

Insurance Legislation Adopted By The 2005 Kentucky General Assembly (Regular Session)

**COMMONWEALTH OF KENTUCKY
OFFICE OF INSURANCE
Frankfort, Kentucky**

BULLETIN 2005 - 02

**INSURANCE LEGISLATION ADOPTED BY THE
2005 KENTUCKY GENERAL ASSEMBLY (REGULAR SESSION)**

APRIL 29, 2005

THIS BULLETIN IS FOR INFORMATION PURPOSES ONLY. IT DOES NOT AMEND OR INTERPRET PROVISIONS OF THE KENTUCKY REVISED STATUTES OR THE KENTUCKY ADMINISTRATIVE REGULATIONS. THE COMPLETE AND ACCURATE TEXT OF THE LAW CAN BE SECURED WHEN THE 2005 ACTS OF THE KENTUCKY GENERAL ASSEMBLY ARE PUBLISHED IN THE SUMMER OF 2005. UNLESS OTHERWISE NOTED, THE EFFECTIVE DATE OF THE LEGISLATION IS JUNE 20, 2005. (Bills as enacted are available on the LRC Web site at www.lrc.state.ky.us/record/05rs/record.htm)

Senate Bill 2 – Kentucky Health Care Infrastructure Authority

This bill creates a new section of KRS 216 and establishes the Kentucky Health Care Infrastructure Authority, which is operated jointly by the University of Kentucky and the University of Louisville to improve the quality of health care and reduce the cost of health care.

A stated responsibility of the Kentucky Health Care Infrastructure Authority is facilitating the development of the Kentucky e-Health Network. The purpose of the network is to allow for the secure exchange of needed information among authorized health care providers, third party payors and patients, with information being exchanged in real time, where feasible. To oversee the Kentucky e-Health Network, the bill creates the Kentucky e-Health Network Board, which is attached to the Cabinet for Health and Family Services and consists of fourteen (14) voting members and six non-voting ex-officio members, including the Executive Director of the Office of Insurance.

Contact: Health Insurance Policy and Managed Care Division
(502) 564-6088

Senate Bill 18 – Death Certificates

This bill amends KRS 213.076 and allows for a death certificate to be issued listing cause of death as “unknown” or “under investigation.” Following the completion of the investigation, a supplemental report is filed and an amended death certificate is issued.

Contact: Life Insurance Division
(502)564-6071

Senate Bill 41 – Environmental and Public Protection Cabinet Reorganization

This bill ratifies Executive Order 2004-731 creating the Office of Insurance headed by an Executive Director within the Environmental and Public Protection Cabinet, Department of Public Protection.

Contact: Executive Director's Office
(502)564-6026

Senate Bill 86 – Workers' Compensation Self-Insured Groups

This bill ratifies Executive Order 2004-835 transferring regulatory authority of workers' compensation self-insured groups from the Office of Workers Claims to the Kentucky Office of Insurance.

Further, the bill creates standards for applications of new self-insured groups, criteria to maintain a certificate of filing, quarterly and annual financial reporting requirements, standards for rate and form filings, duties of trustees and a process to address deficiencies and insolvency. Existing self-insured groups are provided one year to transition to the new requirements.

New Applications

A minimum of twenty (20) employers or two (2) or more municipalities may submit an application for a certificate of filing to operate as a workers' compensation self-insured group. No one initial member may have more than 20% of the premium (60% for governmental entities). The first year premium cannot be less than \$1,000,000, with verification that 25% of the estimated premium has been paid.

The initial application is to be filed with the Office of Insurance for approval at least 90 days prior to inception.

Approval of New Applications

The Office of Insurance may only approve an application if the persons responsible for the conduct of the affairs of the self-insured group are financially stable and experienced and the self-insured group will be financially responsible and can meet obligations.

In reviewing the application, the Office of Insurance may consider: working capital adequacy, funding mechanisms, excess insurance, member financial strength, membership stability, industry risk, experience of management.

Termination of Certificate of Filing

Certificates of filing remain in effect until they are terminated, suspended, or revoked. No request for termination will be granted unless the group has made arrangements for payment of all claims, IBNR, and expenses.

Affiliate Bonds

All groups applying for or holding a certificate of filing must maintain sufficient financial strength to pay all benefits. Fidelity bonds required for trustees, administrators, fiscal agents, and service organizations.

Security Deposit

Self-insured groups must maintain a deposit of not less than the greater of \$250,000 or 10% of annual premium. Cash, cash equivalents, U.S. Treasuries or letters of credit are permitted as deposits.

Premium Balances, Dividends, Assessments, Investment Limitations

Except for governmental entities, 25% of the annual premium must be collected prior to inception of the year. Each member's payroll must be audited annually.

Dividends

No dividends can be paid for at least 36 months after year-end, and can only be paid from free surplus. Dividend plans are subject to prior approval by the Office of Insurance and may not unfairly discriminate between members with same classification.

