

MINUTES OF THE HOUSE INSURANCE COMMITTEE

The meeting was called to order by Chairman Clark Shultz at 3:30 p.m. on January 19, 2010, in Room 152-S of the Capitol.

All members were present.

Committee staff present:

Bruce Kinzie, Office of the Revisor of Statutes
Sean Ostrow, Office of the Revisor of Statutes
Melissa Calderwood, Kansas Legislative Research Department
Lauren Douglass, Kansas Legislative Research Department
Sue Fowler, Committee Assistant

Conferees appearing before the Committee:

Sandy Praeger, Kansas Insurance Department
William W. Sneed, The Mortgage Insurance Company Association (MICA)
William W. Sneed, Kansas County Association of Multilines Pool (KCAMP)

Others attending:

See attached list.

Representative Shultz introduced Committee Members and Staff

Introduction of Bills:

Commissioner Sandy Praeger, Kansas Insurance Department, (Attachment 1), requested the following three bill introductions:

Auto Financial Responsibility Verification

Making insurance statute requiring auto insurance proof (KSA 40-3104e) the same as the revenue statute for the same (KSA 8-1604c)
Requires the make and year of vehicle to appear on proof of insurance, the same way it already does in the Dept. Of Revenue statute.

Hybrid Annuities

Allowing the incorporation of long-term care insurance into annuities just as it is already allowed for life insurance policies (KSA 40-401)

Health Statute Updates

Adding SCHIP to the definition for "creditable coverage." (KSA 40-2118)

Representative Neighbor made a motion to introduce the three bills presented by Insurance Commissioner Praeger. Seconded by Representative Olson. Motion carried.

Bill Sneed, representing The Mortgage Insurance Company Association (MICA), (Attachment 2), and the Kansas County Association of Multilines Pool (KCAMP), (Attachment 3), requested the following two bill introductions:

(MICA)

A proposed bill to amend a law that regulates the financial condition of a mortgage insurer

(KCAMP)

A proposed bill to amend a section of law that regulates the financial condition of a multilines pool.

Representative Olson made a motion to introduce the two bills presented by Mr. Sneed. Seconded by Representative Grant. Motion carried

Sandy Praeger, Insurance Commissioner, Kansas State Insurance Department, (Attachment 4), presented a snapshot of Kansas Insurance Department for 2010.

CONTINUATION SHEET

Minutes of the House Insurance Committee at 3:30 p.m. on January 19, 2010, in Room 152-S of the Capitol.

Next meeting is scheduled for Thursday, January 21, 2010, 3:30 P.M. in Room 152-S in Capitol.

Meeting adjourned at 3:58 p.m.

House Insurance Committee
 Guest Sign In Sheet
 Tuesday, January 19, 2010

Name	Representing
Alex Kotyantz	Ks. Ass. of Professional Insurance
Bill Sneed	KCAMP / MICA
Herri Spielman	KATA
Lee Wright	Farmers Ins.
Michelle Butler	Cap. Strategies
Janet Jones	United Health Group
Lori Church	KAPCIC
John Beck	KID
Sandy Praeger	KID
Brad Sweet	
LBSW Nepal	KINBW
Sky Whitford	KNASW
Mike	"
David Harrison	KS Insur Assoc & PCI



Kansas Insurance Department

Sandy Praeger, Commissioner of Insurance

Introduction of House Bills January 19, 2010

Auto Financial Responsibility Verification	-Making insurance statute requiring auto insurance proof (KSA 40-3104 e) the same as the revenue statute for the same (KSA 8-1604c) -Requires the make and year of vehicle to appear on proof of insurance, the same way it already does in the Dept. of Revenue statute -9rs1213
Hybrid Annuities	-Allowing the incorporation of long-term care insurance into annuities just as it is already allowed for life insurance policies (KSA 40-401) -9rs1418
Health Statute Updates	-Adding SCHIP to the definition for "creditable coverage." (KSA 40-2118) -9rs1411

House Insurance
Date: 1-19-10
Attachment # 1

TO: The Honorable Clark Shultz, Chair
House Insurance Committee

FROM: William W. Sneed, Legislative Counsel
Mortgage Insurance Companies of America

SUBJECT: Legislative Proposal

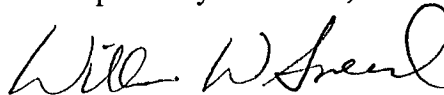
DATE: January 11, 2010

Mr. Chairman, Members of the Committee: My name is Bill Sneed and my firm represents the Mortgage Insurance Companies of America ("MICA"), an association of insurance companies that predominantly write mortgage insurance. In Kansas and a small group of other states, statutes governing mortgage insurers include an automatic trigger relative to statutorily mandated minimum policy surplus. The law provides for no flexibility or discretion by the Commissioner of Insurance.

