

Approved:

03-30-2012

(Date)

MINUTES OF THE SENATE FINANCIAL INSTITUTIONS AND INSURANCE
COMMITTEE

The meeting was called to order by Chairperson Ruth Teichman at 9:30 AM on Tuesday, March 13, 2012 in 152-S of the Capitol.

All members were present except:
Senator Steineger

Committee staff present:

Melissa Calderwood, Kansas Legislative Research Department
Heather O'Hara, Kansas Legislative Research Department
Ken Wilke, Revisor of Statutes Office
Marilyn Arnone, Committee Assistant

Conferees appearing before the Committee:

Kris Kellim, Kansas Insurance Department

Others in attendance:

See attached list.

The Chair opened the meeting with the hearing on **HB 2485–Requiring insurers to submit an antifraud plan and affix antifraud warnings to all applications and claims forms.** This bill was introduced by the House Insurance Committee at the request of the Insurance Department. It would amend provisions in the Insurance Code to clarify the term, “fraudulent insurance act” and to update a requirement for the submission of anti-fraud plans. The bill would update the definition of “fraudulent insurance act” to include statements made in an electronic or recorded manner that are part of an application for issuance or rating of an insurance policy or a claim for payment or other benefit. Insurance companies would need to submit an anti-fraud plan to the Insurance Commissioner. This bill would have no fiscal effect on the agency. The House passed this bill 118 to 4. (Attachment 1)

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CONTINUATION SHEET

Minutes of the SENATE FINANCIAL INSTITUTIONS AND INSURANCE Committee at 9:30 AM on Tuesday, March 13, in 152-S of the Capitol.

Kris Kellim testified in support of **HB 2485**. This amended bill by the House Insurance Committee makes two changes to current law. The Department is also proposing an additional amendment that would add the original language of **HB 2519** regarding expungement records of resident insurance agent applicants. The first amendment modernizes the express definition of a “fraudulent insurance act” to include statements that are made in an electronic or recorded manner. This definition change is important because it ultimately affects prosecution of insurance fraud and the Department wants to ensure all evidence is available in such prosecutions. The second amendment requires companies to submit to the Insurance Department an antifraud plan used to detect suspicious or fraudulent insurance activity. **HB 2519** language would allow the Department to obtain and require applicants to divulge expunged criminal records in connection with a resident insurance agent license application. Certain conditions must be met for expungement and not all crimes can be expunged. The Department wants to obtain as much criminal history information as it can to keep untrustworthy individuals from becoming licensed to sell insurance. Ultimately this bill would protect Kansans by giving the Department a better ability to screen agent license applicants. (Attachment 2)

Mr. Kellim stood for questions from the Committee.

Timothy J. Lynch, Director of Government Affairs, National Insurance Crime Bureau, submitted written testimony in support of **HB 2485**. Because of the National Insurance Crime Bureau’s strong interest in preventing insurance fraud, **HB 2485** is strongly supported. (Attachment 3)

There being no further testimony, the Chair closed the hearing on **HB 2485**.

The Chair opened the hearing on **HB 2486—Changing the frequency of examinations for health maintenance organizations and Medicare provider organizations**. **HB2486** was introduced by the House Insurance Committee at the request of the Insurance Department. This bill would amend an examination provision in the Insurance Code to require the examination of health maintenance organizations (HMOs) and Medicare provider organizations every three years to every five years. The bill does maintain the current statutory requirement for a separate on-site quality of care assessment by an independent quality review organization every three years. There would be no fiscal effect from this bill. The bill passed the House 105 to 19.

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Kris Kellim spoke in favor of **HB 2486**. This bill would increase the minimum number of years in which the Insurance Department must make an examination of each health maintenance organization or Medicare provider organization and providers with whom such organization has contracts, agreements or other arrangements to at least once every five years. The Department believes there is not a need for more examinations and less frequently will save money. (Attachment 4)

Cindy Luxem, Executive Director of the Kansas Health Care Association and Kansas Center for Assisted Living offered written testimony in opposition to **HB 2486**. The KHCA is concerned that extending the minimum frequency of exams to five years will prevent the Insurance Department from discovering a problem until it becomes a major problem. KHCA is also concerned that the successful contractors under KanCare will be managing a new health care system valued at almost \$3 billion, making the need for a more frequent examination even more necessary. (Attachment 5)

The Chair closed the hearing on **HB 2486**.

The Chair asked for Final Action on **HB 2505–Limitation on loans and borrowing; derivative transactions**. This bill was introduced by the House Financial Institutions as requested by the Kansas Bankers Association. This bill would amend and insert definitions in the provisions of the Banking Code that apply to lending limits to include derivative transactions. **HB 2505** was amended for reciprocity of operations of trust companies. No fiscal effect would be created by this bill.

The Chair asked Kathleen Taylor, Kansas Bankers Association for comment before the vote. Ms. Taylor said **HB 2505** is an amendment to the trust code that would allow a Kansas trust company to branch interstate if the other state was allowed to branch into that state through a reciprocity clause. The KBA worked with the banking department on the language so the department had the opportunity to provide procedures so the department could have the proper oversight. KBA does want permission for this bill to take effect and be in force from and after its publication in the Kansas Register.

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An amendment was distributed to the Committee by interested parties. (Attachment 6)

Doug Wareham, KBA, submitted a letter with a written example of a derivative transaction. (Attachment 7)

Senator Taddiken moved to adopt the balloon amendment concerning reciprocity. Senator Masterson seconded and the motion carried.

*Senator Merrick moved that **HB 2505** as amended be passed out of the Committee favorably. Senator Longbine seconded and the motion passed.*

The Chair asked for Final Action on **HB 2593–Interstate banking and commission approval. HB 2593** would require the Office of the State Bank Commissioner to review only those applications that involve Kansas state-chartered banks.

*Senator Olson moved that **HB2593** be passed out of the Committee and put on the Consent Calendar. Senator Masterson seconded and the motion carried.*

Ken Wilke discussed the balloon amendments for **HB 2485**. The Contents of **HB 2519** would be inserted into **HB 2485**. The parts that deal directly with the insurance department are on page 5 and page 8 of the insert. The expungement amendments throughout the insert have been consolidated and reconciled from several other bills and inserted into this bill. (Attachment 6)

Senator Longbine introduced Pages Garrett Jackson and Jake Wessel from Cedar Point, Kansas.

Senator Masterson introduced Superintendent Mark Evans and students Jamie Bohannon, Thane Bulmer, Jacob Murray, Ashley Schrader, Bill Hodge and Emily Engram along with their leader, Ketorah Austin, all from Andover.

Senator Taddiken introduced Pages Dane Thompson and Jack Thompson from Scandia.

The Chair adjourned the meeting at 10:15 AM. The next meeting will be on March 14, 2012.

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