

MINUTES OF THE HOUSE COMMITTEE ON INSURANCE.

The meeting was called to order by Chairperson Rep. Robert Tomlinson at 3:30 p.m. on March 9, 2000 in Room 527-S of the Capitol.

All members were present except: Representative Hummerickhouse  
Representative Boston  
Representative Burroughs

Committee staff present: Dr. Bill Wolff, Research  
Ken Wilke, Revisor  
Mary Best, Secretary

Conferees appearing before the committee: Linda DeCoursey, Kansas Insurance Department  
David Hanson, Kansas Insurance Associations

Others attending: See attached Committee Guest List

**SB 574-Insurance; Risk-based capital requirements**

With committee announcements having been made and the committee having been made aware of the possibility of special meetings being held, the Chairman called the committee's attention to the balloon (Attachment #1) which is attached hereto and incorporated into the Minutes by reference, which was being offered on **SB 574**. Revisor Ken Wilke, addressed the committee in regards to lines 27 to 29, where there was an oversight in the language. *The words marketed, promoted, advertised and otherwise were to be deleted.* He then referred to page 2, line 24, where the phrase "a pharmacy registered with the state board of pharmacy," to be inserted between "...macy, and a dentist". Mr. Wilke, the Insurance Department and the Pharmacists Association were in agreement with the language and had worked closely to correct this problem. The balloon went to the committee, and a motion was made by Representative .....to accept the balloon. The motion was seconded by Representative Phelps and a vote was taken from the committee. The balloon was unanimously accepted. The Chair then returned to the committee for any further discussion on the bill. Representative Kirk also, at that time offered her balloon to the bill (Attachment #3) A copy of her bill is attached hereto and incorporated into the Minutes by reference. Representative Kirk made the motion to accept her balloon into the bill, and Representative Showalter seconded the motion. As the balloon had not been discussed with the Pharmacists Association or the Kansas Insurance Department, a few moments were taken for everyone to quickly read the balloon. Representative Kirks' balloon added a new privacy section to the bill. Discussions on the bill were held with Representatives Myers, Kirk, and Chairman Tomlinson, with Revisor Ken Wilke responding. Representative Showalter offered changes to the balloon, and the Chairman directed a question to Representative Kirk on check casking cards being used to pay for pharmaceutical supplies and keeping information private. Representative Jenkins posed a question regarding third party liability and Representative Kirk again addressed the need for privacy. Finally the motion was recognized, a vote was taken and the amendment was accepted. Back on the bill, Representative Kirk moved to report SB 574 amended and scheduled for passage. The motion was seconded by Representative Myers. The motion passed with one no vote.

**SB440-Insurance; Risk-based capital requirements.**

With this business completed the Chairman then recognized Ms. Linda DeCoursey. Ms. DeCoursey, Kansas Insurance Department, presented Proponent Testimony to the committee on **SB440**. A copy of the testimony is (Attachment #3) attached hereto and incorporated into the Minutes by reference. Ms. DeCoursey gave an overview of the bill and explained the change, "to the law dealing with filing of financial reports by insurance companies with the Department." She explained that meaning of risk based capital ("RBC"), which is defined as "a method used by the Department to evaluate the financial solvency of insurance carriers doing business in this state." Companies file financial reports with the Department following the formulas and instructions set down by the National Association of Insurance Commissioners. These formulas are changed annually by the National Association to reflect the continually changing accounting procedures.

Ms. DeCoursey informed the committee the bill also struck the language "and adopted as rules and regulations

by the Commissioner.” She explained the Commissioner had not adopted the rules from the Federal Association, as she felt that since the Insurance Department came before the committee each year and requested the insertion of a new date there was no reason to adopt their program. She stated that no company or individual had ever requested a copy of the Federal instructions from their office, so the Commissioner saw no reason to take on their rules and/or duplicate our own. The Department asked the committee for favorable passage of the bill and Ms. DeCoursey stood for questions. The only question came from Representative Myers.

The next conferee to be recognized by the Chairman was Mr. David Hanson, Kansas Insurance Associations. Mr. Hanson also spoke favorably to the bill and a copy of his testimony is (Attachment # 4) attached hereto and incorporated into the Minutes by reference. Mr. Hanson stated the bill allowed for the Department of Insurance to check on all or any of the companies doing business in Kansas, but that the companies are not under total control of the Department. He informed the committee that his organization “had requested the reference date in the statutory definition of “RBC instructions” to make sure that the adopted instructions and formula were limited to those that we had had an opportunity to review, rather than potential future revisions, which could adversely affect our companies’ risk-based capital and the resulting action or control levels.” He completed his testimony by relating to the committee that his companies had been reviewing the proposed changes to the bill and saw no adverse effect from these changes. Mr. Hanson then stood for questions.

Representative Kirk asked about knowledge of any companies under supervision. Mr. Hanson related there were none to his knowledge. With this the public hearings on **SB 440** were closed.

Representative Cox made the motion to place the bill on consent calendar and the motion was seconded by Representative Phelps. The committee vote was taken and the motion passed.

With no further business, the meeting was adjourned. The time 4:18 p.m.

The next committee meeting will be held March 14, 2000, at 3:30 p.m.