

HOUSE BILL No. 2246

AN ACT concerning state agencies; relating to the oversight, administration and regulation of certain duties, responsibilities and activities of such state agencies; authorizing the insurance department to approve the conversion plan of a reciprocal to a mutual insurance company; allowing the insurance department flexibility in assessing certain penalties from excess lines; updating the version of risk-based capital instructions adopted by the insurance department; updating the definition of long-term care insurance utilized by the insurance department in the long-term care insurance act; revising the commissioner of insurance's authority concerning the appointment and removal of the securities commissioner; creating the cancer research and public information trust fund for the university of Kansas medical center; authorizing transfers to such fund; changing the rate of the hospital provider assessment subject to approval by the healthcare access improvement panel and imposed by the Kansas department of health and environment; concerning appropriations for the fiscal year ending June 30, 2021, for Wichita state university; granting Wichita state university bonding authority for certain capital improvement projects; amending K.S.A. 40-1622, 40-2227, 65-6208, as amended by section 1 of 2019 House Bill No. 2168, and 75-6301 and K.S.A. 2019 Supp. 40-246c, 40-2c01 and 40-1621 and repealing the existing sections.

Be it enacted by the Legislature of the State of Kansas:

New Section 1. (a) A reciprocal may convert to a Kansas mutual insurance company in accordance with the terms of a conversion plan filed with and approved by the commissioner.

(b) The commissioner may establish reasonable requirements and procedures for the submission and approval of a conversion plan required by subsection (a).

(c) No conversion plan shall be approved under this section unless such conversion plan includes:

(1) A provision for converting the existing subscriber interests in the reciprocal into policyholder interests in the resulting Kansas mutual insurance company so that each policyholder's interest in the mutual insurance company shall be fairly proportionate to such subscriber's interest in the reciprocal;

(2) a provision amending the existing subscriber's agreement to articles of incorporation that complies with the provisions of K.S.A. 40-1202, 40-1206 and 40-1215, and amendments thereto;

(3) a copy of the proposed articles of incorporation;

(4) proof of the approval or adoption of the conversion plan by not less than $\frac{2}{3}$ of the subscriber interests entitled to vote, represented either in person or by proxy, at a duly called regular or special meeting of subscribers of the reciprocal at which a quorum, as determined by the subscriber's agreement or other chartering documents of the reciprocal, is present, or, in the absence of any quorum requirement, 10% of outstanding subscribers;

(5) a transition plan for the change of governance of the reciprocal from an attorney-in-fact to a board of directors and officers that shall be governed by article 12 of chapter 40 of the Kansas Statutes Annotated, and amendments thereto; and

(6) any other information required by the commissioner.

(d) The commissioner shall approve the conversion plan if the commissioner finds that the proposed conversion will not:

(1) Be detrimental to the interests of subscribers of the reciprocal;

(2) be detrimental to the interests of the state of Kansas; and

(3) render the insurer incapable of fulfilling the insurer's contractual obligations.

(e) Upon approval of a conversion plan under this section, the commissioner shall issue a new or amended certificate of authority, which shall be deemed to be the final act of conversion at which time the reciprocal shall concurrently become a mutual insurance company. The mutual insurance company shall be deemed to be a continuation of the reciprocal and deemed to have been organized at the time the converted reciprocal was organized.

(f) Each mutual insurance company created pursuant to this section shall comply with all provisions of article 12, article 40 and such other articles of chapter 40 of the Kansas Statutes Annotated, and amendments thereto, that are otherwise applicable to mutual insurance companies.

(g) As used in this section:

(1) "Conversion plan" means a document detailing the process and requirements that a reciprocal shall undertake and satisfy to convert from a reciprocal company to a mutual insurance company.

(2) "Mutual insurance company" means a mutual insurance company that is organized under the provisions of K.S.A. 40-1201, and amendments thereto, except that the provisions of K.S.A. 40-1201(a), and amendments thereto, shall not apply.

(3) "Reciprocal" has the same meaning as set forth in K.S.A. 40-1623, and amendments thereto.

