

SESSION OF 2015

SUPPLEMENTAL NOTE ON HOUSE BILL NO. 2064

As Amended by Senate Committee on Financial
Institutions and Insurance

Brief*

HB 2064, as amended, would make amendments to the Insurance Code to add insurance against the cost of legal services to the classes of insurance that could be provided by authorized insurance companies, exempt certain companies from the definition of prepaid service plan and related requirements, and expand the types of payments received by nonprofit dental service corporations that could be used in a calculation of certain expenses.

Specifically, the bill would add insurance against the cost of legal services to the classes of insurance that could be provided by any insurance company organized under state law or authorized to transact business in the state, other than a life insurance company. The bill would exempt these property and casualty insurance companies from the definition of prepaid service plans. The bill also would create an exemption for companies providing products and services for a fee where customers receive consultations with a licensed attorney connected to the customer by the company, so long as the company does not directly provide legal service, pay for legal services beyond a minimal administrative fee per customer, or indemnify or reimburse the customer for any legal expenses incurred.

Additionally, the bill would expand the types of payments received by nonprofit dental service corporations that could be used in calculating the percentage of allowable disbursements as expenditures for solicitation or as

*Supplemental notes are prepared by the Legislative Research Department and do not express legislative intent. The supplemental note and fiscal note for this bill may be accessed on the Internet at <http://www.kslegislature.org>

administrative expenses. Under the bill, nonprofit dental service corporations would not be limited to the use of a percentage of the aggregate amount of payments received from subscribers in calculating the overhead limit, but would be permitted to include all payments allowed under the nonprofit dental service corporations' enabling statute.

Background

The House Committee on Insurance introduced HB 2064 at the request of Hyatt Legal Plans, Inc. (Hyatt). At the House Committee hearing, a representative of Hyatt explained passage of the bill would clarify the legal plan services provided by Hyatt would be regulated as a property and casualty product and would be exempt from the regulatory requirements associated with a prepaid service plan. The representative indicated such regulation more appropriately would reflect the manner in which the company has been doing business in Kansas since 1998. The representative noted the Kansas Insurance Department (Department) had no objection to the bill. No opposing or neutral testimony was received.

In the Senate Committee, a representative of Hyatt testified in support of the bill. Additionally, a representative of LegalZoom appeared as a proponent and requested consideration of an amendment to exclude certain legal access plans from licensure and regulatory requirements associated with prepaid service plans. The representative explained legal access plans provide access to limited scope legal services provided by independent, state-licensed attorneys. The plans assume no risk of loss and the providers do not indemnify for, or make payments based on, legal services provided or legal expenses incurred.

The Senate Committee on Financial Institutions and Insurance amendments add a provision relating to an exemption from the definition of prepaid service plan and insert provisions relating to nonprofit dental service

corporations (HB 2065, as recommended by House Committee on Insurance).

According to the fiscal note prepared by the Division of the Budget on HB 2064, as introduced, the Department indicates enactment of the bill would have a negligible fiscal effect on insurance premium taxes, as a small number of insurance companies likely would provide this new underwriting. The Department would administer provisions of the bill with its existing staff.

HB 2065

The House Committee on Insurance introduced HB 2065 at the request of Delta Dental of Kansas (Delta Dental). At the House Committee hearing, a representative of Delta Dental explained passage of the bill would allow all payments received from purchasers of insured products and self-insured groups through administrative fees and related claims payments to be used in determining the percentage of revenue that could be attributed to overhead expenses. The representative indicated the undefined term “subscriber” and the Department’s adoption of codification resulted in Delta Dental being able to report only risk insurance and eliminated the inclusion of the fees and claims payments associated with self-funded plans as revenue, resulting in Delta Dental being able to recognize only about 30 percent of total revenue in calculating its overhead limit. No opposing or neutral testimony was received.

According to the fiscal note prepared by the Division of the Budget on the bill, the Department indicates enactment of the bill would have no fiscal effect on the agency.