To the Governor

January 2019

Dear Governor Kelly,

I am pleased to present to you the 2018 Annual Report of the Kansas Insurance Department. This report is established by the provisions of K.S.A. 40-108 and summarizes the activities of the department through the period ending Dec. 31, 2018.

Sincerely yours,

Vicki Schmidt
Commissioner of Insurance

Accreditation

The Kansas Insurance Department is accredited by the National Association of Insurance Commissioners (NAIC). To achieve this accreditation, the department must meet stringent national standards that demonstrate it effectively monitors insurance company solvency.

The Kansas Insurance Department views accreditation by the NAIC as a commitment to Kansas consumers to institute and maintain the highest standards in financial regulation. The accreditation review is repeated every five years to confirm that the Kansas Insurance Department continues to meet all requirements. The department was reaccredited in November 2016.
About the Department

Administration & Human Resources
The Administration Division is comprised of the commissioner’s office, assistant commissioner, actuarial services office, and reception desk staff. Through the commissioner, the Administration Division sets forth direction for all regulatory and administrative policies and practices of the department.

The assistant commissioner manages the regulatory responsibilities of the department and serves as the department’s administrative hearing officer. The assistant to the commissioner oversees administrative, scheduling and logistical details for the commissioner. The actuarial services office provides statistical and actuarial regulatory assistance to the commissioner and the other divisions as needed.

The Human Resources office provides human resources programs, systems, services and consultation on such topics as organizational planning, recruitment, employment, training, employee relations, benefits, compensation, safety and employee wellness. Human Resources is charged with establishing, administering and effectively communicating policies and procedures that treat employees with respect while meeting management directives and complying with employment and labor laws.

Anti-Fraud
The Insurance Department’s Anti-Fraud division is responsible for achieving that goal by educating Kansas consumers to prevent them from becoming victims of insurance fraud, investigating suspected violators of the insurance fraud statute, and by participating with industry and law enforcement task forces and working groups to deter and detect insurance fraud.

Comptroller/Building Services
The Comptroller’s office handles accounts payable and receivables at KID. This division receives and deposits to appropriate accounts more than $207 million each year. Most of these receipts go to the state’s general fund. The office handles billing for company examinations, oversees annual assessments required by law, oversees premium tax review and calculations, and performs other functions.

Building services coordinates the procurement of department supplies; routes internal and external mail; and oversees maintenance and repairs to the KID building.

Consumer Assistance
The primary mission of the Consumer Assistance Division is to better inform and assist Kansas insurance consumers. Consumer Assistance also oversees the independent medical review program and monitors insurance company compliance with laws and regulations designed for the protection of policyholders. Consumer Assistance representatives do not endorse any service, company or person offering any insurance product or service, but they can provide answers to consumer questions.

Financial Surveillance
This division monitors the financial condition of all insurance companies operating in the state of Kansas; conducts financial analysis and examinations of insurance companies domiciled in Kansas; reviews all applications that involve the acquisition of domestic insurance companies by another party as provided by the Holding Company Act; coordinates activities pertaining to the Kansas Insurance Guaranty Association Act and the Kansas Life and Health Insurance Guaranty Act; approves the admission of all
insurance organizations, automobile clubs, and premium finance companies; and oversees securities deposited by insurance companies.

**Government & Public Affairs**
Government & Public Affairs (GPA) works to represent the interests of the insurance department before the general public, other government agencies and state and federal legislative committees. The division coordinates the development of the legislative and regulatory initiatives of the department for presentation to the Kansas Legislature. In addition, the division handles inquiries from the news media and assists the commissioner in communicating department policy to the insurance industry, agents and the public. GPA helps with the Kansas Insurance Certificate program. GPA also publishes consumer booklets, shopper’s guides, brochures, newsletters and news releases, as well as organizing other public relations efforts. Many of these publications also appear on the department’s website.

**Health & Life**
The Health & Life Division is responsible for the general supervision and regulation of all matters relating to health and life insurance in Kansas. This involves the process of reviewing policy and certificate forms and rates being offered in the state of Kansas. The division assists the commissioner in the formation, review and implementation of pertinent health and life insurance legislation. Health & Life develops departmental bulletins as needed and responds to questions from insurance companies.

