

MINUTES OF THE SENATE FINANCIAL INSTITUTIONS AND INSURANCE COMMITTEE

The meeting was called to order by Chairperson Ruth Teichman at 9:30 a.m. on March 17<sup>th</sup>, 2004 in Room 234-N of the Capitol.

All members were present.

Committee staff present:

Bill Wolff, Legislative Research  
Ken Wilke, Office of the Revisor of Statutes  
Nancy Shaughnessy, Committee Secretary

Conferees appearing before the committee:

John Peterson

Others attending:

See Attached List.

The Chair informed the Committee that she wished to re-address **SB 558-Creating the health business partnership fund, adding duties for the business health policy committee and health partnership** and asked the Revisor, Ken Wilke to update the Committee.

Ken Wilke indicated that he had an amendment that was requested by the Insurance Commissioner's office. In page two, line 39 he has added the language regarding two years that will cap the offer of the insurance by the employer. Further, there was a line at the beginning of the bill which will clarify that there is only one fund in this bill that is being discussed.

Senator Helgerson moved to adopt the amendment and move the bill out favorably. Senator Buhler seconds. The motion passes.

The Chair opened the hearing on **HB 2597-Insurance; elimination of required errors and omissions coverage for insurance**, and stated there was an amendment to this bill. The Amendment is brought forward by Larrie Ann Lower of the Kansas Association of Health Plans. Larrie Ann had a death in her family and John Peterson agreed to present the information for her.

John Peterson referenced the Committee to the testimony(Attachment 1). Essentially the amendment would conform the continuation of benefits statutes for non-HMO insurance companies to what we already have in existence for HMO plans. Under HMO plans, Federal cobra, etc. if someone is terminated for cause then you do not have to do the six months termination coverage. Under the non-HMO statute, fraud and or misrepresentation or cause are not among the reasons you cannot offer the continuation.

Therefore someone could be terminated for fraud, etc. and then they would have to be offered the six months extended coverage. Ken Wilke pointed out that the amended language is on page 15 of the attached (Attachment 2). It is inconsistent with the other statutes that are in place. That is the purpose of the amendment. The Chair closed the hearing on the amendment for **HB 2597**.

Senator Helgerson made a motion to adopt the amendment. Senator Barnett seconds. Motion passes.

Dr. Wolff continued the report on **HB 2597**. He stated that the effect of the bill is that it would remove errors and omission coverage requirement for all insurance agents.

Senator Buhler wondered if most insurance companies required errors and omission coverage for their agents and indicated he had a problem with just a blanket legislation that it was no longer necessary.

The discussion then went to **SB 392-- Authorizing the committee on surety bonds and insurance to competitively negotiate certain contracts**. The bill currently is on House general orders. This is the bill that purchasing of insurance (mostly property and casualty) that Senator Oleen had brought to the Committee. It would allow a negotiated process of bidding rather than a competitive. The bid does have to be advertised. Senator Oleen's amendment stated that they would like to take out the wording for "at

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least three” proposals. That would allow them to deal with a situation with only one bidder. Current statute would not permit that.

Senator Helgerson wondered if the bill would allow them to only take one bid. Dr. Wolff responded that they have to request bids, but if there is only one they may still proceed.

Senator Buhler moved the amendment be passed out favorably. Senator Steineger seconds. Motion passes.

**SB 340–Risk Based Capital Requirements** is the next bill for consideration as part of the omnibus. Bill Wolff stated that this is the annual bill that changes the date on the NAIC risk based capital instructions and formulas that the insurance companies must use in preparing annual statements. The House committee has amended that bill to put in the Kansas uninsurable health insurance plan act amendment. It extends coverage to federally defined eligible individuals for federal trade adjustment assistance. This bill was re-referred to the House Committee.

The last bill is **SB 311–Foreign Language;insurance policies**. Dr. Wolff stated that this bill is also on the House Calender under GO. This bill requires the Commissioner to allow insurers to do business in this state contracts of insurance written in a language other than English.

The Chair summarized by stating that is essentially what **HB 2597** would now incorporate and indicated she would entertain a motion.

Senator Adkins made a motion to pass the bill out favorably. Senator Corbin seconds. Motion passes.

The Committee then heard a report on **HB 2545–Insurance; updating certain mortality tables used in valuation of life insurance policies**, which is the underlying bill for the other Senate bills. This bill is the Insurance Commissioner’s bill requesting the update of the mortality tables in the current laws that are used to determine the minimum reserves for credit life insurer’s in this State. It allows the Commissioner to make those changes by rules and regulations to more recent mortality tables.

The Chair asked Dr. Wolff to comment on the bills that had been consolidated into the omnibus bill. Dr. Wolff stated that **HB 2545** would include:

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a) **SB 342–Technical amendment to form of certain policies**. The bill is currently on House GO. When it left the Senate it related to policies of accident and sickness insurance. It removed the word “or” and replaced it with the word “and”.

b) **HB 2852–Insurance; electronic verification of proof of auto insurance**. The bill would authorize the Commissioner of Insurance to require, through the adoption of rules and regulations, that all motor vehicle liability insurers provide verification of insurance on line or electronically to the Dept. Of Motor Vehicles (DMV).

c) **SB 546–Insurance; transfer and novation of insurance contracts and group life**, is also a part of the omnibus bill. This bill (**SB 546**)enacts a new law establishing the formal process by which one insurance carrier may transfer business to another carrier and establishes terms and conditions for transferring a group life insurance product issued through one trust to a new trust.

d) **SB 348–Conformance with Federal Law re: Health Savings Accounts**, is the legislation requested by the KID so that current Kansas law could reflect the most recent changes in federal law relative to health savings accounts.

e) **SB 508–Standard nonforfeiture law for individual deferred annuities**, is the bill requested by the KID which would update the current standards for the standard nonforfeiture law for individual deferred annuities in the State of Kansas.

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Senator Adkins moves to pass the bill out favorably with the balloon. Senator Brungardt seconds.  
Motion passes

The meeting was adjourned at 10:40 A.M.

The next meeting is scheduled for March 18<sup>th</sup>, 2004.