My client is attempting to modernize these financial regulations to be more consistent with other regulatory schemes throughout the country. Thus, the attached proposed legislation would allow the Insurance Commissioner flexibility in this regard.

We will be happy to provide more extensive testimony at the time of the hearing, but if you have any questions in the interim, please feel free to contact me.

Respectfully submitted,



William W. Sneed

WWS:kjb
Attachments: 1

555 South Kansas Avenue, Suite 101
Topeka, KS 66603
Telephone: (785) 233-1446
Fax: (785) 233-1939

House Insurance
Date: 1-19-2010
Attachment # 2

BILL No. _____

By Committee on _____

AN ACT concerning mortgage guaranty insurance companies; relating to waivers by insurance commissioner; amending K.S.A. 40-3512 and repealing the existing section.

Be it enacted by the Legislature of the State of Kansas:

Section 1. K.S.A. 40-3512 is hereby amended to read as follows: 40-3512. *Unless a waiver is granted by the commissioner, a A mortgage guaranty insurance company shall not at any time have outstanding a total liability, net of reinsurance, under its aggregate mortgage guaranty insurance policies exceeding twenty-five (25) times its capital, surplus and contingency reserve. Subject to a waiver which may be granted by the commissioner, in ~~in~~ the event that any mortgage guaranty insurance company has outstanding the total liability exceeding twenty-five (25) times its capital, surplus and contingency reserve, it shall cease transacting new mortgage guaranty business until such time as its total liability no longer exceeds twenty-five (25) times its capital, surplus and contingency reserve. Total outstanding liability shall also be calculated on a consolidated basis for all mortgage guaranty insurance companies which are part of a holding company system as defined in K.S.A. 40-3302. Upon the request of a mortgage guaranty insurance company, the commissioner may waive the requirements in this section for such time and under such conditions as the commissioner may order, except that no such waiver shall exceed two years.*

Sec. 2. K.S.A. 40-3512 is hereby repealed.

Sec. 3. This act shall take effect and be in force from and after its publication in the statute book.

TO: The Honorable Clark Shultz, Chair
House Insurance Committee

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

SUBJECT: Legislative Proposal

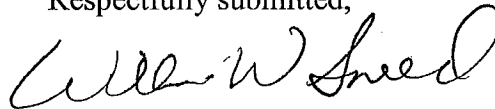
DATE: January 11, 2010

Mr. Chairman, Members of the Committee: Please be advised that my firm represents the Kansas County Association of Multi-line Pools ("KCAMP") on a legislative issue for which they seek assistance from the 2010 Kansas Legislature.

KCAMP is required to provide specific and aggregate excess insurance. Unfortunately, another alternative to that type of safety would be reinsurance, which is not authorized by state law. The proposed legislation we have submitted to you would simply add reinsurance as qualifying for these additional coverages.

We will be happy to provide more extensive testimony at the time of the hearing.

Respectfully submitted,



William W. Sneed

WWS:kjb
Attachments: 1

555 South Kansas Avenue, Suite 101
Topeka, KS 66603
Telephone: (785) 233-1446
Fax: (785) 233-1939

House Insurance
Date: 1-19-2010
Attachment # 3

_____ **BILL No.** _____

By Committee on _____

AN ACT concerning insurance pools; amending K.S.A. 12-2618 and repealing the existing sections.

Be it enacted by the Legislature of the State of Kansas:

Section 1. K.S.A. 12-2618 is hereby amended as follows: 12-2618. Application for a certificate of authority to operate a pool shall be made to the commissioner of insurance not less than 30 days prior to the proposed inception date of the pool. The application shall include the following:

(a) A copy of the bylaws of the proposed pool, a copy of the articles of incorporation, if any, and a copy of all agreements and rules of the proposed pool. If any of the bylaws, articles of incorporation, agreements or rules are changed, the pool shall notify the commissioner within 30 days after such change.

(b) Designation of the initial board of trustees and administrator. When there is a change in the membership of the board of trustees or change of administrator, the pool shall notify the commissioner within 30 days after such change.

(c) The address where the books and records of the pool will be maintained at all times. If this address is changed, the pool shall notify the commissioner within 30 days after such change.

