

March 6, 2024

The Honorable William Sutton, Chairperson  
House Committee on Insurance  
300 SW 10th Avenue, Room 218-N  
Topeka, Kansas 66612

Dear Representative Sutton:

**SUBJECT:** Fiscal Note for HB 2810 by House Committee on Federal and State Affairs

In accordance with KSA 75-3715a, the following fiscal note concerning HB 2810 is respectfully submitted to your committee.

HB 2810 would amend the Kansas Life and Health Insurance Guaranty Association Act. All matters related to the insolvency or impairment of any member insurer placed under an order of liquidation by a court with a finding of insolvency before July 1, 2024, including all past, present, and future assessments and credits, would be governed by laws that are in effect prior to July 1, 2024. Any finding of insolvency on or after July 1, 2024, would be governed by the bill. Health maintenance organizations (HMO) would be included under the Act by adding them to the definition of “member insurers.” The bill also would define “health benefit plan” to include major medical policies and certificates and HMO subscriber contracts.

The amount of a Class B assessment for long-term care insurance written by an impaired or insolvent insurer would be allocated according to a methodology included in the Plan of Operation and approved by the Insurance Commissioner. The methodology would provide for 50.0 percent of the assessment to be allocated to accident and health member insurers and 50.0 percent to be allocated to life and annuity member insurers. Policies, contracts, or riders that provide long-term care or other health insurance benefits would be excluded from roll back provisions. Benefits provided by a long-term care rider to a life insurance policy or annuity contract would be considered the same type of benefits as the base life insurance policy or annuity contract. In providing substitute coverage, a guaranty association currently could offer to either reissue a terminated coverage or to issue an alternative policy and the bill would also allow an association to offer a contract at actuarially justified rates. A guaranty association could file for actuarially justified rate or premium increases for any covered policy or contract, as long as it is within the terms and conditions of the policy or contract. The bill would eliminate the Class A maximum assessment of \$300 per member insurer per calendar year.

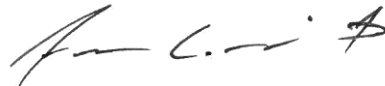
A member insurer that is exempt from taxes could recoup its assessments by a surcharge on its premiums in a sum reasonably calculated to recoup the assessments over a reasonable period of time, as approved by the Insurance Commissioner. Amounts recouped would not be considered premiums for any other purpose, including the computation of gross premium tax, the medical loss ratio, or agent commission. If a member insurer would collect excess surcharges, the member insurer would remit the excess amount to the association, and the excess amount would be applied to reduce future assessments in the appropriate account.

Each member of the Association's Board of Directors would continue to serve until the expiration of their term. The Insurance Commissioner would decide to continue each member's position on the Board or reduce the members of the Board. The Board would consist of no fewer than five, but no more than nine members. Members would be selected by member insurers but would be subject to the approval of the Commissioner. Members would serve a term of three years, except that a member would be removed by the Commissioner for inefficiency, neglect of duty, or malfeasance. The bill would update other responsibilities of the Association and its Board of Directors.

The Insurance Department reports that the bill would not have a fiscal effect on its operations. The Office of Judicial Administration states that bill could increase the number of cases filed in district court because the bill allows a final action or order of the Commissioner to be reviewed by a court of competent jurisdiction. The bill would increase the time spent by district court judicial and nonjudicial personnel in processing, researching, and hearing cases. The bill could also increase the collection of docket fees that would be deposited into the State General Fund. However, a fiscal effect cannot be estimated. Any fiscal effect associated with HB 2810 is not reflected in *The FY 2025 Governor's Budget Report*.

The League of Kansas Municipalities states that the bill would not have a fiscal effect on cities.

Sincerely,



Adam C. Proffitt  
Director of the Budget

cc: Bobbi Mariani, Insurance Department  
Trisha Morrow, Judiciary  
Wendi Stark, League of Kansas Municipalities  
Jay Hall, Kansas Association of Counties  
Lynn Robinson, Department of Revenue  
Tamara Emery, Department of Administration