

Approved: 2-24-10

Date

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 February 23, 2010, in Room 152-S of the Capitol.

Committee members present were:

Senator James Barnett
Senator Tom Holland
Senator Chris Steineger
Senator Ruth Teichman, Chair

Committee members excused were:

Senator Karin Brownlee
Senator Jeff Colyer
Senator Dick Kelsey
Senator Ty Masterson
Senator Mark Taddiken

Committee staff present:

Ken Wilke, Office of the Revisor of Statutes
Melissa Calderwood, Kansas Legislative Research Department
Terri Weber, Kansas Legislative Research Department
Beverly Beam, Committee Assistant

Conferees appearing before the Committee:

John Meetz, Kansas Insurance Department
Bill Sneed, Kansas County Association of Multi-Line Pools

Others attending:

See attached list.

John Meetz, Kansas Insurance Department (Attachment 1)

Bill Sneed, Kansas County Association of Multi-Line Pools (Attachment 2)

John Meetz, Kansas Insurance Department (Attachment 3)

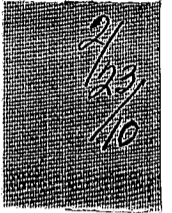
Hearing on

HB 2491 - Expanding the definition of creditable individual health insurance to include Title XXI of the Social Security Act.

Melissa Calderwood gave an overview of the bill. Ms. Calderwood stated that this bill was requested by the Kansas Insurance Department and would amend the Kansas Uninsurable Health Insurance Plan Act which governs the administration of the State High Risk Pool to add coverage of an individual under the State Children's Health Insurance Program (SCHIP), authorized by Title XXI of the Social Security Act, to the list of recognized creditable health insurance coverages. The Fiscal Note states that this bill would have no effect on operations.

John Meetz testified in support of HB 2491. He stated that every three years CMS reviews each state's mechanism for fulfilling the requirements of the Health Insurance Portability and Accountability Act (HIPAA). He said during last year's review process, officials from CMS asked the Kansas Insurance Department to make two technical changes to statutes governing the high risk pool or the Kansas Uninsurable Health Insurance Plan Act.

He said the first change is to add title XXI of the Social Security Act to the definition for creditable coverage under statute for the Kansas high risk pool. The second, he said, was to replace the words "had been" with the word "if," under the section that includes COBRA as an eligibility factor under the federal definition. He concluded stating that the Kansas Insurance Department believes this bill represents no substantive changes to Kansas law and are technical in nature. He said, however, that a failure to implement these changes at the request of CMS could potentially jeopardize the states exclusive authority to administer the high risk plan. (Attachment 1)



CONTINUATION SHEET

Minutes of the Senate Financial Institutions and Insurance Committee at 9:30 a.m. on February 23, 2010, in Room 152-S of the Capitol.

Ken Wilke asked John Meetz if on Page 2, line 23 it would be agreeable to the Kansas Insurance Department to edit the sentence to state, " Who, if offered the option of continuation coverage under COBRA or similar program, has elected and exhausted such continuation coverage." John Meetz is to get back with an answer when the bill is worked.

The Chair closed the hearing on HB 2491.

Hearing on

HB 2500 - Allowing a municipal pool to apply for a certificate of authority with proof of reinsurance approved by the insurance commissioner.

Melissa Calderwood gave an overview of HB 2500. She said this bill was requested by Kansas County Association of Multi-Line Pools. This bill would amend a provision in the Kansas Municipal Group-Funded Pool Act to allow municipal insurance pool applicants to submit a confirmation that reinsurance approved by the Insurance Commissioner is in effect or will be effective at the time the pool assumes risk. Confirmation of reinsurance approval would be in addition to current statutory requirement that a municipal pool holds excess insurance provided by an insurance company holding a Kansas certificate of authority. She said the House Committee recommended the bill be placed on the Consent Calendar. She added that the fiscal note indicates that the Department already reviews applications for municipal insurance pools and further, that the bill could be implemented within its existing resources.

Bill Sneed, Kansas County Association of Multi-Line Pools, testified in support of HB 2500. He stated that Kansas County Association of Multi-Line Pools (KCAMP) was originally formed under the laws of Kansas by the Kansas Association of Counties for the benefit of counties. He said today, KCAMP operates as a stand-alone organization. He said KCAMP is required by law to have an assessment feature which helps guarantee the financial condition of the pool. He said KCAMP is regulated by the Kansas Insurance Department, and in particular, its financial well-being is closely monitored by the Insurance Department. In order to provide additional safeguards to the financial integrity of the pool, KCAMPs Board purchased reinsurance as a form of additional protection. However, during financial examination, the Insurance Department pointed out that reinsurance was not specifically allowed under Kansas law. He said in today's marketplace, reinsurance, although expensive, is substantially less expensive than specific and aggregate excess insurance. KCAMP's Board felt it appropriate to come to the legislature and request a minor change to current law that would allow reinsurance to be used by pools. As an additional protection, such reinsurance would only be allowed if approved by the Kansas Insurance Department. (Attachment 2)

Written testimony was presented by John Meetz, Kansas Insurance Department, in support of HB 2500. (Attachment 3)

The Chair closed the hearing on HB 2500.

The meeting was adjourned at 10:10 a.m.



Kansas Insurance Department

Sandy Praeger, Commissioner of Insurance

TESTIMONY ON HB 2491

SENATE FINANCIAL INSTITUTIONS AND INSURANCE February 23, 2010

Madam Chair and Members of the Committee:

Thank you for the opportunity to testify before the committee today. HB 2491 was a bill that was requested by the Kansas Insurance Department on behalf of the United States Centers for Medicare and Medicaid Services (CMS). Every 3 years CMS reviews each state's mechanism for fulfilling the requirements of the Health Insurance Portability and Accountability Act (HIPAA). During last year's review process officials from CMS asked the Kansas Insurance Department to make two technical changes to our statutes governing the state high risk pool or the Kansas Uninsurable Health Insurance Plan Act.