**Information Technology**
The IT department is charged with planning, design, acquisition, installation, operation and maintenance of all electronic information systems owned or used by the department. This includes all information systems hardware, software, infrastructure, data communication facilities and related services. The division develops and maintains the department’s public website and its insurance industry extranet.

**Legal**
The Legal Division provides advice and counsel to the commissioner and the operating divisions of the department. The division handles department litigation, including the enforcement of penalties for violations of all Kansas insurance laws and regulations. They also provide legal representation and administration of the Workers Compensation Fund (previously known as the Second Injury Fund). The Firefighters Relief program organizes all of the firefighter relief programs throughout the state and distributes the annual Firefighters Relief Fund Tax.

**Producer Licensing**
The Licensing division is responsible for the qualification and supervision of agents and agencies in Kansas. It regulates the issuance of licenses through application procedures, examination and background investigation of applicants, and requires continuing education to maintain a license. To ensure compliance with insurance laws, the division monitors the activity of licensees. Additional duties of the Licensing division are the certification of agents and agencies by insurers and the maintenance of licensing records.

**Market Regulation**
The Market Regulation division is responsible for monitoring the insurance marketplace as a whole, and the individual insurance companies that make up the market, for compliance with state regulations, and taking appropriate action if problems are identified. There are three basic mechanisms for information gathering in the evaluation of company performance: examination and investigation of specific companies, surveys designed to gather market conduct data, and the analysis of existing information.
Property & Casualty
The Property & Casualty Division is responsible for the general supervision and regulation of matters relating to the writing of property and casualty insurance companies doing business in Kansas to ensure they are in compliance with the statutes and regulations. This division is also responsible for auditing insurance company annual statement tax and fee forms; reviewing proposed legislation; replying to consumer inquiries and complaints; administering several plans, pools or acts; and issuing licenses to new insurance companies.

Office of the Kansas Securities Commissioner
The mission of the Office of the Kansas Securities Commissioner (KSC) is to protect and inform Kansas investors; to promote integrity, fairness, and full disclosure in financial services; and to foster capital formation.

The office, structured as a division of the insurance department, registers investment professionals, broker dealers, investment advisers and their offices. Staff members examine registration statements and qualifies mutual funds and unit trusts for sale.

The insurance department and the securities office work in tandem with anti-fraud actions, enforcement and compliance cases.

Number of complaints by county (2018)
The following map shows how many complaints KID processed in 2018 for Kansas consumers regarding annuities, auto, health, life, property, or business insurance policies.
Financial Information - FY 2018
July 1, 2017 - June 30, 2018

TO THE STATE GENERAL FUND:

Taxes $171,099,933
License Business (Securities) $100,000
Fines & penalties $289,700
Total $171,489,633

TO SPECIAL FUNDS:

Insurance Company Examination Fund $441,124
Securities Act Fee Fund $16,224,733
Investor Education $123,967
Insurance Department Service Regulation Fund $17,956,372
Pharmacy Benefit Manager Registration Fund $6,161
Professional Employer Organization Registration Fund $108,600
Workers Compensation Fund $2,956,987
Municipal Group-Funded Pools $128
Group-Funded Workers Compensation Pools $2,909
Firefighters Relief Fund Tax $13,613,871
Total $51,434,851

INSURANCE DEPARTMENT NET DEPOSITS FISCAL YEAR 2018: $222,924,484

TAXES REMITTED TO OTHER STATE AGENCIES $8,413,697
*Collected for other state agencies (Fire Marshal, EMS and KU) in accordance with K.S.A. 75-1514.
Amount not included in net deposit totals.

