Approved: January 21, 1993

MINUTES OF THE SENATE COMMITTEE ON FINANCIAL INSTITUTIONS AND INSURANCE.

The meeting was called to order by Chairperson Richard Bond at 9:08 a.m. on January 19, 1993 in Room 529-S of the Capitol.

Members present : Senators Corbin, Lawrence, Lee, Praeger and Steffes.

Conferees appearing before the committee: Richard Brock, Office of the Insurance Commissioner

Others attending: See attached list

Jenny Haile, Intern to Senator Praeger, and Kathryn Gregg, Intern to Senator Corbin , were introduced to and welcomed by the committee.

Chairman Bond opened hearings on SB 22, SB 23, and SB 24.

Richard Brock, Insurance Department, appeared before the committee to testify in favor of passage of SB 22, SB 23, and SB 24.

SB 22 will allow companies to market life insurance that contains a waiver of premium during periods of unemployment. (Attachment #1.) In response to Chairman Bond's request for clarification, line 20 of the bill was amended as follows: ...provisions "*and conditions...*" In response to Senator Steffes ' question, Mr. Brock advised that the cost for such a waiver of premium is not expected to be significant . There being no further conferees or questions, the hearing was closed. Senator Steffes made a motion, seconded by Senator Praeger, to adopt the amendment. The motion carried. Senator Praeger made a motion, seconded by Senator Lawrence, to move the bill favorably as amended. The motion carried.

SB 23 will provide for continuity of benefits when coverage changes while the insured is hospitalized or in outpatient treatment. Insurers will be required to include a provision extending coverage for 31 days for hospital confinement even after the group contract terminates. Subsection (b) provides that coverage under any subsequent replacement policy, contract or certificate that is intended to afford continuous coverage will commence immediately following expiration of any prior policy, contract or certificate with respect to benefits not paid or payable under the above. (Attachment #2.) In response to Senator Lee's question, Mr. Brock advised that the bill should not substantially increase premiums. There being no further conferees, the hearing was closed.

SB 24 will reduce from five (5) to three (3) the number of employees required to become eligible for group for group coverage. (Attachment #3.) There being no further conferees, the hearing was closed.

Because of there being no quorum, SB 23 and SB 24 will be voted on in the meeting of Wednesday, January 20, 1993.

The meeting was adjourned at 9:37 a.m.

GUEST LIST

SENATE

COMMITTEE: FINANCIAL INSTITUTIONS AND INSURANCE DATE: 1-19-93

NAME	ADDRESS	ORGANIZATION
Faye Palmer	Rt 1 Box 415, Ozawkie	KSNA
Bud Cornish	Topeka	Ks Assn OK / Ks Life Assn.
Bill Sneed	Topeka	NIRA
Dick Brock	"	Ins Dept
Kathy Sexton	DOB	
JEFF SONNICH	TOPEKA	KNLSI
Lee Wright	Overland Park	Farmers Ins.
John Peterson	Topeka	Kaiser Permanente
Cheryl Dillard	Kansas City	Kaiser Permanente
Jenny Haile	Lawrence	Sen. Praeger's Intern
Dorothy Taylor	Topeka	PIIAK

Testimony on
Legislative Proposal No. 8
(Senate Bill No. 22)
by
Dick Brock
Kansas Insurance Department

Some life insurance companies are now marketing products which include a waiver of premium provision if the insured becomes unemployed. Current Kansas law does not permit the inclusion of this provision in policies issued in this state. Legislative Proposal No. 8 would alleviate this problem by specifically permitting life insurers to incorporate a waiver of premium provision for periods of unemployment in products marketed in this state.

The precise period of unemployment and extent of the premium waiver would be spelled out in the contract. Therefore, it would no doubt vary depending on the type of contract and, of course, different insurers would probably impose different requirements and different waivers. However, as an example, a trade press report indicates that one prominent life insurer requires the insured to have been employed for at least 2 consecutive years (not necessarily at the same job), own the policy for at least a year and be unemployed for 60 days. If the insured meets these requirements, the company will waive the premium for a year even if the period of unemployment is only a few months. The cost of this benefit is 4% of the total premium for the policy including charges for other riders.

We are not aware of any consumer demand for this type of benefit. Nevertheless, it seems to us that Kansas life insurance buyers should have this option available if insurers are willing to offer it and they want to buy it.

