Approved January 20, 1993

MINUTES OF THE HOUSE COMMITTEE ON FINANCIAL INSTITUTIONS AND INSURANCE

The meeting was called to order by Chairperson Bill Bryant at 3:30 on January 14, 1993 in room 527-S of the Capitol.

All members were present except:

Committee staff present:

Bruce Kinzie, Revisor of Statutes
Bill Wolff, Legislative Research
Emalene Correll, Legislative Research
Nikki Feuerborn, Committee Secretary

Conferees appearing before the committee:

Dick Brock, Insurance Department
Frank Dunnick, State Bank Commissioner of Kansas
Judy Stork, Bank Commissioner's Office
Kevin Glendening, Bank Commissioner's Office
Bill Grant, Bank Commissioner's Office
Kim Robertson, Clark-Bardes, Inc
Larry Magill, PIIAK

Others attending: see attached list

Chairperson Bryant welcomed members and staff to the Committee and they each introduced themselves.

Dick Brock of the Insurance Department reviewed seven proposals for legislation as requested by the Department (Attachment 1).

No. 1 - Would permit the Commissioner of Insurance to petition the court for an order either requiring dissolution of a corporate shell of an insurance company which is being liquidated or permit its sale.

No. 2 - Would permit the merger or consolidation of a financially impaired domestic mutual fire and casualty company with a financially sound insurer without being statutorily required to obtain the approval of the policy holders of any company involved in the merger or consolidation .

No. 3 - Similar to Proposal No. 2 except it relates to the merger or consolidation of mutual fire and casualty companies neither of which are financially impaired. Its purpose is to remove a possible obstacle to the merger or consolidation resulting from the expense necessitated by the voting process.

No. 4 - Proposes that the initial application for an insurance agent's license be increased from $20 to $30 to cover background screening costs.

No. 5 - Would add a conviction for certain misdemeanors or felonies as a reason for revocation of license.

No. 6 - Proposes an increase in the fee for an automobile club agent's registration from $2 to $15 annually.

No. 7 - Amends the Kansas Automobile Injury Reparations Act (No-Fault Law) by removing the current restriction which limits the payment of PIP benefits to pedestrians only when they are a resident of Kansas. It would also amend the statutory provisions that provide for a coordination of workers' compensation benefits with PIP benefits. Representative Helgerson moved for the introduction of these proposals. Representative Allen seconded the motion. Motion carried.

Judy Stork, Kansas Banking Commissioner's Office, asked that two bills be introduced (Attachment 2). The first bill amends K.S.A. 9-1117 to permit directors of problem banks who lose their qualifying stock as a result of a stock assessment brought about by capital impairment to continue to serve on the bank's board if the bank commissioner considers their continued participation to be in the bank's best interest. The second bill clarifies the language of K.S.A. 9-

1724 to ensure all mergers, consolidations, and asset transfers involving state banks receive the appropriate regulatory oversight of the banking department. Representative Helgerson moved for the introduction of these proposals. Motion seconded by Representative Allen. Motion carried.

Kim Robertson, representing Clark-Bardes, Inc., asked that legislation be drafted which would allow employers moving into Kansas to take out an insurable interest or trust in employees with the employees approval (Attachment 3). The benefits of life insurance policies would fund past employees health benefits. The employees or employees trust would receive the welfare benefits but would receive no actual monetary benefits.

Representative Phil Kline moved for introduction of this proposal. Motion seconded by Representative Helgerson. Motion carried.

Larry Magill, PIIAK, asked for the reintroduction of HB2414 which would tighten regulation of group-funded workers compensation pools by subjecting such entities to assessments levied by the worker's compensation assigned-risk plan (Attachment 4). This bill was originally introduced in 1991. Representative King moved for the introduction of this bill draft. Motion seconded by Representative Neufeld. Motion carried.

Bill Wolff, Legislative Research, updated the Committee on the Health Care Stabilization Fund Oversight Committee's activities (Attachment 5).

Chairperson Bryant adjourned the meeting at 4:40 p.m.

The next meeting will be held on January 19, 1993.

GUEST LIST

COMMITTEE: F I & I

DATE: Jan. 14

NAME (PLEASE PRINT)	ADDRESS	COMPANY/ORGANIZATION
Dick Brock	Topeka	Ins Dept
L. M. (Bud) Gorrish	"	Ks Bus Assn.
Kevin Robertson	Topeka	Barbee & Assoc
Kathy Sexton	DOB	
David A. Ross	Topeka	Kans. Assn. of Life Underwriters
Wm. Grant	Topeka	Office State Bank Comm
T. Bruno	Topeka	Battenberg & Assoc
Rick Liby	Topeka	Gehrt & Roberts
Chuck Stones	"	Ks Bankers Assn
Lee Wright	Overland Park	Farmers Ins. Group
Jerel Wright	Topeka	Ks Credit Union Assn
Joe Feuerborn	Topeka	KCA
Chip Wheelen	Topeka	Ks Medical Soc.
Danielle Noe	Topeka	Wichita Hosp.
Judi Stork	✓	Office of the St Bank Comm
Frank D. Dunnick	Topeka	Ks Bank Comm.
Kevin Glendening	"	" "
W. Newton Male	Augusta, Ks.	Individual
Lori Callahan	Topeka	Kammco
David Frankel	Lawrence	KTLA - student intern
John C Peterson	Topeka	
Tom Slattery	Top	AGC of Ks

Explanatory Memorandum

Legislative Proposal No. 1

Despite becoming insolvent and the subject of liquidation proceedings, the corporate shell of an insurance company has value, particularly if it is licensed to transact business in other states. However, current Kansas statutes only provide for the dissolution of the corporation.

Legislative Proposal No. 1 would permit the Commissioner of Insurance to petition the court for an order either requiring dissolution of the corporation or permitting its sale. Accordingly, enactment of this proposal would provide another alternative which could be used to maximize the value of an insolvent insurer's estate.