Sec. 2. K.S.A. 2019 Supp. 40-246c is hereby amended to read as follows: 40-246c. (a) On March 1 of each year, each licensed agent shall collect and pay to the commissioner a tax of 6% on the total gross premiums charged, less any return premiums, for surplus lines insurance transacted by the licensee pursuant to the license for insureds whose home state is this state.

(b) The tax on any portion of the premium unearned at termination of insurance, if any, having been credited by the state to the licensee shall be returned to the policyholder directly by the surplus lines licensee or through the producing broker. The surplus lines licensee is prohibited from rebating any part of the tax for any reason.

(c) The individual responsible for filing the statement shall be the agent who signs the policy or the agent of record with the company. The commissioner of insurance ~~shall collect~~ *may assess a penalty up to double the amount of tax herein provided prescribed in subsection (a) from any licensee or other responsible individual responsible for filing the statement as herein described in this subsection who shall fail, refuse or neglect fails, refuses or neglects to transmit the required affidavit or statement or shall fail fails to pay the tax imposed by this section; to the commissioner within the period specified.*

Sec. 3. K.S.A. 2019 Supp. 40-2c01 is hereby amended to read as follows: 40-2c01. As used in this act:

(a) "Adjusted RBC report" means an RBC report ~~which that~~ has been adjusted by the commissioner in accordance with K.S.A. 40-2c04, and amendments thereto.

(b) "Corrective order" means an order issued by the commissioner specifying corrective actions ~~which that~~ the commissioner has determined are required to address an RBC level event.

(c) "Domestic insurer" means any insurance company or risk retention group ~~which that~~ is licensed and organized in this state.

(d) "Foreign insurer" means any insurance company or risk retention group not domiciled in this state ~~which that~~ is licensed or registered to do business in this state pursuant to article 41 of chapter 40 of the Kansas Statutes Annotated, and amendments thereto, or K.S.A. 40-209, and amendments thereto.

(e) "NAIC" means the national association of insurance commissioners.

(f) "Life and health insurer" means any insurance company licensed under article 4 or 5 of chapter 40 of the Kansas Statutes Annotated, and amendments thereto, or a licensed property and casualty insurer writing only accident and health insurance.

(g) "Property and casualty insurer" means any insurance company licensed under articles 9, 10, 11, 12, 12a, 15 or 16 of chapter 40 of the Kansas Statutes Annotated, and amendments thereto, but shall not include monoline mortgage guaranty insurers, financial guaranty insurers and title insurers.

(h) "Negative trend" means, with respect to a life and health insurer, a negative trend over a period of time, as determined in accordance with the "trend test calculation" included in the RBC instructions defined in subsection (j).

(i) "RBC" means risk-based capital.

(j) "RBC instructions" means the risk-based capital instructions promulgated by the NAIC, ~~which that~~ are in effect on December 31, 2018 2019, or any later version promulgated by the NAIC as may be

adopted by the commissioner under K.S.A. 2019 Supp. 40-2c29, and amendments thereto.

(k) "RBC level" means an insurer's company action level RBC, regulatory action level RBC, authorized control level RBC, or mandatory control level RBC where:

(1) "Company action level RBC" means, with respect to any insurer, the product of 2.0 and its authorized control level RBC;

(2) "regulatory action level RBC" means the product of 1.5 and its authorized control level RBC;

(3) "authorized control level RBC" means the number determined under the risk-based capital formula in accordance with the RBC instructions; and

(4) "mandatory control level RBC" means the product of 0.70 and the authorized control level RBC.

(l) "RBC plan" means a comprehensive financial plan containing the elements specified in K.S.A. 40-2c06, and amendments thereto. If the commissioner rejects the RBC plan, and it is revised by the insurer, with or without the commissioner's recommendation, the plan shall be called the "revised RBC plan."

(m) "RBC report" means the report required by K.S.A. 40-2c02, and amendments thereto.

(n) "Total adjusted capital" means the sum of:

(1) An insurer's capital and surplus or surplus only if a mutual insurer; and

(2) such other items, if any, as the RBC instructions may provide.

(o) "Commissioner" means the commissioner of insurance.

