



Insurance Quarterly

The Kansas Insurance Department ■ Sandy Praeger, Commissioner
Spring 2010

SBC-Guggenheim proposal OK'd

Kansas Insurance Commissioner Sandy Praeger approved the proposed transactions necessary for Security Benefit Corporation to be purchased by a group of investors led by Guggenheim Partners LLC.

Commissioner Praeger's legal order authorized the demutualization and dissolution of Security Benefit Mutual Holding Company, SBC's parent company, and the acquisition of SBC, which owns Security Benefit Life Insurance Company, by Guggenheim Partners.

The commissioner's order was contingent upon the holding company's vote of approval by its members. At its May 26 Special Members' Meeting, Security Benefit Mutual Holding Company (SBMHC) members approved and adopted the demutualization and dissolution plan, with approximately 90 percent of members who cast ballots voting in favor of the plan, according to a Guggenheim-SBC news release.

The Commissioner's order followed a public forum on April 28 and an evidentiary hearing May 5, both conducted in Topeka by the Kansas Insurance Department (KID).

Guggenheim Partners is investing \$400 million in the transaction, which was announced Feb. 16. Approximately \$350 million of the investment is expected to be a capital infusion into Security Benefit Life.

Under the approved plan, SBMHC will be dissolved, and the members' membership interest in SBMHC will be extinguished in exchange for consideration of



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Kansas Insurance Commissioner Sandy Praeger conducted both the public and evidentiary hearings concerning the proposed transaction between Security Benefit Corporation and Guggenheim Partners LLC. Both meetings were in Topeka.

\$20 million to be distributed to the members in the form of cash or an increase in cash value, account value, dividend accumulations or benefit payments of the members' Security Benefit Life policy.

It is estimated that each member may receive consideration equal to approximately \$100. Members will receive such consideration within 60 days of the close of the transaction, which is expected to occur late in the second quarter or early in the third quarter of 2010, the release said.

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Newsbriefs

P&C Director Cook retires

Dick Cook, director of the Property and Casualty Division, retired March 5 after more than 20 years with the department. He was hired in 1989 as a policy examiner. He became a division examiner supervisor in 1995 and was promoted to P&C director in 2006.

Prior to his employment at the department, Cook had worked for Allstate Insurance Co. for 18 years.

Health scams reported

While legislators, consumers and state regulators work to grasp the implications of the new federal health reform law, con artists have tried to scam Kansas consumers with fake health care.

Reports this spring said fake agents were showing up at Kansas homes, especially those of older Kansans, representing themselves as agents of the federal government selling "ObamaCare" insurance policies.

"The federal government employees, as well as the rest of us, are sorting out the details of the new law," Commissioner Praeger said in a news release, "and unsolicited contact such as this is a scheme to defraud you of your money."

"We always say, 'Stop. Call. Confirm,'" Commissioner Praeger said. "If it doesn't seem right, **Stop** the transaction, **Call** the Kansas Insurance Department and **Confirm** that any agent or insurance program is licensed to do business in Kansas."

2010 Kansas insurance legislation summary

Bills signed by Gov. Mark Parkinson (* indicates KID-sponsored legislation)

HB 2492

Auto Liability Coverage * — Adding "Make and Model" of vehicle to the statute outlining the requirements for proof of insurance in Chapter 40.

SB 389

Dental Benefits — SB 389, as amended, would prohibit health insurers from setting fees for services provided by dentists that are not covered by a contract, issued or renewed after the effective date of this Act, between the insurer and the dentist (a participating provider in the insurer's health benefit plan).

HB 2501

Mortgage Guaranty Insurance Waiver — HB 2501 would amend a statute governing requirements for the liability of mortgage guaranty insurance companies to permit the Insurance Commissioner to waive a minimum policy surplus requirement for up to two years.

Creditable Coverage * — The bill would amend the Kansas Uninsurable Health Insurance Plan Act (the Act governing administration of the State High Risk Pool) to add coverage of an individual under the State Children's Health Insurance Program (SCHIP), authorized by Title XXI of the Social Security Act, to the list of recognized creditable health insurance coverages.

Risk-Based Capital Instructions * — The bill would amend the effective date specified in current law for the risk-based capital (RBC) instructions promulgated by the National Association of Insurance Commissioners (NAIC). The instructions currently specified are effective on December 31, 2008. The bill would update the effective date of the RBC instructions to December 31, 2009.

Genetic Testing* — The bill also would establish additional restrictions (to those established in current law) on insurance companies that require larger premiums for coverage based on obtaining a genetic test or the results of a genetic test, or that adjust premiums based on obtaining a genetic test or the results of a genetic test.

Insurance Scoring Reforms (Credit Scoring) — The bill would amend the Kansas Insurance Score Act and enact new law supplemental to the Act. Specifically, the bill would enact new law to create an exception to the Kansas Insurance Score Act for extraordinary life circumstances. An insurance company that uses credit information would be required, upon written request from an applicant for insurance coverage or its insured, to provide "reasonable exceptions" to the insurer's rates, rating classifications, company or tier placement, or underwriting rules or guidelines for a consumer who has experienced and whose credit information has been

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Kansas Insurance Department

Commissioner Praeger has been busy this spring explaining the regulatory aspects of the new federal health reform legislation passed March 23. She talked about the KID functions within the law at the Emporia Rotary Club May 25. See Page 4 for more.