FSSL
Attachment 1
Jan. 14, 1993

LEGISLATIVE PROPOSAL NO. 1

AN ACT relating to insurance; liquidation of insurance company; dissolution or sale of corporation; amending K.S.A. 1991 Supp. 40-3624 and repealing the existing section.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF KANSAS:

Section 1. K.S.A. 1991 Supp. 40-3624 is hereby amended to read as follows: 40-3624. The commissioner may petition for an order:

(a) Dissolving the corporate existence of a domestic insurer, or the United States branch of an alien insurer domiciled in this state at the time the commissioner applies for a liquidation order. The court ~~shall~~ may order dissolution of the corporation upon petition by the commissioner upon or after the granting of a liquidation order. If the dissolution has not previously been ordered, it shall be effected by operation of law upon the discharge of the liquidator if the insurer is insolvent but may be ordered by the court upon the discharge of the liquidator if the insurer is under a liquidation order for some other reason~~.~~ ; or

(b) permitting the sale of the corporate existence of a domestic insurer, together with any of its licenses to do business, despite the entry of an order of liquidation. The court may permit the sale of such corporate existence upon or after the granting of a liquidation order. The proceeds from the sale of the corporation shall become a part of the general assets of the estate in liquidation. The corporation and its licenses shall thereafter be free and clear from the claims or interests of all claimants,

creditors, policyholders and stockholders of the corporation under liquidation. If permission to sell the corporation is not granted, the court shall order dissolution of the corporation as provided in subsection (a) of this section.

Sec. 2. K.S.A. 1991 Supp. 40-3624 is hereby repealed.

Sec. 3. This act shall take effect and be in force from and after its publication in the statute book.

Explanatory Memorandum

Legislative Proposal No. 2

This proposal would permit the merger or consolidation of a financially impaired domestic mutual fire and casualty company with a financially sound insurer without being statutorily required to obtain the approval of the policyholders of any company involved in the merger or consolidation. A similar statutory provision already exists with respect to mutual life insurers in K.S.A. 1991 Supp. 40-512.

Approval of such mergers or consolidations is almost always granted by the policyholders if recommended by the respective boards of directors and managements. However, the expense of the mailings, documentation and so forth can be so significant as to discourage the merger. Enactment of this proposal would eliminate this expense and thereby make available another means of expeditiously protecting the policyholders of a financially impaired insurer.

LEGISLATIVE PROPOSAL NO. 2

AN ACT relating to insurance; mutual insurance companies other than life; merger and consolidation; approval of policyholders not required.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF KANSAS:

New Section 1. Notwithstanding the provisions of K.S.A. 40-1219, if a domestic mutual insurer is impaired in that the insurer's surplus is less than the amount required for authority to transact the kinds of insurance being transacted by the insurer or the insurer has attained a financial condition such that its continued operation might be hazardous to the insuring public pursuant to K.S.A. 1991 Supp. 40-222b, the commissioner of insurance may approve the agreement of merger or consolidation after a hearing thereon conducted in accordance with the provisions of the Kansas administrative procedures act. Approval of the merger or consolidation by the policyholders of the insurers that are a party to the transaction is not required.

Sec. 2. This act shall take effect and be in force from and after its publication in the statute book.

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Explanatory Memorandum

Legislative Proposal No. 3

This proposal is similar to Legislative Proposal No. 2 except it relates to the merger or consolidation of mutual fire and casualty companies neither of which are financially impaired. In this case, a vote of the policyholders of the surviving company would not be statutorily required if such company's surplus is more than 25 times the surplus of the other party(s) to the merger or consolidation. Again, its purpose is to remove a possible obstacle to the merger or consolidation resulting from the expense necessitated by the voting process.

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LEGISLATIVE PROPOSAL NO. 3

AN ACT relating to insurance; mutual insurance companies other than life; merger and consolidation; amending K.S.A. 40-1219 and repealing the existing section.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF KANSAS:

Section 1. K.S.A. 40-1219 is hereby amended to read as follows: 40-1219. (a) Except as otherwise provided herein, the agreement of merger or consolidation shall be submitted to a vote of the policyholders of each company at an annual, periodic or special meeting of policyholders of each such company. The right of a policyholder to vote shall be governed by the laws of the domiciliary state and the bylaws of the company. Written or printed notice shall be given not less than twenty (20) days before each such meeting, either personally or by mail, to each policyholder entitled to vote. If mailed, such notice shall be deemed to be delivered when deposited in the United States mail, with postage prepaid, addressed to the policyholder, at his address as it appears on the records of the company. Such notice, whether the meeting is annual, periodic or special, shall state the place, day, hour and purpose of the meeting, and a copy or a summary of the agreement of merger or consolidation, as the case may be, shall be included in or enclosed with such notice~~:~~. ~~Provided, That~~

(b) In the case of consolidation the proposed articles of incorporation of the new company must be set out in full in or enclosed with said notice and in the case of merger, any amendments to the articles of incorporation

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of the continuing company as may be desired or necessary to provide for the purposes of the merger or to comply with law, must be set out separately and in full in or enclosed with said notice clearly showing the nature of such amendments. The policyholders may vote in person or by proxy. Two-thirds (2/3) of the votes cast by the policyholders of each such company, as are represented at the meeting in person or by proxy, must be in favor of the agreement in order to approve any such agreement. Should the agreement fail to receive the required number of votes it shall be null and void.

(c) The provisions of subsections (a) and (b) of this section shall not apply to the surviving company of any merger or consolidation to which this act applies whose surplus as regards policyholders is greater than 25 times the surplus as regards policyholders of the non-surviving company or companies. For purposes of this section, the surplus as regards policyholders of the respective companies shall be those reflected by the most recent statement of financial condition filed with and accepted by the commissioner pursuant to K.S.A. 1991 Supp. 40-225.

Sec. 2. K.S.A. 40-1219 is hereby repealed.

Sec. 3. This act shall take effect and be in force from and after its publication in the Kansas Register.

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Explanatory Memorandum

Legislative Proposal No. 4

New applicants for an insurance agent's license are subjected to a background screening through a records check performed by the Kansas Bureau of Investigation (KBI). The charge for this service has been increasing and is now $10 per applicant. Accordingly, an increase in the initial application fee is necessary to accommodate this increase if, as originally intended, the application fee is to continue to cover most of the administrative costs associated with the issuance of initial licenses. This proposal therefore suggests that the initial application fee be increased from $20 to $30.

