



Kansas Insurance Department

Vicki Schmidt, Commissioner of Insurance

Testimony on SB 228 for the Senate Financial Institutions & Insurance Committee

March 21, 2019

Chairman Olson and Members of the Committee:

Thank you for the opportunity to testify in support of SB 228. The bill seeks to update and provide clarity to 2017 Senate Bill 22, which made a number of changes to Third Party Administrator (TPA) regulation. Those changes included distinguishing between resident and non-resident, requiring additional financial information be submitted to the department for review and removing the statutorily established fees in place of rule and regulation authority for the Kansas Insurance Department.

Prior to the adoption of 2017 SB 22, all TPAs were required to obtain a certificate of registration. There was no distinction between resident and non-resident and the application process included the submission of an application, a cover letter, and the \$100 fee.

TPAs were required to renew their certificate on an annual basis. The renewal date was based upon the date of their original registration, i.e. if they were registered on May 5, 1979, their annual renewal date was May 5th. The renewal fee was \$50. Renewal letters were mailed on a monthly basis, i.e. all May renewals, all June renewals, etc.

Overall, the review and renewal of TPAs under the original statutes was relatively simple and did not require immense quantities of time.

Under the new law established in 2017 SB 22, TPAs were broken down into three categories:

1. Administrators who would receive a certificate of registration if all they were doing in Kansas were self-funded plans with the exception of church or governmental plans.
 - Not required to pay any fees, merely re-register every year on Dec. 31
2. Non-resident administrators who are required to have a home state administrator license in a state with a substantially similar law as that of Kansas before they can receive a non-resident license in Kansas.
 - Pay application fee and bi-annual renewal fee on Dec. 31
 - Submit an annual report on or before July 1
3. Home state administrators who declare Kansas a home state (incorporation or residency is not required) and submit a substantial amount of material for review.
 - Pay application fee and bi-annual renewal fee on Dec. 31
 - Submit an annual report on or before July 1

In addition, the review of new applications, annual reports, and renewal processes, have become more complex, comprehensive and time-consuming. Financial information is required with both the initial home state applications and the annual reports for both resident and non-resident TPAs and requires a considerable amount of time for the department to review. In addition, non-resident applications must be crosschecked to ensure that proper licenses are held, and maintained in compatible states.

The original statutory authority for charging the fees was established in HB 3191 passed by the 1978 Legislature. The statutorily set fee amount was \$100 (the biennial fee was assessed at \$50 each year). Those fees have not been changed in over 40 years and following the passage of 2017 SB 22, the department did not submit to the rule and regulation process and therefore does not currently have the authority to collect fees.

The largest factor driving up the cost of the department's time is based on the above observations and the overall increase in workload for the department. In SB 228, the department requests removal of the language authorizing the collection of fees through rule and regulation and proposing a statutorily established rate of the following:

Resident	Non-Resident	Biennial Renewal	Annual Report
\$400	\$400	\$200	\$100

As mentioned previously, non-resident TPAs are required to hold a license in a state with a substantially similar law as that of Kansas. Currently, eight (8) states have been identified as such. Our neighboring states Nebraska, Colorado and Oklahoma do not have similar laws. Missouri, however, does and they assess applicants a fee of \$1,000.

The average application fee for those TPAs, licensed under a substantially similar law as Kansas, is approximately \$430. The department believes the fee structure proposed in SB 228 will cover the increased costs to the department associated with the additional oversight that is now required and is in line with the average fee structure of other states with similar laws.

Thank you for the opportunity to submit testimony on SB 228 and I will stand for questions at the appropriate time.

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Kansas Insurance Department