associations.

Mr. Hanson presented Opposing Testimony to the committee. A copy of the written testimony (Attachment #4) is attached hereto and incorporated into the Minutes by reference. Mr. Hanson explained the financial impact the proposed changes would have on the insurance industry and the insuring public of Kansas.

Mr. Hanson brought to the attention of the committee, that in addition to premium taxes, the perspective companies also must pay an assortment of additional fees (i.e. filing fees) in order to do business in Kansas. They are also required to pay certain expenses required by statute which is to be reimbursed and a fee fund assessment paid to the Insurance Department Service Regulation Fund to maintain the Department and paying expenses incidental thereto. This is in accordance to K. S. A. 40-112.

Mr. Hanson and his people are concerned about the “additional unlimited potential liability fir outside consultant and data processing fees in an examination, which could conceivably become unfairly burdensome or oppressive to a company”. Mr. Hanson continued to explain to the committee that the current law has no limitations in the extent of an examination , or money that may be spent on outside consultants but does limits the amount that the examined company can be required to reimburse to Insurance Department for those expenses. He continued to explain that any increase or removal of the current limit would increase the amount to the company and in turn would be passed on to the people (or policyholders). Mr. Hanson explained the bill as written now would only place a cap on the computers by there would be no cap on the fees paid to the Commissioner.

Mr. Hanson also pointed out to the committee the companies are subject to examination at least once every five years and whenever the Commission deems necessary. The Commissioner may retain anyone she so chooses to conduct this business, with a “reasonable cost” being paid by the company being examined. For these reasons, Mr. Hanson and his people do not feel it is in the best interest to remove or increase limits on the amounts these companies will have to pay. With this Mr. Hanson stood for questions.

Questions were asked by Representatives O’Brien and Dreher. With no further questions, public hearings on **HB 2651** came to a close. There will be no further action on the bill until Thursday Feb. 3rd. Next meeting will be Tuesday, Feb. 1st.