

## MINUTES OF THE SENATE FINANCIAL INSTITUTIONS AND INSURANCE COMMITTEE

The meeting was called to order by Chairman Ruth Teichman at 9:30 A.M. on March 24, 2008 in Room 136-N of the Capitol.

All members were present.

Committee staff present:

Melissa Calderwood, Kansas Legislative Research Department  
Ken Wilke, Office of Revisor of Statutes  
Bev Beam, Committee Secretary  
Jill Shelley, Kansas Legislative Research Department

Conferees appearing before the committee:

John Meetz, Kansas Insurance Dept.  
Dan Morin, Kansas Medical Society  
Dave Hanson, PCI Assn.  
April Holman, Kansas Action for Children (written only)

Others attending:

See attached list.

The Chair called the meeting to order.

Informational Hearing on

**H Sub SB 273 - Relating to child support enforcement; concerning payments under certain insurance policies**

The Chair asked Melissa Calderwood for an overview of the bill. Ms. Calderwood stated the substitute bill deletes the contents of SB 273 and inserts the provisions of HB 2904 as it was amended by the House Committee and then further amended by House Committee when the substitute was adopted. The substitute bill relates to the issue of creating matching information about child support debtors against any information known about liability against the claimant. The original bill as it left the committee last year would have amended the Kansas Health Care Prompt Payment Act to include dental claims. Those provisions did pass in another bill, SB 271. The bill enters into the business arrangement with any organization that provides matching information about child support debtors. It has provisions applying to the secretary of SRS. The secretary will be allowed to disclose any information about individuals who owe past due child support in a Title IV-D case if the debtor owes at least \$25. The secretary also would be required, to the extent it is feasible, to require or provide secure electronic processes for disclosing information about support debtors to the matching entity and for any insurance companies disclosing information about claimants to such matching entity. The secretary is given authority to adopt rules and regulations as may be necessary to administer the provisions of the bill. The insurance companies who provide liability coverage would be required to disclose information about a claimant, as instructed by the Secretary, if the claimant's aggregate claim totals \$1,000 or more. The insurer is permitted under the bill to disclose information, at the insurer's discretion, about its claimants who have a claim that totals less than \$1,000.

Representative Anthony Brown testified in support of H Sub SB 273. He said Kansas collects only 54 cents of every dollar in child support so that means 46 cents of every dollar in Kansas goes uncollected. He said that provides a huge burden not only to the state, but also the single parent. He said it is also known that parents who are current on their child support are also eighty percent more likely to be involved in that child's life.

He added that we all know how important it is to have both parents involved in the child's life in today's society. He noted SRS said they would need to upgrade some computer software to interface with a third party. He said SRS would be allowed to contract with a third party vendor and a the third party vendor would help match insurance claims and delinquent parents. He noted the insurance industry already has a contract with ISO. He said ISO is a separate entity from an insurance company who provides screening of claimants. He said SRS will gain necessary information through a third party to pursue delinquent child support. He said again, this simply allows SRS a contract with a third party vendor and the third party vendor helps match the

## CONTINUATION SHEET

MINUTES OF THE Senate Financial Institutions and Insurance Committee at 9:30 A.M. on March 24, 2008 in Room 136-N of the Capitol.

insurance claim to the parents and the SRS would then gain information to go after that delinquent parent. (Attachment 1)

Dave Hanson, PCI Association of America, a national trade association, appeared as neutral on H Sub SB 273. Mr. Hanson said PCI members do not want to stand in the way of this important piece of legislation. He said they are happy to participate in the program as many of our member companies do in several states already, but they feel some clarifications are needed in the Bill before it becomes law. He said the language in SB 273 is somewhat confusing regarding what claims are subject to data matching. "Claimant" is broadly defined as someone who has submitted a claim under a liability insurance contract. He said they believe the language should be more specific and could be clarified to say that a claimant is any individual who has submitted a claim for bodily injury or wrongful death under a liability insurance policy or a claim for workers' compensation as shown in the attached balloon amendments. He continued, stating further adding to the confusion is language that delineates which claimants an insurer must disclose information on. The bill requires disclosure if the claimant's aggregate claim totals \$1,000 or more. He said while his client does not think the intent of the bill or SRS is to force insurers to report every liability claim over \$1,000 to the state, Section 2©, could easily be read to mean exactly that. (Attachment 2)

The Chair closed the informational hearing on H Sub SB 273.

Informational hearing on

**H Sub SB 113 - relating to insurance; concerning recoupment of certain erroneously made payments; relating to the accrual of dividends and interest for certain policies**

Melissa Calderwood gave an overview of H Sub SB 113. She stated the House Committee on Insurance and Financial Institutions recommended the introduction of a substitute bill. The substitute deletes the contents of SB 113 and inserts the provisions of HB 2690 and HB 2699 as amended by the House Committee. She said the original bill would have amended the continuing education requirements of certain licensed insurance agents. She said the fiscal note indicated there will be no fiscal effect to the agency associated with the enactment of either provision.

John Meetz, Kansas Insurance Department, testified in support of H Sub SB 113. He said this bill now does two things. First, the bill would clarify that life insurance companies are required to pay accrued interest and dividends on surrendered life insurance policies during the deferral period if such companies elect to defer payment of the surrender value for a period not to exceed six months. He said currently, when a policyholder surrenders a life insurance policy for its cash value, the insurance company is not required to pay the value until six months after the request for surrender. He said the Insurance Department does not have a problem with the current six month deferral as this provides the insurance company time to evaluate and sell assets in order to meet the surrender value obligation. He noted this is a consumer friendly measure that makes sure policyholders receive their full benefit.

He said the second portion of the bill affects the Kansas prompt-pay law. He said when an insurance company makes a payment to a provider that is in error, they currently have the ability to recoup that payment at any time within five years. This practice causes serious problems for providers, especially as it pertains to their taxes and financial planning. (Attachment 3)

Dan Morin, Director of Government Affairs, Kansas Medical Society, also testified in support of H Sub SB 113. Mr. Morin said currently, it is possible for a Kansas physician to be continually exposed to refund for every insurance payment on every claim paid. He said H Sub SB 113 addresses the need for closure on the issue of payments. He said frequently, overpayments are the result of minor clerical errors made in the billing office, such as the transposition of billing code numbers, and involve only nominal amounts. He noted, however, that overpayments are the result of systematic billing errors, such as the repeated use of an incorrect billing code or improper application of insurance coverage prerequisites. (Attachment 4)

CONTINUATION SHEET

MINUTES OF THE Senate Financial Institutions and Insurance Committee at 9:30 A.M. on March 24, 2008 in Room 136-N of the Capitol.

The Chair closed the informational hearing on H Sub SB 113.

The Chair asked for approval of the Minutes of March 13, 18, 19 and 20. Senator Steineger moved approval. Senator Barone seconded. Motion passed.

The meeting adjourned at 10:20 a.m.