

MINUTES OF THE SENATE FINANCIAL INSTITUTIONS & INSURANCE COMMITTEE

The meeting was called to order by Chairman Ruth Teichman at 9:30 am. on January 26, 2011, in Room 152-S of the Capitol.

All members were present.

Committee staff present:

Ken Wilke, Office of the Revisor of Statutes
Heather O'Hara, Kansas Legislative Research Department
Beverly Beam, Committee Assistant

Conferees appearing before the Committee:

Kevin Davis, Kansas Insurance Department
Dave Hanson, Kansas Association of P & C Insurance Cos.

Others attending:

See attached list.

Chairman Teichman welcomed everyone to the meeting.

Hearing on:

SB 14 – Concerning the Kansas uninsurable health insurance plan act; pertaining to lifetime limits; pertaining to participation in plan by certain children

Ken Wilke, Revisor's Office, gave an overview of the bill. Mr. Wilke said SB 14 would amend the Kansas Uninsurable Health Insurance Plan Act to allow children under the age of 19 to be eligible for plan coverage without having to experience a denial of coverage from two alternative insurance carriers. In addition, he said the bill increases the maximum lifetime benefit for all individuals on the plan from \$2.0 million to \$3.0 million. He said in succeeding years of the insurance plan's operation, the maximum lifetime benefit could then be adjusted with the approval of the Commissioner of Insurance.

Kevin Davis, Kansas Insurance Department, spoke in support of SB 14. Mr. Davis said the Kansas Health Insurance Association (KHIA) is the high risk health insurance pool established by the Kansas Legislature in 1992. He noted the pool was established to provide coverage for individuals who have pre-existing conditions and are generally uninsurable in the voluntary market. He said funding for the pool comes from two sources, the premiums paid by the enrollees and assessments on the health insurance companies doing business in Kansas. He continued that SB 14 makes three changes to the KHIA pool. He said the KHIA Board requested that Kansas Insurance Department introduce a bill during the 2011 Legislative session to increase the maximum lifetime benefit for enrollees from \$2,000,000 to \$3,000,000 and to permit the Board to recommend changes in the lifetime benefit in succeeding years subject to the approval of the Commissioner of Insurance. (Attachment 1)

The Chair closed the hearing on SB 14.

Hearing on:

SB 15 – Concerning insurance; relating to risk-based capital requirements for certain insurers

Ken Wilke, Revisor's Office, gave an overview of the bill. Mr. Wilke said SB 15 would update the effective date of the risk-based capital instructions, promulgated by the National Association of Insurance Commissioners. The instructions currently in use are effective on December 31, 2009. SB 15 would update the effective date of the instructions to December 31, 2010.

Kevin Davis, Kansas Insurance Department, testified in support of SB 15. He stated that this bill pertains to risk-based capital instructions that have previously been updated yearly through legislation.

In an attempt to allow for a legislative review process in the event of major changes to the national RBC factors, two triggers were employed that require the Kansas Insurance Department to update these changes statutorily. These safety triggers were put in place to ensure that Kansas insurers would not be

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drastically affected by regulatory formulas from one year to the next without a diligent review by the industry and Kansas Legislature. He added that despite current economic conditions and record storm losses, Kansas property and casualty insurance companies are in a sound financial state and behave as good stewards of the public trust. It is for these reasons that we would ask the committee to recommend SB 15 favorable for passage. (Attachment 2)

Dave Hanson testified in support of SB 15. Mr. Hanson stated that the risk-based capital provisions referenced in the bill were developed by the NAIC for adoption and use by the states as a standardized method of monitoring the solvency of insurers and assessing the need for regulatory control levels. He continued that this bill seeks legislative approval to adopt the NAIC updates through the end of last year as has been done in previous years. (Attachment 3)

The Chair closed the hearing on SB 15.

Action on

Senator Steineger moved that both SB 14 and SB 15 be passed out favorably. Senator Masterson seconded. Motion passed.

Bill introduction

Kevin Davis, Kansas Insurance Department, introduced a bill regarding Life & Health Guaranty Association Fund Limits – this bill would raise the Guaranty Association limits for certain benefits including health insurance benefits and includes modernization of the statute.

Senator Steineger moved introduction. Senator Longbine seconded. Motion carried.

The meeting was adjourned at 10:10 am.