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Attachment #1

#1

Testimony on
Legislative Proposal No. 9
(Senate Bill No. 23)
by
Dick Brock
Kansas Insurance Department

Although it requires a somewhat unusual combination of events, it is not uncommon for an individual to experience a "gap" in health insurance coverage when a group changes insurance carriers. This occurs because the contract of each carrier includes provisions relating to the date and time coverage commences and the date and time coverage terminates. However, different carriers use different provisions. Consequently, a person may have had group health insurance coverage continuously over a long period of time yet, because the effective date and time of a new contract does not coincide with the termination date and time of a replaced contract, find themselves without coverage for a period of time ranging from a few hours to several weeks. Although these situations can usually be rectified through negotiations with the carriers involved if the situation is brought to the Insurance Department's attention, the subscriber(s), enrollee(s) and certificateholder(s) affected are exposed to a great deal of anxiety. Also, there are probably some who simply and begrudgingly accept the consequences rather than seek assistance from the Insurance Department, group sponsor or some other source. Others may seek the services of an attorney and thereby incur an expense that should not be necessary.

Although insurance companies, health maintenance organizations, and nonprofit medical and hospital service corporations probably prefer their own contractual provisions, this is a situation where the public interest requires continuity. Therefore, Legislative Proposal No. 9 would require every group health insurance policy, certificate, contract and subscriber agreement to contain a contractual provision as specified in subsection (a) of New Section 1 which extends the payment of benefits for at least

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Attachment #2

31 days following expiration of the policy for covered persons confined in a hospital on the date the coverage would otherwise terminate.

In addition, the succeeding or replacement contract would, pursuant to subsection (b) of New Section 1 become effective immediately upon expiration of the previous contract. However, benefits provided under the previous contract by virtue of the required extension for inpatient coverage would not be payable under the new policy. The reason for this distinction is that less confusion would result and the third party payors could better administer the benefits if the carrier insuring the patient continued to provide the coverage until the insured person is released from the hospital. The 31 day extension will not have this result in all cases but it certainly should accommodate the vast majority. With respect to outpatient or other covered services, the requirement imposed by subsection (b) will assure that coverage is in effect even though changes in deductibles, coinsurance features and other contractual differences may prevent immediate payment of benefits. Problems of this nature are, however, a result of changes in coverage and would occur regardless of whether the time coverage becomes effective and terminates is coordinated between the 2 contracts and could even occur when the contract changes but the carrier remains the same.

Sections 2 and 3 of the proposal are effectively identical to New Section 1 and simply impose the same requirements on nonprofit medical and hospital service corporations and HMOs respectively.

Testimony on
Legislative Proposal No. 10
(Senate Bill No. 24)
by
Dick Brock
Kansas Insurance Department

Both 1991 House Bill No. 2001 and 1992 Senate Bill No. 561 relied on the long-standing statutory qualifications for group sickness and accident insurance. Consequently, for the underwriting prohibitions, rating restrictions and other insurance reforms included in the bills to apply, a single employer was and is still required to insure at least 5 employees; an association must insure at least 25 members; a trust must consist of 2 or more employers or business associations and so forth.

One change that was incorporated in Senate Bill No. 561 was a new qualification relating to the minimum size of an individual employer or member unit within a multiple employer trust or association. Historically, trusts and associations have been used simply as a means of providing access to group health insurance by small employers who do not have a sufficient number of employees to qualify as an independent group. Once the trust or association group is formed, however, each employer unit has been generally treated as a separate, free-standing group for rating and underwriting purposes.

The group health insurance reform measures included in 1991 House Bill No. 2001 and 1992 Senate Bill No. 561 necessitated a change in this traditional practice. The underwriting prohibitions, rating restrictions and guaranteed issue mechanism included in that legislation required a more specific definition of the sets and subsets of individuals to whom the requirements apply. Consequently, Senate Bill 561 imposed a secondary eligibility requirement on trust and association groups by providing that the member units of such groups must consist of 3 or more employees. For purposes of group eligibility, the employer is counted as an employee. However, it now appears we may have inadvertently provided

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Attachment #3

a way for insurers to circumvent some of the intended reforms. The intent was to apply the underwriting prohibitions, rating restrictions and guaranteed issue requirements to all employer groups with 3 or more employees. However, by arbitrarily requiring a minimum of 5 or more employees as a precondition to membership in the trust or association, employer units of 3 to 5 employees could be precluded from receiving the benefit of the 1991 and 1992 legislative action. The most effective remedy is to simply reduce the statutory eligibility criteria for a single employer group from 5 to 3. By so doing, member units of a trust or association consisting of 3 or more employees will be eligible for guaranteed issue of group coverage and have the other protections now applicable to health insurance groups either as a participant in a trust or association or as a single employer. As a result, insurers could not realize an advantage by strategic changes in a trust or association's eligibility requirements. This simple change appears in subparagraph 1 of subsection (A) of section 1.