

MINUTES OF THE HOUSE INSURANCE COMMITTEE

The meeting was called to order by Chairperson Patricia Barbieri-Lightner at 3:30 p.m. on February 3, 2004 in Room 527-S of the Capitol.

All members were present except:

Representative David Huff- excused
Representative Joe Humerickhouse- excused
Representative Scott Schwab- excused

Committee staff present:

Bill Wolff Legislative Research Department
Ken Wilke, Revisor of Statutes
Renaë Hansen, Secretary

Conferees appearing before the committee:

Jarrold Forbes, Insurance Department Liaison
Larry Brunning, Insurance Department Actuary
Linda Shepard, Insurance Department, Assistant General Council
Jerry Slaughter, Kansas Medical Society
Tom Bell, Kansas Hospital Association
Chris Swickard, Security Benefit

Others attending:

Twenty, including but not limited to attached list.

Representative Bonnie Huy requested a bill to require a sticker of proof of insurance that would be replaced every 3 months.

The bill was introduced by consensus.

Questions were posed by: Representatives Bob Grant, Nancy Kirk, and Nile Dillmore.

Representative Nancy Kirk requested a bill that deals with colorectal screening and health insurance.

The bill was introduced by consensus.

Representative Nile Dillmore requested a bill concerning automobile insurance relating to payment of certain claims.

The bill was introduced by consensus.

Hearing on:

HB 2545: Insurance; updating certain mortality tables used in valuation of life insurance policies.

Jarrold Forbes, Kansas Insurance Department, (Attachment # 1), gave testimony in support of this bill that changes the actuary table for credit life mortality tables. The bill also allows the Commissioner to adopt future tables by rules and regulations rather than amending the statute.

Fiscal Note for **HB 2545** was presented.

Hearing closed.

Hearing on:

HB 2546: Insurance; conversion plans, commissioner's authority.

Proponents.

Jerrold Forbes, Kansas Insurance Department, (Attachment #2), presented testimony in support of this bill

CONTINUATION SHEET

MINUTES OF THE HOUSE INSURANCE COMMITTEE at 3:30 p.m. on February 3, 2004 in Room 527-S of the Capitol.

giving reasons to change the wording from the statute from “shall” to “may”. The amendment is not intended to scare off any merger proposals, but rather make sure that all values of the statutory surplus are fair and equitable for all policy holders involved. Linda Shepard, Insurance Department, Assistant General Council, was also available for questioning.

Questions were posed by: Representatives Cindy Neighbor, Ray Cox, Nancy Kirk, and Nile Dillmore. Several representatives questioned the strength of the wording change and were concerned that changing the wording to “may” might in fact weaken the valuing of the company if the residing Insurance Commissioner chose to. They were assured that this would not be the case

Jerry Slaughter, Kansas Medical Society, Kansas Medical Mutual Insurance Company, (Attachment #3), appeared before the committee in favor of **HB 2546**. This bill is really about establishing the value of a company at conversion. They believe the current statute is weak. The true fair market value has the ability to be vastly understated under the current statute. This house bill would be very pro-policy holder as it seeks to give the commissioner the power to value the company at a fair price during the conversion process. This bill puts the Insurance Commissioner, a neutral party, in the best place possible to help determine a fair market value of a company that would be fairest to the policy holders.

Questions and comments were posed by: Representatives Stephanie Sharp, and Nancy Kirk.

Tom Bell, Kansas Hospital Association, (Attachment #4), in support of the bill, believes that **HB 2546** would be a helpful to clarify the statute and create a tool that would help make the valuing of a company more fair to the policy holder.

Opponent:

Chris Swickard, second Vice President and council for, Security Benefit Life Insurance Company, (Attachment #5), presented testimony in opposition to the bill. He stated that the consumer might possibly not be given even the value of the company because the word “may” gives the option for the commissioner to give a value even lower than the statutory surplus. **HB 2546** “ (1) introduces unnecessary uncertainty in the demutualization process, (2) weakens the Kansas conversion statute, (3) makes Kansas based mutual organizations less competitive,” and “ (4) could be harmful to Security Benefit and its policyholders.”

Questions were posed by : Representatives Nancy Kirk, Bob Grant, and Revisor Ken Wilke.

A question was posed to Natalie Hague by Representative Nancy Kirk that asked if there was a way to change the language to satisfy both proponents and opponents.

Fiscal note for **HB 2546** was presented.

Hearing closed.

Representative Barbieri-Lightner introduced her intern Bethany Kraus from Washburn University studying International Law.

Representative Nile Dillmore moved to accept the minutes presented for January 20, 22, 27, and 29, seconded by Representative Mike Burgess, passed unanimously.

Meeting adjourned.