Sec. 4. K.S.A. 2019 Supp. 40-1621 is hereby amended to read as follows: 40-1621. Within 15 days of the date of the commissioner's approval or denial of ~~the a~~ conversion plan submitted in accordance with K.S.A. 40-1620, and amendments thereto, *or section 1, and amendments thereto*, the insurance company *or reciprocal* shall have the right to request a hearing by filing a written request with the commissioner. The commissioner shall conduct the hearing in accordance with the provisions of the Kansas administrative procedure act within 30 days after such request is filed. Any action of the commissioner pursuant to this section is subject to review in accordance with the provisions of the Kansas judicial review act.

Sec. 5. K.S.A. 40-1622 is hereby amended to read as follows: 40-1622. The provisions of K.S.A. 40-1620 ~~and 40-1621, and 40-1623, 40-1624, 40-1625, 40-1626, 40-1627, 40-1628, 40-1629 and through 40-1630, and amendments thereto, and section 1, and amendments thereto~~, shall be *a part of and* supplemental to article 16 of chapter 40 of the Kansas Statutes Annotated, and amendments thereto.

Sec. 6. K.S.A. 40-2227 is hereby amended to read as follows: 40-2227. As used in this act, unless the context requires otherwise:

(a) "Long-term care insurance" means any insurance policy primarily advertised, marketed, offered or designed to provide coverage ~~for not less than 12 consecutive months~~ for each covered person on an expense incurred, indemnity, prepaid, or other basis, for one or more necessary or diagnostic, preventive, therapeutic, rehabilitative, maintenance, custodial, residential or personal care services, provided in a setting other than an acute care unit of a hospital. ~~Such term~~ "Long-term care insurance" includes group and individual policies or riders whether issued by insurers, fraternal benefit societies, nonprofit medical and hospital service corporations, prepaid health plans, health maintenance organizations, or any similar organization. "Long-term care insurance" shall not include any insurance policy ~~which that~~ is offered primarily to provide basic medicare supplement coverage, basic hospital expense coverage, basic medical-surgical expense coverage, hospital confinement indemnity coverage, major medical expense coverage, disability income protection coverage, accident-only coverage, specified disease or specified accident coverage, or limited benefit health coverage, but the inclusion or attachment of long-term care insurance coverage to one of the foregoing products shall not

exempt it from the requirements of this act.

(b) "Applicant" means:

(1) In the case of an individual long-term care insurance policy, the person who seeks to contract for such benefits; and

(2) in the case of a group long-term care insurance policy, the proposed certificateholder.

(c) "Certificate" means any certificate issued under a group long-term care insurance policy, ~~which policy~~ *that* has been delivered or issued for delivery in this state.

(d) "Commissioner" means ~~the insurance commissioner of this state~~ *commissioner of insurance*.

(e) "Group long-term care insurance" means a long-term care insurance policy delivered or issued for delivery in this state and issued to a group as defined in K.S.A. 40-2209, and amendments thereto. No group long-term care insurance coverage may be offered to a resident of this state under a group policy issued in another state to a group defined in K.S.A. 40-2209, and amendments thereto, unless this state, or another state having statutory and regulatory long-term care insurance requirements substantially similar to those adopted in this state, has made a determination that such requirements have been met.

(f) "Policy" means, except as otherwise provided in subsection (e) ~~of this section~~, any individual or group policy, contract, subscriber agreement, rider or endorsement delivered or issued for delivery in this state by an insurer, fraternal benefit society, nonprofit medical and hospital service corporation, prepaid health plan, health maintenance organization or any similar organization.

Sec. 7. K.S.A. 75-6301 is hereby amended to read as follows: 75-6301. (a) There is hereby established under the jurisdiction of the commissioner of insurance a division to be known as the office of the securities commissioner of Kansas. The office shall be administered by the securities commissioner of Kansas who shall be in the unclassified service under the Kansas civil service act. The securities commissioner shall be appointed by the commissioner of insurance, *and be* subject to confirmation by the senate as provided in K.S.A. 75-4315b, and amendments thereto. *The securities commissioner* shall have special training and qualifications for such position ~~and~~, shall receive such compensation as may be fixed by the commissioner of insurance. ~~The commissioner of insurance may remove the securities commissioner for official misconduct and shall serve at the pleasure of the commissioner of insurance.~~ Except as provided by ~~subsection (b) and~~ K.S.A. 46-2601, and amendments thereto, no person appointed as securities commissioner shall exercise any power, duty or function as securities commissioner until confirmed by the senate.