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LEGISLATIVE PROPOSAL NO. 4

AN ACT relating to insurance; agents; application; fee; amending K.S.A. 1991 Supp. 40-240 and repealing the existing section.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF KANSAS:

Section 1. K.S.A. 1991 Supp. 40-240 is hereby amended to read as follows: 40-240. (a) Any person desiring as agent to engage in the insurance business, as herein set out, shall apply to the commissioner of insurance of this state, in the manner hereinafter prescribed, for an insurance agent's license, authorizing such agent to engage in and transact such business. The applicant for such license shall file with the commissioner of insurance such applicant's written application for a license authorizing the applicant to engage in the insurance business and the applicant shall make sworn answers to such interrogatories as the commissioner of insurance may require on uniform forms and supplements prepared by the commissioner. A nonrefundable fee in the amount of ~~$20~~ $30 shall accompany such application. Such applicant, if an individual, shall establish:

(1) That the applicant is a graduate of an accredited four-year high school or its equivalent. This requirement shall not apply to any person holding a valid agent's license as of July 1, 1971, or a full-time student enrolled in an accredited high school in this state while and to the extent such student is participating in an insurance project sponsored by a bona fide junior achievement program; and

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(2) that the applicant is of good business reputation and is worthy of a license.

(b) Corporations, associations, partnerships, sole proprietorships and other legal entities acting as insurance agents and holding a direct agency appointment from an insurance company or companies are required to obtain an insurance agent's license. Application for such license shall be made to the commissioner on a form prescribed by such commissioner. Before granting the license, the commissioner shall determine that:

(1) Each officer, director, partner and employee of the applicant who is acting as an insurance agent is licensed as an insurance agent;

(2) the applicant has disclosed to the insurance department all officers, directors and partners whether or not they are licensed as insurance agents;

(3) the applicant has disclosed to the insurance department all officers, directors, partners and employees who are licensed as insurance agents; and

(4) the applicant has designated a licensed officer, employee, partner or other person to be responsible for the organization's compliance with the insurance laws and rules and regulations of this state.

(c) The insurance department may require any documents reasonably necessary to verify the information contained in the application.

(d)(1) Agents licensed pursuant to subsection (b) shall advise the commissioner of any officers, directors, partners or employees who are licensed as individual insurance agents and are not disclosed at the time application is made for a license within 30 working days of their affiliation with the licensee. Failure to provide the commissioner with such information shall subject the licensee to a monetary penalty of $10 per

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day for each working day the required information is late subject to a maximum of $50 per person per licensing year.

(2) Officers, directors, partners or employees disclosed at the time of the original application or reported thereafter whose affiliation with the licensee is terminated shall be reported to the commissioner within 30 days of the effective date of termination. Failure to report such termination shall subject the licensee to the penalty prescribed in paragraph (1) of this subsection.

Sec. 2. K.S.A. 1991 Supp. 40-240 is hereby repealed.

Sec. 3. This act shall take effect and be in force from and after its publication in the statute book.

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Explanatory Memorandum

Legislative Proposal No. 5

Legislative Proposal No. 5 relates to the reasons an insurance agent's license may be suspended or revoked. Specifically, this proposal would add a conviction for certain misdemeanors or felonies to such reasons.

LEGISLATIVE PROPOSAL NO. 5

AN ACT relating to insurance; agents license; suspension or revocation; when; amending K.S.A. 1991 Supp. 40-242 and repealing the existing section.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF KANSAS:

Section 1. K.S.A. 1991 Supp. 40-242 is hereby amended to read as follows: 40-242. (a) The commissioner of insurance may impose a penalty prescribed by subsection (e) or revoke or suspend the license of any broker or agent in the event that investigation by the commissioner discloses ~~the fact~~ that:

(1) Such license was obtained by fraud or misrepresentations ~~or that~~ ;

(2) the holder of such license had misrepresented the provisions, terms and conditions contained in any contract of insurance ~~or that~~ ;

(3) the holder of such license has rebated the whole or any part of any insurance premium or offered in connection with the presentation of a contract of insurance any other inducement not contained in the contract of insurance~~, or that~~ ;

(4) the holder of such license has intentionally omitted any material fact in such presentation~~, or that~~ ;

(5) the holder of such license has made any misleading representations or incomplete comparisons of policies to any person for the purposes of inducing or tending to induce such persons to lapse, forfeit or surrender such person's insurance, then in force~~, or in the event that~~ ;

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(6) the holder of such license has been convicted of a misdemeanor or felony involving fraud, deceit, dishonesty, intent to deprive or intent to defraud; or

(7) the interests of the insurer or the insurable interests of the public are not properly served under such license. Actions affecting any license or imposing any penalty shall be taken only after a hearing conducted in accordance with the provisions of the Kansas administrative procedure act.

(b) The imposition of a penalty, or the lapse or suspension of any license by operation of law, by failure to renew or by its voluntary surrender shall not deprive the commissioner or jurisdiction or right to institute or proceed with any disciplinary proceeding against such licensee, to render a decision suspending or revoking such license, or to establish and make a record of the facts of any violation of law for any lawful purpose. No such disciplinary proceedings shall be instituted against any licensee after the expiration of two years from the termination of such license.

(c) In the event the commissioner of insurance imposes a penalty as permitted under subsection (e) or suspends or revokes the license of any agent or broker, any costs incurred as a result of conducting any administrative hearing authorized under the provisions of this section shall be assessed against the broker or agent who is the subject of the hearing or the company or companies represented by such broker or agent who is the party to the matters giving rise to the hearing. As used in this subsection, "costs" shall include witness fees, mileage allowances, any costs associated with the reproduction of documents which become a part of the hearing record and the expense of making a record of the hearing.

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(d) No person whose license as an agent or broker has been suspended or revoked shall be employed by any insurance company doing business in this state either directly, indirectly, as an independent contractor or otherwise to negotiate or effect contracts of insurance, suretyship or indemnity or do any act toward soliciting or otherwise transacting the business of insurance during the period of such suspension or revocation.

(e) In lieu of revocation or suspension of the agent's or broker's license, the commissioner may:

(1) Censure the person; or

(2) issue an order imposing an administrative penalty up to a maximum of $500 for each violation but not to exceed $2,500 for the same violation occurring within any six consecutive calendar months unless the agent or broker knew or reasonably should have known the act could give rise to disciplinary action under subsection (a). If the agent or broker knew or reasonably should have known the act could give rise to disciplinary proceedings as aforementioned, the commissioner may impose a penalty up to a maximum of $1,000 for each violation but not to exceed $5,000 for the same violation occurring within any six consecutive calendar months.

Sec. 2. K.S.A. 1991 Supp. 40-242 is hereby repealed.

Sec. 3. This act shall take effect and be in force from and after its publication in the statute book.