Open Records requests by type (2018)

- Health & Life Division 5
- Property and Casualty 25
- Consumer Assistance Division 7
- Legal Division 9
- Financial Services Division 22
- Producers Division 6
- Custodian Services 1

*Percentages rounded to nearest whole number

Top 5 KID web pages visited (2018)

1. Agent/Agency/Company search page
2. Agent Licensing information
3. Producer Resources
5. Consumer Complaints

Visit our website:
www.ksinsurance.org
Anti-Fraud cases investigated (2018)

- Auto/Home: 546 (18%)
- Life/Health: 122 (6%)
- Agent or internal fraud: 51 (14%)
- Other fraud: 161 (62%)

*Percentages rounded to nearest whole number

Services provided during 2018

Licenses issued:

**Agents**
- New Resident Agents: 2,339
- Total Resident Agents: 23,229
- New Nonresident Agents: 25,206
- Total Nonresident Agents: 115,991

**Total Agents on File**: 139,220

**Agencies**:
- New Resident Agencies: 161
- Total Resident Agencies: 4,528
- New Nonresident Agencies: 1,096
- Total Nonresident Agencies: 8,361

**Total Agencies on File**: 12,889

**Excess Lines**:
- Excess lines agents: 1,823

Life Insurance Policy Locator

The Life Insurance Policy Locator assists consumers in locating life insurance policies and annuity contracts of a deceased family member or close relationship.

In 2018, 587 requests were made and 147 policies were matched with Kansas consumers, for a recovery total of $2,238,018

For help locating an individual life insurance policy or annuity contract, visit: www.ksinsurance.org/healthlife/life/life-policy-search.php

Legal Bulletins

**Bulletin 2018-1 RE: House Substitute for Senate Bill 109, Legislative Sweep of $8 million dollars**

The purpose of this bulletin is to provide notice, pursuant to K.S.A. 75-3036 (b), to all persons and entities that have paid money to the Kansas Insurance Department Service Regulation Fund in the past 24 months, of the pending sweep of $8 million dollars from the Fund to the State General Fund.

**Bulletin 2018-2 RE: Coverage for mammography**

The purpose of this bulletin is to direct insurers to the requirements set forth in K.S.A. 40-2230...For purposes of compliance with K.S.A. 40-2230, “mammograms” includes services up to and including tomosynthesis, or “3D mammography.” As such, the same deductibles, copays, coinsurance and other limitations must be applied consistently when any type of mammography is performed.
Workers Compensation Fund: The Legal Division of the Kansas Insurance Department administers the Workers Compensation Fund pursuant to the Kansas Workers Compensation Act, K.S.A. 44-501, et seq. The Fund has retained liability for all Second Injury Fund Cases, has current liability for all current workers compensation cases where the employer is uninsured and unable to pay, and all prospective cases where an employer or its insurance carrier has overpaid benefits. Attorneys with the Legal Division approve the fund’s claim-related expenditures and fund attorney payments. Attorneys throughout Kansas are appointed by the department to protect the integrity and interests of the fund. A detailed accounting of the fund is filed annually with the Legislative Coordinating Council, Senate Committee on Commerce and the House Committee on Commerce and Labor. This annual report is available on the insurance department’s website, www.ksinsurance.org.

Firefighters Relief Fund Tax: The Kansas Insurance Department has the honor of administering the Firefighters Relief Act fund for the state of Kansas. It is our obligation to ensure that the two percent premium tax on all fire and lightning insurance written in the state of Kansas is collected and distributed in a fair and equitable manner. We take this obligation very seriously and strive to make the Firefighter Relief Act program accurate, efficient and transparent for all fire service personnel across the state. The tax is collected, placed in the Firefighter Relief Fund and distributed to approximately 567 firefighter relief associations in Kansas. The 2018 tax distribution of the fund totaled $13,528,771.

All moneys received by a firefighters relief association under the provisions of the firefighters relief act shall be held in trust and used as a fund:

1. For the relief of any member of the fire department of such city, township, county or fire district when injured or physically disabled in or by reason of the discharge of such member’s duties as a firefighter;
2. For the payment of a death benefit when any member of such fire department is killed in the discharge of such member’s duties as a firefighter, or who dies from the effect of injuries so received or from disease contracted by reason of such member’s duties as a firefighter.

Kansas FAIR Plan: The purpose of the Kansas FAIR Plan (Fair Access to Insurance Requirements) is to provide fire, extended coverage, vandalism and malicious mischief, theft and personal liability insurance for qualified applicants unable to obtain this kind of insurance through the private market. A nine-member governing committee oversees the plan. In 2018, there were 14,331 policies in force with a total premium written of $8,383,617. The total amount of insurance in force for 2018 was $971,149,676. There were 648 claims reported in 2018, and $3,858,694 was paid in losses.
Kansas Automobile Insurance Plan: The Kansas Automobile Insurance Plan (KAIP) provides coverage for drivers who are unable to purchase automobile insurance in the private market. In 2017, the most recent year for which figures are available, the KAIP collected premiums totaling $1,253,813 and paid out $847,404 in losses.