The first change is to add title XXI of the Social Security Act (or SCHIP as it is more commonly referred) to the definition for creditable coverage under statute for the Kansas high risk pool. The definition for creditable coverage is used to define the prior coverages that if held by an eligible individual for 18 months prior to application for the high risk pool would exclude them from the high risk pool's 90 day waiting period for defined pre-existing conditions. This provision does not represent a policy change in the way creditable coverage is offered to eligible high risk pool applicants. Benefit Management Inc., the third party administrator for the state high risk pool has always considered SCHIP as a creditable coverage under KSA 40-2118 (f)(9).

The second change was to replace the words "had been" with the word "if," under the section that includes COBRA as an eligibility factor under the federal definition. The Kansas Insurance Department has also been informed by Benefit Management Inc. that this will not represent a substantive change in their eligibility requirements of federally qualified individuals.

The changes being proposed here were not the brainchild of the Kansas Insurance Department. We believe this bill represents no substantive changes to Kansas law and are entirely technical in nature. However a failure to implement these changes at the request of CMS could potentially jeopardize the states exclusive authority to administer the high risk plan.

Thank you for the opportunity to appear today and I will stand for questions at the appropriate time.

John Meetz
Government Affairs Liaison

*FI&I Committee
2-23-10
Attachment 1*

TO: The Honorable Ruth Teichman, Chair
Senate Financial Institutions and Insurance Committee

FROM: William W. Sneed, Legislative Counsel
Kansas County Association of Multi-Line Pools

SUBJECT: H.B. 2500

DATE: February 23, 2010

Madam Chair, Members of the Committee: Please be advised that my firm represents the Kansas County Association of Multi-Line Pools ("KCAMP"), and at our request, the House Insurance Committee introduced H.B. 2500. KCAMP is a member-owned and -funded property liability self-insurance pool. KCAMP was originally formed under the laws of Kansas by the Kansas Association of Counties, for the benefit of counties. Today, KCAMP is not associated with KAC and operates as a stand-alone organization. KCAMP is managed and operated by its members through a Board of Trustees, which is made up of elected officials from member counties. KCAMP is structured with the intent that contributions (premiums) of the member counties will fund operations and expected losses of the pool and produce equity. KCAMP is required by law to have an assessment feature which helps guarantee the financial condition of the pool. To that end, KCAMP is regulated by the Kansas Insurance Department, and in particular, its financial well-being is closely monitored by the Insurance Department.

Currently, K.S.A. 12-2618 details various requirements of the pool. In particular, Kansas law requires that the pool provide specific and aggregate excess insurance. This was put in place as an additional safeguard to the financial integrity of the pool. This requirement may be waived if the insurance commissioner finds that there is an adequate surplus of funds available to the pool. In recent years the Insurance Department, after careful evaluation of the pool's finances, has agreed that specific and aggregate excess insurance was not needed for the additional protection. However, KCAMP's board felt it prudent to provide some additional safeguards to the financial integrity of the pool. Thus, several years ago KCAMP purchased reinsurance as a form of additional protection.

During 2009's financial examination, the Insurance Department pointed out to KCAMP that reinsurance was not specifically allowed under Kansas law. Even though the reinsurance would in essence provide the same protection as specific and aggregate excess insurance, since it was not specifically allowed, the Department informed us that retaining reinsurance, although still providing extra protection, would not be allowed on our statutory financial statement.

Currently in today's marketplace, reinsurance, although expensive, is substantially less expensive than specific and aggregate excess insurance. Thus, the Board of Directors of KCAMP felt it appropriate to come to the Legislature and request a minor change to current law

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*FII Committee
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Attachment 2*

The Honorable Ruth Teichman, Chair
Senate Financial Institutions and Insurance Committee
February 23, 2010
Page 2

that would allow reinsurance to be used by pools. As an additional protection, such reinsurance would only be allowed if approved by the Kansas Insurance Department.

After passage by the House, it was discovered that an additional reference to reinsurance needed to be added. On page 2, line 20, after the word "insurance," we would request that the phrase "or reinsurance" be added to the bill.

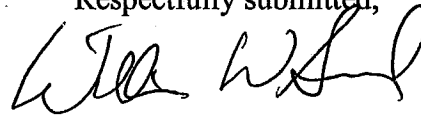
Keeping costs down, particularly for local units of government, is very important, particularly in today's financial world. We believe this is an additional way of helping counties keep costs down, thus ultimately helping the Kansas public.

Finally, House Bill 2500 was passed out by the House on a vote of 121-0.

Therefore, we would respectfully request that at the appropriate time, the Senate Financial Institutions and Insurance Committee act favorably on H.B. 2500.

I am available for questions at your convenience.

Respectfully submitted,



William W. Sneed

WWS:kjb

cc:

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Kansas Insurance Department

Sandy Praeger, Commissioner of Insurance

WRITTEN TESTIMONY ON HB 2500

SENATE INSURANCE AND FINANCIAL INSTITUTIONS February 23, 2010

Madam Chair and Members of the Committee:

The Insurance Department would like to offer written testimony in support of HB 2500. Current law allows for an exemption from the requirement to carry excess lines coverage while simultaneously disallowing an insurer from obtaining a reinsurance agreement which would provide further coverage. This contradiction would be alleviated by HB 2500 and we would like to offer our full support.

If the committee has questions we would be happy to answer them at the appropriate time.

John Meetz
Government Affairs Liaison

*FI & I Committee
2-23-10
Attachment 3*