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Explanatory Memorandum

Legislative Proposal No. 6

This proposal relates to persons who market automobile club services in Kansas. Such persons are required to be registered with the Insurance Department and must be of good reputation to qualify for registration. As a part of the registration process, applicants for registration as an automobile club agent are subjected to a KBI records check the same as applicants for an insurance agent's license. As a result, these registrations are affected by the same cost increase that prompted Legislative Proposal No. 4. In addition, the fee for such registrations has not increased since the requirement was first imposed in 1967. Therefore, Legislative Proposal No. 6 proposes an increase in the fee for an automobile club agent's registration from $2 to $15 annually.

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LEGISLATIVE PROPOSAL NO. 6

AN ACT relating to automobile club services; agents; registration; fee; amending K.S.A. 40-2508 and repealing the existing section.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF KANSAS:

Section 1. K.S.A. 40-2508 is hereby amended to read as follows: 40-2508. Each and every automobile club operating in this state pursuant to a certificate of authority issued hereunder shall file with the commissioner a notice of appointment of a club agent by an automobile club to sell memberships in the automobile club to the public.

(a) Any person desiring to engage in automobile club services, as an agent, shall first apply to the insurance commissioner in the manner herein prescribed, for an automobile club agent registration, to authorize such person to engage in and transact business as an automobile services club agent. Such applicant shall be vouched for by an official or representative of an authorized automobile club for whom such person proposes to negotiate contracts of automobile club memberships. The notice of appointment as club agent shall be upon such form as the commissioner may prescribe and shall contain the name, address, age, sex and social security number of such club agent, and also contain proof satisfactory to the commissioner that such applicant is of good reputation and that he has received training from the club or is otherwise qualified in the field of automobile club service contracts and the laws of this state pertaining thereto. Upon termination of any club agent's employment by an automobile club, such automobile club

shall within thirty (30) days thereafter notify the commissioner of such termination.

(b) The registration fee for club agents shall be ~~two dollars ($2)~~ $15 annually and such registration shall expire on May 1 of each year unless sooner revoked or suspended.

(c) Such registration may, upon notice and hearing, be suspended or revoked by the commissioner if any registered club agent violates any of the provisions or requirements of this act.

(d) The procedure used at the hearing will be the same as that provided for in K.S.A. 40-242, subject to the provisions contained in K.S.A. 40-243.

Sec. 2. K.S.A. 40-2508 is hereby repealed.

Sec. 3. This act shall take effect and be in force from and after its publication in the statute book.

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Explanatory Memorandum

Legislative Proposal No. 7

Legislative Proposal No. 7 amends the Kansas Automobile Injury Reparations Act (No-Fault Law) in two respects. First, it removes the current restriction which limits the payment of personal injury protection benefits to pedestrians only when they are a resident of Kansas. Second, the proposal amends the statutory provisions that provide for a coordination of workers' compensation benefits with personal injury protection benefits. Specifically, the amendment would add clarifying language to prevent the recovery of both workers' compensation and personal injury protection benefits for the same injury but require the payment of personal injury protection benefits to the extent workers' compensation does not cover actual losses of the injured party.

LEGISLATIVE PROPOSAL NO. 7

AN ACT relating to insurance; automobile injury reparations act; personal injury protection benefits; workers' compensation offset; amending K.S.A. 1991 Supp. 40-3109 and K.S.A. 40-3110 and repealing the existing sections.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF KANSAS:

Section 1. K.S.A. 1991 Supp. 40-3109 is hereby amended to read as follows: 40-3109. (a) A self-insurer or the insurer of the owner of a motor vehicle covered by a policy of motor vehicle liability insurance meeting the requirements of this act shall pay any personal injury protection benefits which are required to be provided by this act or in such owner's policy of motor vehicle liability insurance for any injury:

(1) Sustained within the United States of America, its territories or possessions or Canada by the owner while:

(A) Occupying a motor vehicle not excluded by subsection (a) of K.S.A. 40-3108 and amendments thereto; or

(B) not an occupant of a motor vehicle if the injury is caused by physical contact with a motor vehicle;

(2) sustained by a relative of the owner residing in the same household, under the circumstances described in paragraph (1) of this subsection, if the relative at the time of the accident is not the owner of a motor vehicle with respect to which a motor vehicle liability insurance policy is required by this act;

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(3) sustained in this state by any other person while occupying such motor vehicle or, ~~if a resident of this state,~~ while not an occupant of such motor vehicle if the injury is caused by physical contact with such motor vehicle, and the injured person is not the owner of a motor vehicle with respect to which a motor vehicle liability insurance policy is required under this act.

(b) If two or more insurers or self-insurers are liable to pay personal injury protection benefits for the same injury to any one person, the maximum benefits payable from all applicable policies shall be the highest limit of any one policy providing such personal injury protection benefits. The primary personal injury protection coverage shall be provided by the policy covering:

(1) The motor vehicle occupied by the injured person at the time of the accident; or

(2) the motor vehicle causing such physical contact.

Sec. 2. K.S.A. 40-3110 is hereby amended to read as follows: 40-3110. (a) Except for benefits payable under any ~~workmen's~~ workers compensation law, which shall be credited against ~~the~~ any duplicative personal injury protection benefits provided by subsection (f) of K.S.A. 40-3107, personal injury protection benefits due from an insurer or self-insurer under this act shall be primary and shall be due and payable as loss accrues, upon receipt of reasonable proof of such loss and the amount of expenses and loss incurred which are covered by the policy issued in compliance with this act. For purposes of this section, workers' compensation benefits credited against personal injury protection benefits provided by subsection (f) of K.S.A. 40-3107 shall not prevent the recovery of disability, rehabilitation or funeral benefits for actual losses sustained or expenses incurred in

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excess of the amounts payable under workers' compensation. An insurer or self-insurer may require written notice to be given as soon as practicable after an accident involving a motor vehicle with respect to which the insurer's policy of motor vehicle liability insurance affords the coverage required by this act. No claim for personal injury protection benefits may be made after two (2) years from the date of the injury.