(d) Evidence that the annual Kansas gross premium of the pool will be not less than \$250,000 for each of the categories described in subparagraphs (1) through (4) of this subsection: (1) All property insurance under article 9 of chapter 40 of the Kansas Statutes Annotated except motor vehicle physical damage; (2) motor vehicle liability and physical damage insurance; (3) workers' compensation and employers' liability insurance; (4) all casualty insurance under article 11 of chapter 40 of the Kansas Statutes Annotated except insurance under categories (2) and (3) above; (5) group sickness and accident insurance if at the date of issue the annual gross premium for such coverage will be not less than \$1,000,000; and (6) group life insurance if at the date of issue the coverage will insure at least 60% of the eligible participants or the total number of persons covered will exceed 600. The pool shall notify the commissioner within 30 days if the minimum premium qualification or participation requirement is less than that specified in this subsection for any of the above categories of insurance.

(e) An agreement binding the group and each member thereof to comply with the provisions of the workers compensation act if such coverage is to be provided by the

pool. For all lines of coverage, all members of the pool shall be jointly liable for the payment of claims to the extent of the assets of the pool.

(f) A copy of the procedures adopted by the pool to provide services with respect to underwriting matters and, with respect to the categories identified in subsection (d)(1) through (4), safety engineering.

(g) A copy of the procedures adopted by the pool to provide claims adjusting and accumulation of income and expense and loss data.

(h) A confirmation that specific and aggregate excess insurance provided by an insurance company holding a Kansas certificate of authority *or reinsurance approved by the commissioner* is or will be in effect concurrent with the assumption of risk by the pool, as selected by the board of trustees of the pool, or adequate surplus funds as approved by the commissioner, in the pool. The pool shall notify the commissioner within 30 days of any change in the specific or aggregate excess insurance carried by the pool. For the purposes hereof, "surplus funds" shall mean retained earnings of the pool after reserves have been established for all known and incurred but not reported losses of the pool and after all other liabilities of the pool, including unearned premium reserves, have been deducted from total assets. The term "adequate surplus funds" shall mean the amount necessary for the pool to fund its self-insured obligations.

(i) After evaluating the application the commissioner shall notify the applicant if the plan submitted is inadequate, fully explaining to the applicant what additional requirements must be met. If the application is denied, the applicant shall have 10 days to make an application for hearing by the commissioner after the denial notice is received. A record shall be made of such hearing, and the cost thereof shall be assessed against the applicant requesting the hearing.

(j) Any other relevant factors the commissioner may deem necessary.

Sec. 2. K.S.A. 12-2618 is hereby repealed.

Sec. 3. This act shall take effect and be in force from and after its publication in the statute book.

Kansas Insurance Department

a snapshot

"To regulate, educate and advocate"

The Department

- We regulate for rate adequacy, not cost
- 157 FTE in 2003 → 138 FTE in FY 2010 (14% decrease)
- Online electronic filings

REGULATE

Premiums

- \$119 million in premium fees, taxes into the state general fund in FY 2009, up \$1 million from FY 2008
- \$91.5 million from out-of-state companies

Companies

- 66 companies headquartered in Kansas
- Approx. 1,600 foreign companies selling policies here
- 189 additional companies admitted since 2003

Agents

- We license and require continuing education hours
- Approx. 22,000 resident producers
- Approx. 70,000 nonresident producers

EDUCATE

- Brochures, booklets: Approx. 30 available online. Booklets can be downloaded or ordered.
- Speaker's bureau: 47 counties visited during past 18 months. Request form is online.
- News releases, consumer alerts, Commissioner's Corner columns; columns for Kansas Firefighters and KAIA publications
- A source for national media questions
- Web site one of top six insurance department sites, according to Consumer Federation of America

ADVOCATE

Consumer assistance

- Always a live person at our in-state toll-free hotline, and consumers always get at least a near-immediate response
- KID recovered \$15 million in 2009 for consumers; a record \$15.1 million in 2007; \$86.85 million since 2003
- Complaints and inquiries continue downward trend

Disaster response

- Department representatives assisted in Chapman and Manhattan in 2008, Greensburg in 2007
- 2009 estimated storm losses were \$602 million, exceeding the \$596 million record set in 2008
- June 2008 — largest month for P&C losses — \$396 million and 77,485 claims
- In 2008, Kansas had the most tornadoes of any state for the second consecutive year — 187 in 2008, 137 in 2007

THE REST

2009 Legislation

- Consumer-protection proposals that keep in mind today's economic conditions
- Some bills are routine procedure

Anti-fraud efforts

- Fighting insurance fraud. Anti-fraud division has handled more than 2,500 cases since 2004
- Approx. \$1 million in restitution in 2008
- Very active in consumer education

House Insurance

Date: 1-19-2010

Attachment # 4

January 2010