

SESSION OF 2004

**CONFERENCE COMMITTEE REPORT BRIEF  
HOUSE BILL NO. 2545**

As Agreed to April 1, 2004

**Brief\***

HB 2545 updates the mortality tables in current law used to determine the minimum reserve that must be established for credit life insurance. The bill changes the mortality table from the 1958 Commissioners' Extended Term Mortality Table to the 1980 Commissioners' Extended Term Mortality Table, or any later version of the Table adopted by the Commissioner in rules and regulations.

HB 2545 also includes the provisions of several bills previously passed by the Senate:

**Health Savings Accounts.** The bill allows the offering of health savings accounts (HSAs) in Kansas by including them, with medical savings accounts already listed, as exempt from the first-dollar coverage provisions of current law related to accident and health insurance policies.

**Basis for Payment of Benefits.** The bill removes the word "or" and replaces it with the word "and" to require insurers to base the payment of accident and sickness benefits on both usual, customary, and reasonable charges, and upon a statistically valid sample, which recognizes geographic variations, is produced at least every six months, and is collected on the basis of the most current codes and nomenclature.

**Verification of Automobile Liability Insurance.** The bill authorizes the Insurance Commissioner to require, through the adoption of rules and regulations, all motor vehicle liability insurers authorized to do business in Kansas to provide verification of insurance on-line or electronically. However, any motor vehicle liability insurance company already providing verification of insurance on-line or electronically on the day preceding the effective date of this

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act may continue to do so in the same manner and be deemed in compliance with this law.

**Signatures on Insurance Contracts.** Concerning contracts made by insurance companies, the bill strikes from the law the requirement that all contracts made by an insurance company be signed by the president or vice-president and secretary.

**Transfer of Insurance Business.** The bill enacts new law establishing a formal process by which one insurance carrier may transfer business to another carrier, and establishes terms and conditions for transferring a group life insurance product issued through one trust to a new trust.

- Concerning the transfer of insurance from one carrier to another, the bill requires a transferring insurer to give notice, in the form that substantially conforms to that set out in the bill, to each policyholder by first class mail of its intention to transfer the policyholder's contract of insurance to an assuming insurer. Prior approval by the Insurance Commissioner is required for any transaction where an insurer domiciled in Kansas assumes or transfers obligations or risks, or both, on contracts of insurance under an assumption reinsurance agreement.
- Policyholders shall have the right to reject the transfer and novation. (Novation, in this case, is the substitution of one insurer for another whereby the assuming insurer also assumes all the risks and obligations of the transferring insurer.) Any policyholder who rejects the transfer and novation must return the notice to the transferring insurer. Any payment of premium to the assuming company during the 24-month period following receipt of the notice shall be deemed to indicate acceptance of the transfer.
- After the initial 24 months, if no positive consent or rejection of the transfer has been received, the transferring insurer must send a second (final) notice of the intention to transfer. If, during the next one-month period, the policyholder does not accept or reject the transfer, the policyholder's consent will be deemed to have occurred and the novation of the contract will be effected, *i.e.*, the transferring insurer shall be relieved of all insurance obligations or risks, or both, and the assuming insurer shall become directly and solely liable to

the policyholders for those insurance obligations or risks, or both.

- Regarding the transfer of group life insurance, the bill amends the law to allow the issuance of a voluntary term life insurance policy on a group basis without the employer having to contribute a portion of the premium. (Current Kansas law for the issuance of such policies requires an employer contribution.) Further, the bill removes the requirement that at least 75 percent of the eligible employees for the group coverage elect the coverage and make the required contribution. The bill also removes the limitation on the amount of coverage the employee can purchase for dependents. (Current law limits dependent coverage to not more than 50 percent of the insurance benefit on the life of the insured employee.)

**Tax Deduction for Long-Term Care Insurance.** Lastly, the bill will allow Kansas Income Tax payers to subtract from their federal adjusted gross income, for the tax year beginning after December 31, 2004, an amount not to exceed \$500 of the premium costs for qualified long-term care insurance contracts. Each year thereafter, the amount that can be subtracted increases by \$100 until the amount that can be subtracted reaches \$1,000, at which level it will remain for all subsequent taxable years.

### **Conference Committee Action**

The House accedes to the Senate amendments to HB 2545 and the Conference Committee further agrees to amend the bill by deleting the provisions related to the nonforfeiture law on deferred annuities as those provisions were enacted in SB 508.