(b) Personal injury protection benefits payable under this act shall be overdue if not paid within thirty (30) days after the insurer or self-insurer is furnished written notice of the fact of a covered loss and of the amount of same, except that disability benefits payable under this act shall be paid not less than every two (2) weeks after such notice. If such written notice is not furnished as to the entire claim, any partial amounts supported by written notice is overdue if not paid within thirty (30) days after such written notice is furnished. Any part or all of the remainder of the claim that is subsequently supported by written notice is overdue if not paid within thirty (30) days after such written notice is so furnished: Provided, That no such payment shall be deemed overdue where the insurer or self-insurer has reasonable proof to establish that it is not responsible for the payment, notwithstanding that written notice has been furnished. For the purpose of calculating the extent to which any personal injury protection benefits are overdue, payment shall be treated as being made on the date a draft or other valid instrument which is equivalent to payment was placed in the United States mail in a properly addressed, postpaid envelope, or, if not so posted, on the date of delivery. All overdue payments shall bear simple interest at the rate of eighteen percent (18%) per annum.

Sec. 3. K.S.A. 1991 Supp. 40-3109 and K.S.A. 40-3110 are hereby repealed.

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Sec. 4. This act shall take effect and be in force from and after its publication in the statute book.

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BILL INTRODUCTION

HOUSE

The first bill amends K.S.A. 9-1117 to permit directors of problem banks who lose their qualifying stock as a result of a stock assessment brought about by capital impairment to continue to serve on the bank's board if the bank commissioner considers their continued participation to be in the bank's best interest.

The second bill amends K.S.A. 9-1724. This amendment clarifies the language of 9-1724 to ensure all mergers, consolidations, and asset transfers involving state banks receive the appropriate regulatory oversight of the banking department.

F I & I

Attachment 2

Jan 14, 1993

9-1117. **Qualifications of president and directors.** No person shall be a member of the board of directors or a president within the meaning of K.S.A. 9-1114 and 9-1115, and amendments thereto, of any bank or trust company unless such person is the owner of record of common stock having a par value of not less than $500 in such bank or trust company or in the parent corporation of such bank or trust company. Such stock may be transferred to and held in a trust if such trust is revocable by the member or president owning such stock, but the stock shall not be pledged, hypothecated or assigned in any other way.

Any director who fails to maintain his or her qualifying status, as a result of their failure to meet an assessment required by K.S.A. 9-907, may continue to serve in their capacity as a director, with the prior approval of the state bank commissioner.

K.S.A. 9-1724. **Merger, consolidation or transfer of assets and liabilities; information to be filed with commissioner, investigation.** (a) Before any bank can merge, consolidate with or transfer its assets and liabilities ~~to another bank or corporation~~ under the provision of article 67 of chapter 17 of the Kansas Statutes Annotated, *the* ~~each~~ bank ~~or corporation~~ concerned in such merger, consolidation or transfer shall file, or cause to be filed, with the state banking commissioner, certified copies of all proceedings had by its directors and stockholder relating to such merger, consolidation or transfer. The stockholders' proceedings shall show that a majority of the stockholders voted in favor of the merger, consolidation or transfer. The stockholders' proceedings shall also contain a complete copy of the agreement made and entered into *by* ~~between~~ the bank~~s or a bank and a corporation~~, with reference to such merger, consolidation or transfer.

Upon the filing of the stockholders and directors' proceedings, the commissioner shall make an investigation of each *party to the merger* ~~bank or corporation~~ to determine whether:

(1) The interests of the depositors, creditors and stockholders of *the* ~~each~~ bank ~~or corporation~~ are protected;

(2) the merger, consolidation or transfer is in the public interest; and

(3) the merger, consolidation or transfer is made for legitimate purposes.

The commissioner's consent to or rejection of such merger, consolidation or transfer shall be based upon such investigation. No merger, consolidation or transfer shall be made without the consent of the commissioner. The expense of the investigation shall be paid by the banks ~~or the bank and the corporation~~.

Notice of the merger consolidation or transfer shall be published at least once each week for three consecutive weeks before or after the merger, consolidation or transfer is to become effective, at the discretion of the commissioner, in a newspaper of general circulation published in each city or county in which the banks ~~or the bank and the corporation~~ is located and a certified copy of the notice shall be filed with the commissioner.

(b) As used in this section, "bank" means a state bank or trust company incorporated under the laws of Kansas.

AN ACT to amend the Kansas Insurance Code by adding K.S.A. 40-_____ regarding the insurable interest of employer's in their employees

Be it enacted by the Legislature the State of Kansas:

NEW SECTION 1. The Kansas Insurance Code is amended by adding K.S.A. 40-_____ as follows:

Employer's Insurable Interest in its Employees. (a) An employer, or a trust which is sponsored by an employer for the benefit of its employees, shall have an insurable interest in each of the lives of the employer's employees, directors, and retired employees. Notwithstanding the provisions of K.S.A. 40-433, the employer or trust may insure those lives for its benefit on an individual or group basis with the consent of the insured.

(b) The consent requirement of subsection (a) will be deemed to be satisfied if 1) the employee, director, or retired employee is provided with a written notice that the employer or trust intends to obtain life insurance coverage with respect to such person's life, and 2) the employee, director, or retired employee fails to provide written notification to the employer or trust, within 30 days from the date that the notice was transmitted, that such person does not consent to the employer obtaining life insurance coverage on his or her life. It shall be unlawful for the employer or trust to retaliate against any person for refusing to consent to the issuance of life insurance on such person's life.

(c) The extent of the employer's or trust's insurable interest in nonmanagement and retired employees shall be limited to an amount commensurate with the aggregate projected liabilities to such employees under all employee welfare benefit plans (as defined in 29 U.S.C. Sec 1002(1)), calculated in accordance with generally accepted actuarial principles. Determination of the existence and extent of the insurable interest shall be made at the time the contract of insurance becomes effective, but need not exist at the time the loss occurs.

(d) For purposes of this section, the term "employer" means any individual, sole proprietorship, partnership, limited liability company, corporation, or any other entity that is legally doing business in this State; the term shall also include all entities or persons which are controlled by or affiliated with any of the foregoing. The determination of whether any entity or person is controlled by or affiliated with another shall be made by applying the principles set forth in sections 414(b) or (c) of the Internal Revenue Code of 1986, as amended; provided however, that all references therein to "80%" shall be changed to 51%.

(e) This section shall not be interpreted to define all instances in which an insurable interest exists.

(f) The provisions of this section shall apply to all insurance contracts in force on or after the effective date of this section.

This act shall take effect and be in force from and after its date of enactment.