~~(b) (1) The insurance commissioner shall appoint a person as securities commissioner no later than September 1, 2017, subject to confirmation by the senate as provided in K.S.A. 75-4315b, and amendments thereto, to serve an initial term ending on January 14, 2019. Upon the expiration of the initial term under this section, and upon the expiration of each term thereafter, the commissioner of insurance shall appoint a person as securities commissioner, subject to confirmation by the senate as provided in K.S.A. 75-4315b, and amendments thereto, to serve a four-year term running concurrently with the term of such commissioner of insurance as provided by K.S.A. 40-106, and amendments thereto. Upon occurrence of a vacancy in the office of securities commissioner, the commissioner of insurance shall appoint a successor. If the vacancy occurs before the expiration of a term of office, the appointment shall be for the unexpired term and shall be subject to confirmation by the senate as provided in K.S.A. 75-4315b, and amendments thereto.~~

~~(2) The securities commissioner shall devote full time to the performance of the duties of the office of the securities commissioner.~~

~~(c) The securities commissioner may appoint directors and other employees within the office of the securities commissioner as determined necessary by the securities commissioner to effectively~~

carry out the mission of the office. All directors appointed after the effective date of this act shall be in the unclassified service under the Kansas civil service act, shall have special training and qualifications for such positions, shall serve at the pleasure of the securities commissioner and shall receive compensation fixed by the securities commissioner and approved by the commissioner of insurance.

(d) Nothing in subsection (c) shall affect the classified status of any person employed in the office of the securities commissioner on the day immediately preceding the effective date of this act. The provisions of this subsection shall not be construed to limit the powers of the securities commissioner pursuant to K.S.A. 75-2948, and amendments thereto.

(e) The office of the securities commissioner of Kansas shall cooperate with the insurance department to consolidate administrative functions and cross-appoint such employees as deemed necessary to provide efficiency. The commissioner of insurance and the securities commissioner are hereby authorized to enter into agreements and adopt rules and regulations as necessary to administer the provisions of this subsection.

New Sec. 8. (a) There is hereby established in the state treasury the cancer research and public information trust fund, to be administered by the university of Kansas medical center. All moneys credited to the fund shall be used to enhance research at the university of Kansas cancer center in the areas of laboratory, clinical and population-based research; and to recruit and retain cancer researchers and clinicians to conduct cancer research, education and outreach programs for Kansans. All expenditures from the cancer research and public information trust fund shall be approved by the director of the university of Kansas cancer center or the director's designee.

(b) On July 1, 2021, and on July 1 of each year thereafter, the director of accounts and reports shall transfer \$10,000,000 from the state general fund to the cancer research and public information trust fund.

(c) On January 1, 2022, and on January 1 of each year thereafter, the director of the university of Kansas cancer center shall submit a report to the legislature detailing the manner that such appropriated moneys are used to enhance cancer research, cancer education and outreach programs.

Sec. 9. K.S.A. 65-6208, as amended by section 1 of 2019 House Bill No. 2168, is hereby amended to read as follows: 65-6208. (a) Subject to the provisions of K.S.A. 65-6209, and amendments thereto, an annual assessment on services is imposed on each hospital provider in an amount ~~equal to~~ *not less than 1.83% of each hospital's net inpatient operating revenue and not greater than 3% of each hospital's net inpatient and outpatient operating revenue, as determined by the healthcare access improvement panel in consultation with the department of health and environment*, for the hospital's fiscal year three years prior to the assessment year. In the event that a hospital does not have a complete 12-month fiscal year in such third prior fiscal year, the assessment under this section shall be \$200,000 until such date that such hospital has completed the hospital's first 12-month fiscal year. Upon completing such ~~first twelve-month~~ *12-month* fiscal year, such hospital's assessment under this section shall be the amount ~~equal to~~ *not less than 1.83% of each hospital's net inpatient operating revenue and not greater than 3% of such hospital's net inpatient and outpatient operating revenue, as determined by the healthcare access improvement panel in consultation with the department of health and environment*, for such first completed 12-month fiscal year.

