

PLEASE NOTE SENATOR Approved: \_\_\_\_\_

DENNING'S CHANGES TO 1/22/13 Date

MINUTES HIGHLIGHTED IN BOX ON PAGE 2.

MINUTES OF THE SENATE FINANCIAL INSTITUTIONS & INSURANCE COMMITTEE

The meeting was called to Order by Senator Rob Olson, Chairperson, at 9:34 am on January 22, 2013 in Room 546-S of the Capitol.

All members were present.

Committee staff present:

- Melissa Calderwood, Kansas Legislative Research Department
- Ken Wilke, Office of Revisor of Statutes
- Mark Dapp, Kansas Legislative Research Department
- Michael Welton, FI & I Committee Assistant 236-E 6-7358

Conferees appearing before the committee:

- Sandy Praeger, Kansas Insurance Commissioner
- Melissa Calderwood, Kansas Legislative Research Department

Others attending:

See attached list. (Attachment #1)

Sen. Olson introduced new legislative intern Thomas Plummer from Towanda, Kansas who currently serves as Chief of Staff of the Kansas University Student Senate.

Bills to be introduced:

Senator Dan Kerschen requested that 2012 SB 255 from previous year be introduced this session.

A motion was made by Senator Kerschen and seconded by Senator Hawk that the bill be introduced. The motion passed.

Commissioner Praeger discussed the structure and functions of the Kansas Insurance Department. She explained that the Department's primary missions involved the regulation of the industry in Kansas, the education of consumers and the the advocacy for consumers against discriminatory and unfair practices. The Commissioner stressed the importance of uniformity of regulations among the entire regulatory community as called for by the National Association of Insurance Commissioners (NAIC). She indicated that it is imperative to maintain NAIC accreditation that demonstrates the agency's expertise and capacity to monitor the industry. She characterized the Affi

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very complex with new rules and guidelines coming from the federal level on a regular basis. She touted the state's early implementation of the law such as family coverage til age 26, the dropping of life/annual limits and the development of the required information technology enrollment/database infrastructure. She briefed the committee on the three 2014 state options for ACA law Exchanges (recently re-branded to "marketplaces") that provide consumer assistance to subsidy eligibility qualification, enrollment, side-by-side vendor program comparisons and health plan management. She reminded the committee of the February 15 deadline for Kansas to decide to establish an "Exchange Partnership" as opposed to federally-facilitated exchange (F.F.E). She informed the committee that the marketplace (exchange) must be self-sufficient by 2015 and to expect a proposed 3.5 percent fee for the federal operation of the online marketplace. She stated that the Kansas Insurance Department's 2013 legislative agenda involved technical changes to maintain the uniformity to qualify for NAIC re-accrreditation. More specifically the proposed concern reserve-based requirements, holding companies and certain penalty provisions. She reminded the committee that while a state insurance commissioner would be allowed to move ahead with a state-federal insurance exchange partnership with the federal Health and Human Services Department, she will not do so until she gets "a nod" from the legislature and/or the administration. During Q & A she confirmed that changing the ACA law compression ratio of 3 to 1. would require congressional action. She asserted that catastrophic insurance policies and other subsidies could help alleviate the problem that could represent a staggering 25% to 60% increase in premiums for many people.

***She was also asked if the 3 to 1 banding ratio would apply to groups 50 and under only. She said it would apply to all groups and individuals inside and outside the Exchange. Her office called to correct this stating that the 3 to 1 banding ratio actually applies to groups 50 and under and individuals inside and outside of the Exchange.***

Responding to concerns about agent compensation, she said while agents are important to people, the ACA role of the "navigator" may exclude the possibility for agent policy commissions. Regarding ACA income subsidies it is still unclear how family incomes will be calculated. She confirmed that the income verification process will be a direct link from the Kansas Eligibility Enrollment System (KEES) database to the Internal Revenue Service (IRS). Other points of urgency referenced were: May 17 deadline for company plan designs with final approach to be determined in July; Open enrollment for the exchange to begin in October. In response to a question regarding the possibility of delaying ACA law deadlines one year, the commissioner stated that she did not expect that Congress would open up the law to make any changes. (Attachment #2)

Melissa Calderwood presented the second part of the Report of the Special Committee on Financial Institutions and Insurance to the 2013 Kansas Legislature. Two committee charges were addressed: 1.) Study the modernization of the laws governing insurance holding companies in Kansas, including the adoption of uniform standards consistent with the National Association of Insurance Commissioner's (NAIC) model act. 2.) Review streamlining state regulation, the role of the supervisory college and future oversight of the Kansas Insurance Department, anticipated costs for the state regulator and insurers, and the issues non-adoption of the domestic insurance companies subject to other state's laws. Conclusions and Recommendations of the committee: On the Topic of insurance holding company regulation, the Committee recommends the introduction of a bill to be drafted as a prefile with collaboration from the Kansas Insurance Department, industry representatives, and Committee staff. The bill, using 2012 HB 2077 (as further amended by Senate Committee) for the base, is to be composed of relevant insurance holding provisions and conceptual amendments presented during the Special Committee's review. If the bill is not approved by the Legislative Coordinating Council, it should be introduced and heard concurrently in each respective chamber's appropriate committees by February 1, 2013. (Attachment #3)

Senator Olson announced that the committee members had been sent draft copies of the minutes for 1 15 13 / 1 16 13 / 1 17 13 committee meetings to be on the next days agenda for approval.  
(Attachment #4)

Senator Bowers introduced the following Senate pages from her district: Alex Wilcox, Kora Snavely & Allayna Hanson from Concordia, Carley Martin from Jamestown, Destiny Wofaku & Brianna Pinkerton from Logan, Kansas.

The next meeting is scheduled for January 23, 2013.

The meeting was adjourned at 10:32 am.