F I & I
Attachment 3
Jan 14, 1993

As Amended by House Committee

Session of 1991

HOUSE BILL No. 2414

By Committee on Insurance

2-20

AN ACT concerning group-funded workers compensation pools; amending K.S.A. 44-582, 44-585, 44-589 and 44-592 and K.S.A. 1991 Supp. 40-2109 and repealing the existing sections.

Be it enacted by the Legislature of the State of Kansas:

Section 1. K.S.A. 44-582 is hereby amended to read as follows: 44-582. Application for a certificate of authority to operate a pool shall be made to the commissioner of insurance not less than 60 days prior to the proposed inception date of the pool. The application shall include the following:

(a) A copy of the bylaws of the proposed pool, a copy of the articles of incorporation, if any, and a copy of all agreements and rules of the proposed pool. If any of the bylaws, articles of incorporation, agreements or rules are changed, the pool shall notify the commissioner within 30 days after such change.

(b) A copy of the trust agreement securing the payment of workers' compensation benefits. If the trust agreement is changed, the pool shall notify the commissioner within 30 days after such change.

(c) Designation of the initial board of trustees and administrator. When there is a change in the membership of the board of trustees or change of administrator, the pool shall notify the commissioner within 30 days after such change.

(d) The address where the books and records of the pool will be maintained at all times. If this address is changed, the pool shall notify the commissioner within 30 days after such change.

(e) An individual application for each initial member of the pool. Each individual application shall include a current certified financial statement on a form approved by the commissioner.

(f) A current certified financial statement on a form approved by the commissioner showing that the combined net worth of all members applying for coverage on the inception date of the pool is in an amount not less than $1,000,000.

(g) A current certified financial statement on a form approved by the commissioner showing the financial ability of the pool to meet its obligations under the ~~workmen's~~ workers compensation act.

Attachment 4
Jan 14, 1993

SESSION OF 1992

SUPPLEMENTAL NOTE ON HOUSE BILL NO. 2414

As Amended by House Committee on Insurance

Brief*

H.B. 2414 would tighten regulation of group-funded workers compensation pools by subjecting such entities to assessments levied by the workers' compensation assigned-risk plan pursuant to K.S.A. 40-2109, except that the assessments would never be greater than the sum of the advance discounts plus any surplus monies refunded by the pools. The assessments could be paid from the pools' claims fund accounts, and the pools would be allowed to use the take-out credit plan for businesses taken out of the assigned-risk plan. An additional member representing the pools also would be added to the assigned-risk plan governing board.

The bill also would tighten the regulation of the pools by adding language to mandate that the required specific and aggregate excess insurance only could be provided by an insurer authorized to do business in Kansas; stipulating that proposed (as well as licensed) pools would be subject to the Unfair Trade Practices Act; and stipulating that persons soliciting business for proposed (as well as existing) pools would be required to be licensed pursuant to K.S.A. 40-240 to 40-243.

Background

The bill was requested for introduction by the Independent Insurance Agents of Kansas and was recommended as introduced by the Committee in 1991.

The Committee in 1992 amended the bill to specify the maximum amount of assessment that could be paid by any pool; to specify that the assessment could be paid from the claims fund account; to clarify that the

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* Supplemental Notes are prepared by the Legislative Research Department and do not express legislative intent.

(h) Evidence that the annual Kansas gross premium of the pool will be not less than $250,000. The annual Kansas gross premium shall be based upon the authorized rates as filed by the national council of compensation insurance.

(i) An indemnity agreement jointly and severally binding the group and each member thereof to comply with the provisions of the workmen's compensation act. The indemnity agreement shall be in a form acceptable to the commissioner.

(j) Proof of payment by each member of not less than 25% of the estimated annual premium into a designated depository.

(k) A copy of the procedures adopted by the pool to provide services with respect to underwriting matters and safety engineering.

(l) A copy of the procedures adopted by the pool to provide claims adjusting and reporting of loss data.

(m) A confirmation ~~of~~ *that* specific and aggregate excess insurance *provided by an insurance company holding a Kansas certificate of authority is or will be in effect concurrent with the assumption of risk by the pool.*

(n) Any other relevant factors the commissioner may deem necessary.

Sec. 2. K.S.A. 44-585 is hereby amended to read as follows: 44-585. (a) Premium contributions to the pool shall be based upon appropriate manual classification and rates, plus or minus applicable experience credits or debits, and minus any advance discount approved by the trustees, not to exceed 15% of manual premium. The pool must use rules, classifications and rates as promulgated by the national council on compensation insurance and must report premium and loss data to a rating organization.

(b) At least 70% of the annual premium shall be placed into a designated depository for the sole purpose of paying claims. This shall be called the claims fund account. The remaining annual premium shall be placed into a designated depository for the payment of taxes, fees and administrative costs. This shall be called the administrative fund account. *The assessments required under subsection (c) of K.S.A. 44-589 and amendments thereto may be paid from the claims fund account.*

(c) Any surplus moneys for a fund year in excess of the amount necessary to fulfill all obligations under the ~~workmen's~~ *workers* compensation act for that fund year may be declared to be refundable by the trustees not less than 12 months after the end of the fund year, upon the approval of the commissioner. Such approval can be obtained only upon satisfactory evidence that sufficient funds remain on deposit for the payment of all outstanding

claims and expenses, including incurred but not reported claims. Any such refund shall be paid only to those employers who remained participants in the pool for an entire year. Payment of previously earned refunds shall not be contingent on continued membership in the pool.

Sec. ~~2~~ 3. K.S.A. 44-589 is hereby amended to read as follows: 44-589. (a) Each licensed pool shall be assessed annually as provided by K.S.A. 74-713, ~~K.S.A.~~ 44-566a~~,~~ ~~and amendments thereto,~~ and ~~K.S.A.~~ 44-588, *and amendments thereto.*

(b) Each *proposed and* licensed pool shall be subject to the provisions of article 24 of chapter 40 of the Kansas Statutes Annotated.

***(c) Each pool shall be subject to assessments authorized by the Kansas workers compensation plan established pursuant to K.S.A. 40-2109, and amendments thereto, based upon the pool's written premium for workers compensation insurance in Kansas.*, except such assessment shall not be greater than the sum of any advance discount given during the policy year and the surplus moneys that are to be refunded under subsection (c) of K.S.A. 44-589 and amendments thereto. A pool shall be allowed to use the take out credit plan as filed by the national council on compensation insurance and approved by the commissioner.**

Sec. ~~3~~ 4. K.S.A. 44-592 is hereby amended to read as follows: 44-592. Any person soliciting ~~the business of workers' compensation insurance~~ *coverage* for a *proposed or licensed* group-funded workers' compensation pool must be licensed as provided in K.S.A. 40-240 to 40-243, and amendments thereto.