(b) Nothing in this act shall be construed to authorize any home rule unit or other unit of local government to license for revenue or impose a tax or assessment upon hospital providers or a tax or assessment measured by the income or earnings of a hospital provider.

(c) (1) The department of health and environment shall submit to the United States centers for medicare and medicaid services any

approval request necessary to implement the amendments made to subsection (a) by *section 1 of 2019 House Bill No. 2168 and this act*. If the department has submitted such a request pursuant to section 80(l) of chapter 68 of the 2019 Session Laws of Kansas *or section 1 of 2019 House Bill No. 2168*, then the department may continue such request, or modify such request to conform to the amendments made to subsection (a) by *section 1 of 2019 House Bill No. 2168 and this act*, to fulfill the requirements of this paragraph.

(2) The secretary of health and environment shall certify to the secretary of state the receipt of such approval and cause notice of such approval to be published in the Kansas register.

(3) The amendments made to subsection (a) by *section 1 of 2019 House Bill No. 2168 and this act* shall take effect on and after January 1 or July 1 immediately following such publication of such approval.

Sec. 10.

WICHITA STATE UNIVERSITY

(a) In addition to the other purposes for which expenditures may be made by Wichita state university from the moneys appropriated from the state general fund or from any special revenue fund or funds for fiscal year 2021 as authorized by 2019 Senate Bill No. 66 or other appropriation act of the 2020 regular session of the legislature, expenditures may be made by Wichita state university from the moneys appropriated from the state general fund or from any special revenue fund or funds for fiscal year 2021 to provide for the issuance of bonds by the Kansas development finance authority in accordance with K.S.A. 74-8905, and amendments thereto, for a capital improvement project for the construction and equipment of a new school of business building on the innovation campus of Wichita state university: *Provided*, That such capital improvement project is hereby approved for Wichita state university for the purposes of K.S.A. 74-8905(b), and amendments thereto, and the authorization of the issuance of bonds by the Kansas development finance authority in accordance with that statute: *Provided further*, That Wichita state university may make expenditures from the moneys received from the issuance of any such bonds for such capital improvement project: *Provided, however*, That expenditures from the moneys received from the issuance of any such bonds for such capital improvement project shall not exceed \$25,000,000, plus all amounts required for costs of bond issuance, costs of interest on the bonds issued for such capital improvement project during the construction of such project, credit enhancement costs and any required reserves for payment of principal and interest on the bonds: *And provided further*, That all moneys received from the issuance of any such bonds shall be deposited and accounted for as prescribed by applicable bond covenants: *And provided further*, That debt service for any such bonds for such capital improvement project shall be financed by appropriations from any appropriate special revenue fund or funds: *And provided further*, That any such bonds and interest thereon shall be an obligation only of the Kansas development finance authority, shall not constitute a debt of the state of Kansas within the meaning of section 6 or 7 of article 11 of the constitution of the state of Kansas and shall not pledge the full faith and credit or the taxing power of the state of Kansas: *And provided further*, That Wichita state university shall make provisions for the maintenance of the school of business building on the innovation campus.

Sec. 11. K.S.A. 40-1622, 40-2227, 65-6208, as amended by section 1 of 2019 House Bill No. 2168, and 75-6301 and K.S.A. 2019 Supp. 40-246c, 40-2c01 and 40-1621 are hereby repealed.

Sec. 12. This act shall take effect and be in force from and after its publication in the Kansas register.

I hereby certify that the above BILL originated in the HOUSE, and was adopted by that body

HOUSE adopted
Conference Committee Report _____

Speaker of the House.

Chief Clerk of the House.

Passed the SENATE
as amended _____

SENATE adopted
Conference Committee Report _____

President of the Senate.

Secretary of the Senate.

APPROVED _____

Governor.