Kansas Underground Storage Tank Liability Plan: The purpose of the Kansas Underground Storage Tank Liability Plan is to provide owners/operators of petroleum underground storage tanks a method to achieve compliance with the financial responsibility requirements adopted by the federal Environmental Protection Agency. The plan operates under the authority of K.S.A. 65-34,126. For the fiscal year ending June 30, 2018, the plan issued 1,005 policies covering an average of 4,808 tanks and wrote $836,440 in premiums. No new claims were reported. There were no claims remaining open at 6/30/18. Subsequent to the fiscal year end, one claim was submitted and remains open, with a low-level “monitoring” reserve of just $250. This claim is not anticipated to result in meaningful expense or payment.

Kansas Health Care Provider Insurance Availability Plan: The Kansas Health Care Provider Insurance Availability Plan provides medical malpractice coverage to qualified health care providers who are unable to procure coverage in the private market. The plan is governed by a nine-member board appointed by the Commissioner of Insurance. Currently the servicing carrier is the Kansas Medical Mutual Insurance Company. For the fiscal year ending June 30, 2018, the plan wrote $1,582,243.65 in premiums and incurred $1,840,328.68 in losses and loss adjustment expenses.

Group-funded pools: Employers, including municipalities, may enter into agreements to self-insure certain insurance exposures as a group under the authority of two separate Kansas statutes.

- **Group-Funded Workers Compensation Pools:** Authorized under K.S.A. 44-581, this law permits five or more employers in the same or similar business that belong to the same bona fide trade or professional association, which has been in existence for at least five years, to enter into agreement to pool their liability for Kansas workers compensation benefits and employers’ liability. These pools are required to have a combined members’ net worth of at least $1,000,000; a combined annual workers compensation premium of $250,000; and specific aggregate excess workers compensation insurance. Fifteen of these pools were licensed in 2018.

  Five or more employers engaged in dissimilar types of business, under K.S.A. 44-581(b), may form a pool. These pools are required to have a combined members’ net worth of at least $1,250,000; a combined annual workers compensation premium of $500,000; and specific and aggregate excess workers compensation. Sixteen of these pools were licensed in 2018. Zero certificates of authority were issued in 2018, and one certificate was amended.

- **The Kansas Municipal Group-Funded Pool Act:** This act was established under K.S.A. 12-2615 and allows five or more municipalities to enter into agreement to pool their liabilities for all fire and casualty lines, including workers compensation and employers’ liability. Property, casualty
and workers compensation pools must meet certain requirements, but municipal pools must have $250,000 in premium per line of insurance and may substitute adequate surplus funds in place of excess insurance. Municipalities may also pool their liabilities for accident, sickness and life insurance lines. Accident and sickness pools must have at least $1,000,000 in gross annual premium and may substitute adequate reserves with excess loss insurance. The oversight of municipal group-funded pools is divided between the Property & Casualty and Health & Life divisions. No currently funded municipal pools were involved in the transaction of life insurance. One currently funded municipal pool was involved in the transaction of health insurance. Two currently funded municipal pools were involved in the transaction of property & casualty insurance.

**Workers Compensation Assigned Risk Plan:** The Kansas Workers Compensation Insurance Plan operates under the authority of K.S.A. 40-2109. The plan provides workers compensation and employers’ liability insurance for qualified applicants unable to procure coverage in the regular market. Information from the National Council on Compensation Insurance, which administers the Workers Compensation Assigned Risk Plan, shows the following statistics:

**Fiscal year 2018**
- Number of risks - 8,200 (for the period 1/1/2018 – 12/31/2018)
- New plan applications - 2,152 (for the period 1/1/2018 – 12/31/2018)
- 2017 written premium - $32,600 (Policy Year results through 3rd Quarter 2018)
- 2017 Incurred losses - $24,400 (Policy Year results through 3rd Quarter 2018)
- 2017 Loss ratio - 74.9% (Policy Year results through 3rd Quarter 2018)