Sec. 5. K.S.A. 1991 Supp. 40-2109 is hereby amended to read as follows: 40-2109. Every insurer undertaking to transact in this state the business of either worker's compensation or employer's liability insurance or both, and every rating organization which files rates for such insurance shall cooperate in the preparation and submission to the commissioner of insurance of a plan or plans, for the equitable apportionment among insurers of applicants for insurance who are in good faith, entitled to but who are unable to procure through ordinary methods, such insurance. Such plan or plans shall provide:

(a) Reasonable rules governing the equitable distribution of risks by direct insurance, reinsurance or otherwise and their assignment to insurers;

(b) rates and rate modifications applicable to such risks which shall be reasonable, adequate and not unfairly discriminatory;

(c) a method whereby applicants for insurance, insured and insurers may have a hearing on grievances and the right of ar

to the commissioner;

(d) for every such plan or plans, there shall be a governing board to be appointed by the commissioner of insurance which shall meet at least annually to review and prescribe operating rules, and which shall consist of the following members:

(1) ~~Seven~~ *Eight* members who shall be appointed as follows: Three of such members shall be representatives of foreign insurance companies, two members shall be representatives of domestic insurance companies, *one member shall be representative of licensed pools* and two members shall be licensed independent insurance agents. Such members shall be appointed for a term of three years, except that the initial appointment shall include two members appointed for a two-year term and two members appointed for a one-year term, as designated by the commissioner; and

(2) Two members representative of the general public interest with such members to be appointed for a term of two years.

The commissioner shall review the plan as soon as reasonably possible after filing in order to determine whether it meets the requirements set forth in subsections (a) and (c) ~~above~~. As soon as reasonably possible after the plan has been filed the commissioner shall in writing approve or disapprove the same, except that any plan shall be deemed approved unless disapproved within 45 days. Subsequent to the waiting period the commissioner may disapprove any plan on the ground that it does not meet the requirements set forth in subsections (a), (b) and (c) ~~above~~, but only after a hearing held upon not less than 10 days' written notice to every insurer and rating organization affected specifying the matter to be considered at such hearing, and only by an order specifying in what respect the commissioner finds that such plan fails to meet such requirements and stating when within a reasonable period thereafter such plan shall be deemed no longer effective. Such order shall not affect any assignment made or policy issued or made prior to the expiration of the period set forth in such order. Amendments to such plan or plans shall be prepared, and filed and reviewed in the same manner as herein provided with respect to the original plan or plans.

If no plan meeting the standards set forth in subsections (a), (b) and (c) is submitted to the commissioner within the period stated in any order, disapproving an existing plan the commissioner ~~shall~~, if necessary to carry out the purpose of this section after hearing, *shall* prepare and promulgate a plan meeting such requirements. When such plan or plans or amendments thereto have been approved or promulgated, no insurer shall thereafter issue a policy

of worker's compensation or employer's liability insurance or undertake to transact such business in this state unless such insurer shall participate in such an approved or promulgated plan. If, after a hearing conducted in accordance with the provisions of the Kansas administrative procedure act, the commissioner finds that any activity or practice of any insurer or rating organization in connection with the operation of such plan or plans is unfair or unreasonable or otherwise inconsistent with the provisions of this section the commissioner may issue a written order specifying in what respects such activity or practice is unfair or unreasonable or otherwise inconsistent with the provisions of this section and requiring discontinuance of such activity or practice.

Sec. 4 6. K.S.A. 44-582, 44-585, 44-589 and 44-592 and K.S.A. 1991 Supp. 40-2109 are hereby repealed.

Sec. 5 7. This act shall take effect and be in force from and after its publication in the statute book.

HEALTH CARE STABILIZATION FUND OVERSIGHT COMMITTEE

BACKGROUND

1989 Legislation. The Health Care Stabilization Fund Oversight Committee was created by the 1989 Legislature through passage of S.B. 18 (K.S.A. 40-3403b). The 11-member committee consists of four legislators, four health care providers, one insurance industry representative, one person from the public at large with no affiliation with health care providers or with the insurance industry, and the Insurance Commissioner or the Commissioner's designee. The law charges the Committee to report its activities to the Legislative Coordinating Council and to make recommendations to the Legislature regarding the Health Care Stabilization Fund. The first report of the Committee was submitted in December, 1990, and is available through the Division of Administrative Services and is on file in the Legislative Research Department.

1991 Legislation. The Health Care Stabilization Fund Oversight Committee recommended in its 1990 report to the Legislative Coordinating Council that the Committee be continued as constituted and that the contract for actuarial services with Wakely and Associates, Inc., be renegotiated and extended. Among other things, 1991 S.B. 38 enacted those recommendations and, pursuant to the terms of the law, the Committee continues. The second report of the Committee was submitted to the Legislative Coordinating Council in 1991, and is available through the Division of Administrative Services and is on file in the Legislative Research Department.

COMMITTEE ACTIVITIES

In its 1991 report, the Health Care Stabilization Fund Oversight Committee again recommended that the Legislative Coordinating Council retain Wakely and Associates, Inc., for at least an additional year to prepare a third annual evaluation of the Health Care Stabilization Fund (Fund). The Committee supported that request with the expressed belief that:

> the third report should provide information to all parties sufficient to answer the questions as to whether the Fund should be phased out in 1994, or at some later date; whether the Fund should be retained and maintained in its present form; or whether some alternative method of addressing the Fund and the provision of excess liability coverage to providers should be arranged.

On August 11, 1992, the Council signed a contract with Wakely to perform the third evaluation of the Fund.

Report of Wakely and Associates, Inc., 1992

Wakely's report was submitted to the Committee for review in November, 1992, and disclosed the following:

1. **Fund Balance as of June 30, 1992.** The assets of the HCSF totaled $174 million with outstanding liabilities of $142 million, assuming a 7.5 percent investment rate of return. As of June 30, 1992, the Fund was in a surplus position with $32 million in equity. At a more conservative investment rate of 5 percent, the Fund balance would be $174 million with liabilities of $150 million. At the 5 percent rate, a rate more reflective of current markets, the Fund would have a surplus of $24 million. Regardless of the investment rate applied, the Fund continues to be in a favorable position, a condition recognized in the initial report of June 30,

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1990, further identified in the report for June 30, 1991, and validated again in the June 30, 1992 report.

