

Insurance Statute Reference Updates; Written Demand for Unpaid Premiums; Definition of Person; Risk-based Capital Instructions; Fiscal Soundness for Certificate of Authority; SB 119

SB 119 clarifies the definition of “insurance company,” removes the requirement of a documented written demand from an insurance company for certain unpaid premiums, adds certain legal entities to the definition of “person,” makes the annual update to risk-based capital (RBC) instructions, amends the requirements for demonstration of fiscal soundness to be submitted by a health maintenance organization (HMO) or a Medicare provider organization (MPO) when applying for a certificate of authority, and makes other technical corrections and reconciling changes in the Insurance Code.

Insurance Statute Reference Updates

The bill clarifies the definition of “insurance company” and makes other technical corrections and reconciling changes in the Insurance Code.

Written Demand for Unpaid Premiums by Agent or Broker

The bill removes the requirement of a documented written demand from an insurance company for unpaid premiums by an agent or broker.

Under current law, the failure of an agent or broker to pay premiums owed to an insurer after written demand is made is considered *prima facie* evidence that the agent or broker has used or applied the premium for another purpose. Such failure then subjects the agent or broker to the penalties listed in KSA 40-247(b).

The bill also removes the requirement of the written demand in establishing *prima facie* evidence.

Addition of Certain Legal Entities to Definition of “Person”

The bill adds “and any other legal entity under the jurisdiction of the commissioner” to the definition of “person” in statute pertaining to insurance laws and enforcement. The change allows for entities that are currently under the jurisdiction of the Commissioner of Insurance to be more accurately reflected in statute.

Annual Update of Risk-based Capital Instructions

The bill amends the effective date specified in the Insurance Code for the RBC instructions promulgated by the National Association of Insurance Commissioners (NAIC) for property and casualty companies and for life insurance companies. The instructions currently specified became effective on December 31, 2021. The bill updates the effective date of the RBC instructions to December 31, 2022.

Demonstration of Fiscal Soundness for a Certificate of Authority to Provide Health Care

The bill amends law relating to the financial documentation demonstrating fiscal soundness that must be submitted by a HMO or a MPO when applying for a certificate of authority to provide health care in the state.

The bill amends requirements pertaining to statements of fiscal soundness to:

- Require financial projections for a minimum of three years from the date of application [*Note*: Current law requires the projections for a minimum of three years from the anticipated date of certification and on a monthly basis from the date of certification through one year.];
- Limit the projections for each deficit year and for one year thereafter required when a HMO or MPO expects to incur a deficit to a maximum of five years;
- Eliminate the requirement for monthly statements of revenue and expenses for the first year on a gross dollar and a per-member-per-month basis; and
- Change the required balance sheet for all financial projections from quarterly to yearly.