Legislative summary...

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directly influenced by an extraordinary life circumstance.

The bill would amend the definition for the term “adverse action” to eliminate a notification of adverse action be provided to the consumer when the consumer is not receiving the best rate. (An “adverse action” would continue to include a denial or cancellation of coverage and a reduction or other adverse or unfavorable change in the terms of coverage of any insurance.) The bill also would delete a requirement that the credit report used for an insurance score be no older than three years.

HB 2500

Reinsurance and Municipal Insurance Pools — HB 2500, as amended, would amend a provision in the Kansas Municipal Group-Funded Pool Act to allow municipal insurance pool applicants to submit a confirmation that reinsurance approved by the Insurance Commissioner is in effect or will be effective at the time the pool assumes risk.

Sub for HB 2345

Hybrid Annuities*— The bill would allow the incorporation of long-term care insurance into annuities in the same way that long-term care may currently be

included in life insurance policies. It also allows the Insurance Commissioner to adopt rules and regulations for this section.

Dual Endorsement — This bill also would enact new law to require that, for insurance policies issued or renewed on or after July 1, 2010, a property insurer shall transmit claims payments directly to the primary policy holder without requiring dual endorsement from any mortgage holder or lien holder for the full amounts payable for personal property and contents, additional living expenses, and other covered items that are not subject to a recorded security interest. Additionally, the bill would amend the Kansas Consumer Protection Act to establish a deceptive act or practice under the Act.

Senate Sub for HB 2160

Autism Mandate Test Track — The bill would enact new law and amend existing law to require the Kansas State Employees Health Care Commission (administers the State health care benefits program for state employees and other qualified entities) to provide for the coverage of services for the diagnosis and treatment of autism spectrum disorder (ASD) in any covered individual whose age is less than 19 years.

The bill also would require the Health Care Commission, pursuant to the requirements of the Insurance Code regarding mandated health insurance benefits, to submit on or before March 1, 2012, a report to the Senate President and the Speaker of the House.

The Legislature is permitted to consider (in the next session following the receipt of the report) whether or not to require the coverage for autism spectrum disorder to be included in any individual or group health insurance policy, medical service plan, HMO, or other contract which provides for accident and health services and which is delivered, issued for delivery, amended, or renewed on or after July 1, 2013.

Oral Cancer Drug “Parity — The bill requires that the State Employee Health Plan cover orally administered anti-cancer medication on a basis no less favorable than intravenous anti-cancer medication. A report and recommendation on the findings must be delivered to the Kansas Legislature by March 1, 2011. This policy for orally administered anti-cancer medication will then be applicable to private insurance policies on July 1, 2011, with or without legislative action.

Legal issues

Regulatory actions, public hearings, legal orders and bulletins are published on the KID Web site. View legal issues through this link:

www.ksinsurance.org/about/legalmain.htm

Medicare Supplement changes now in effect

Kansans who have Medicare Supplement plans are now seeing additional plans offered and some current plans sales eliminated as of June 1.

Two new Medicare Supplement plans (also called Medigap plans) are now available, and the sale of four plans has ceased.

“The changes will provide lower out-of-pocket expenses to consumers and give some additional benefits in the ongoing plans,” Commissioner Praeger said.

The Kansas Insurance Department (KID) does not regulate Medicare, a federal program, but it does have the power to regulate supplemental plans.

“Medigap plans available in

Insurance reform information online

In order for Kansas consumers and agents to stay abreast of provisions in the federal Patient Protection and Affordable Care Act, the Kansas Insurance Department has posted a health reform section on the department’s website to provide timely information as it is compiled. You can access the section through this link: www.ksinsurance.org/consumers/healthreform/hcr.htm. The section has documents prepared by KID personnel, the National Association of Insurance Commissioners and the U.S. Dept. of Health and Human Services.

Kansas must abide by all federal and state laws that are designed to protect consumers,” Commissioner Praeger said.

Information about the supplement plans is available on the KID website home page at www.ksinsurance.org, under the Quick Link “Medicare/Seniors.” Additionally, the KID booklet “Medicare Supplement Insurance Shopper’s Guide” is scheduled for

publication during June. Booklets can be ordered or downloaded from the website.

The guide complements “Choosing a Medigap Policy: A Guide to Health Insurance for People with Medicare,” which was created by the federal Centers for Medicare and Medicaid and the National Association of Insurance Commissioners.

Commissioner receives AMA award again

Commissioner Sandy Praeger is a 2010 recipient of the American Medical Association’s (AMA) Dr. Nathan Davis award for an elected statewide official. This is the second time she has won the AMA service award. She received it at a dinner March 2 in Washington, D.C. The award, named for the founding father of the AMA, recognizes elected and career officials in federal, state or municipal service whose outstanding contributions have promoted the art and science of medicine and the betterment of public health.

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