The Tillinghast report, the actuarial report contracted by the Insurance Department to assist in the levying of the surcharge, based upon data through December 31, 1991, projected a Fund balance of $160 million with liabilities of $127 million for June 30, 1992, assuming an investment rate of 5.5 percent. Previously, Tillinghast had reported for June 30, 1990, a deficit of about $19 million and for June 30, 1991, about a million-dollar surplus. For the fiscal year ending June 30, 1992, the projected surplus was $34 million.

2. **Surcharge Rate for Ongoing Coverage.** The estimated average surcharge for the 1992-1993 fiscal year is 68 percent, assuming a 7.5 percent investment rate, and 74 percent assuming a 5 percent investment rate. (The Insurance Commissioner set the rate for this fiscal year at 73 percent.) For future years, at the 5 percent investment rate, the surcharge would be 73 percent for 1993-1994, 75 percent for 1994-1995, and 76 percent for 1995-1996. The figure for this fiscal year and the projected surcharges for future years are not reduced to reflect the estimated surplus existing in the Fund. Consequently, all things remaining the same, it is projected that the HCSF surplus will remain constant during the prospective fiscal year.

3. **Additional Surcharge for Phase Out.** If the Fund were to be phased out, an additional amount would need to be added to the amounts set out above. The estimated cost associated with phasing out the Fund on a first-dollar basis is $91 million and $102 million for phase out dates of June 30, 1994, and June 30, 1996, respectively. To phase out the Fund on an excess basis, the estimated cost would approach $41 million and $48 million for phase out dates of June 30, 1994 and June 30, 1996.

4. **The Health Care Provider Insurance Availability Plan.** The Plan was created as a residual market mechanism to ensure the availability of medical liability insurance to those who could not purchase such coverage in the traditional marketplace. The plan operates on a no profit, no loss basis, *i.e.*, any profit made by the Plan is transferred to the Fund and any Plan losses are paid from the Fund. In the year ending June 30, 1992, nearly $3.5 million were transferred from the Fund to the Plan. This was the first loss for the Plan since 1988 and is explained by the fact that several claims were settled or judgments paid in the last few months of the fiscal year. The payments do not reflect an upward turn in either the severity or frequency of claims; rather, a moving total of settlement amounts reflects random "hits" against the Fund, which generally operates in a more steady environment.

5. **Marketplace Trends.** The contract for services with the actuaries requires comment on the marketplace conditions for professional liability insurance. Reviewing data relative to frequency of claims and severity of claims for the last ten years, the average annual rate of increase in the frequency of claims was 1.10 percent while the average annual rate of increase in the severity of claims was 6.02 percent. While based only upon one company, St. Paul's countrywide experience for basic coverage, these data suggest only modest increases for that period. Kansas specific frequency and severity experience probably would be a bit better than the countrywide experience. This historical trend does not expose anything in the marketplace, including AIDS, health care reform, or a changing economic condition, which would suggest a pending negative impact on the Fund.

Comments of Conferees

In its 1990 report to the Legislative Coordinating Council, the Committee concluded that, "with some important exceptions, most parties to the Fund, insurers and providers, favor the phase out of the Fund." In 1991, the report disclosed a change in inclination on the part of the conferees and Committee members in that "more than a majority of the members and, apparently, a growing majority of health care providers, are adopting the position that the Fund should be continued." An "unofficial polling" of the Committee reflected the strong, though not unanimous, opinion that the Fund should not be phased out at that time, although that prospect might be considered in the future.

In 1992 hearings, few conferees appeared before the Committee to express an opinion on the future of the Fund. A representative of the Board of Directors of the Fund noted that "not only would eliminating the Fund bring the risk of selective pooling and a residual market, but finding a suitable replacement market would be tough," as well. Speaking for himself, the Vice-Chairman of the Board asked that the Fund be kept and that the Committee "be converted to a permanent structure, with primary responsibility of independently examining the actuarial soundness of the HCSF." The representative of the Kansas Medical Society speculated that, if the membership of the Society were polled, 70 to 75 percent would be for retention of the Fund. He suggested, too, that the Committee be made permanent; that the Fund be continued indefinitely; and that the Committee explore ways to delegate additional authority to the Board of Governors, making them more responsible for policy issues relating to the operation of the Fund.

The representative of the Kansas Association of Osteopathic Medicine stated that the position of the Association was that "a plan should be developed for the orderly phase-out of the Health Care Stabilization Fund at a time when conditions are favorable .... We think the current favorable condition offers such a window of opportunity and that such a plan will be in the best long term interests of the provider community of Kansas." He reiterated the Association's position regarding the Fund and "tail coverage," stating that the Fund should not continue to "reward" those physicians who have served in Kansas for five years or more and then choose to leave the state to practice in another state.

The Kansas Trial Lawyers Association, through written testimony, expressed no position on the phase out of the Fund; however, the Association strongly urged the Committee to maintain mandatory insurance for health care providers as a condition for practice in the state.

CONCLUSIONS AND RECOMMENDATIONS

The Committee was pleased to receive the actuarial report of Wakely and Associates, Inc., and to forward it to the Legislative Coordinating Council for its acceptance and filing. While the actuary for the Committee has reported a surplus position in the Fund for two years, the Committee was gratified to hear that the actuary for the Insurance Department also finds a substantial surplus existing for this last reporting period and that neither actuary raised alarm about something in the marketplace existing to jeopardize the financially safe position of the Fund.

Recognizing that some health care providers remain firm in their conviction that the Fund should be phased out, the Committee, nonetheless, recommends that the Fund should be retained permanently. Further, knowing that current statutes continue it indefinitely, the Committee recommends that the Legislative Coordinating Council continue its support of the Committee's activities by renewing the contract with Wakely and Associates, Inc., for ongoing actuarial service to the Committee. Comments from conferees and its own assessment of testimony presented during the last three years, convince the members that the Committee, with the attendant actuarial support, has had a positive effect upon the professional liability insurance environment in Kansas. The Committee believes strongly that its continuation, supported by an annual independent actuarial assessment, will provide stability and continuity for health care providers who participate in the Health Care Stabilization Fund.