Assessments

The formula for collection of assessments must be determined by trustees and approved by the Office of Insurance. Assessments must be fair and equitable, and cannot unfairly discriminate between members with same classification.

Investment Limitations

Funds are only for workers' compensation program use. Sufficient cash must be maintained for payment of claims and expenses. Surplus may be invested in U.S. Treasuries, A rated tax-exempt bonds, AA rated municipal bonds, CDs, and ISAs. Equity investments are limited to exchange traded securities with no one security compromising more than 10% of total equity holdings at purchase and 20% of investments in the aggregate. Corporate A rated bonds may not exceed 15% of total investments. Mutual funds may not exceed more than 20%.

Seventy-five percent (75%) of the total portfolio must be in cash, cash equivalents, U.S.

Treasuries, A rated tax-exempt bonds, AA rated municipal bonds, CDs, and ISAs. Variation may be approved by the Office of Insurance upon showing of good cause.

General Filing Requirements

Annual filings are due 120 days after year-end. The annual filing includes information regarding bonds and deposits; material changes to the administrator, fiscal agent, service company, organizational documents and amendments; and an attested statement regarding conflicts of interest.

Proof of Excess Insurance

Self-Insured Groups must file proof of excess insurance, if it has not been waived, 10 days prior to year end.

Annual and quarterly financial statements and statement to members

Audited annual statements shall be filed 120 days from year-end. Unaudited quarterly financial statements are due 45 days after each quarter.

Agents

Self-insured groups can use only licensed agents. Agent appointments are not required.

Examination

Not less frequently than every four (4) years, the Office of Insurance will examine self-insured groups. Examinations are subject to KRS 304.2-210 through 290.

Service of Process

Self-insured groups are deemed to have appointed Secretary of State to receive service of process.

Board of Trustees

Boards of Trustees are to be comprised of 2 to 20 members. Trustees are responsible for operations, financial strength, and organizational formalities. Trustees shall not extend credit, loan or borrow monies in the name of the group (except for governmental entities). Trustees shall not have a pecuniary interest in a service organization retained by the self-insured group.

A service company may have and maintain a "revolving fund" of not more than 20% of estimated premiums to be established for paying claims.

Indemnity Agreements; Cancellation

Employer-members must enter into indemnity agreements and the Trustees shall maintain them as permanent records. Each member shall execute a joint and several liability agreement, with annual ratification or affirmation.

Self-insured groups are considered an individual employer for tax purposes and individual members shall not be exposed to tax liability (other than from indemnity).

Members may be cancelled by bylaws, adverse claims experience, lack of safety and loss prevention, failure to report payroll, willful failure to report for rules and rating. Thirty days prior to the due date, members shall receive notice of all premiums due. Failure to pay premiums when due will result in immediate cancellation (with 10 days notice of cancellation to the member and the Office of Workers' Claims).

Members may withdraw with 60 days notice to the trustees and the Office of Workers' Claims.

Withdrawing members liabilities and obligations are not relieved except by payment.

Insolvency or bankruptcy of the member will not relieve the self-insured group or member from liability and member obligations.

Member Qualifications

Trustees shall not accept as a member of the group, an employer not having a net worth of at least two (2) times its estimated annual premium, unless the employer pays its full estimated annual premium in advance.

Dissolution of self-insurance program

Trustees must file a detailed plan of dissolution with the Office of Insurance for prior approval. The plan must be approved unless it is unlawful, unfair, inequitable, or prejudicial to the interests of the members and claimants, or the plan does not fully discharge all obligations of the group.

Conflict of Interest

The Board of Trustees of each self-insured group shall have a formal conflict of interest policy that includes a description of the system used to monitor compliance with the conflict of interest policy.

Audited Financial Statements

Self-insured groups file audited financial statements 120 days from fiscal year end. Financial statements shall be on approved forms and prepared in accordance with Generally Accepted Accounting Principles (GAAP).

Statements shall include actuarially-appropriate reserves (incl. known claims, expenses, IBNR, unearned premium, contributions, and assessments).

No person shall make a deceptive statement or fail to correct a misstatement in connection with the solicitation of membership of a group.

Rate and Policy Form Filings

Self-insured groups must file their rates, underwriting guidelines, evidence of coverage.

Aggregate/Excess Insurance

Self-insured groups shall have aggregate excess insurance, unless granted a waiver. Specific excess insurance coverage with a limit of at least \$25,000,000 per occurrence is required. Self-insured groups may request a waiver of the requirement to purchase aggregate excess insurance.

To be eligible to write excess liability coverage for self-insured groups, a casualty insurance company shall at all times maintain twenty-five million dollars (\$25,000,000) of minimum policyholder surplus.

Discounting

Claim reserves may be discounted for their present value, if based upon the computation of a qualified actuary. Filings must be made annually.

Evidence of Coverage

Every member shall receive written evidence of coverage by the group, with coverage terms, conditions, and exclusions and a prominent disclosure of no coverage by KIGA and assessability of members.

Financial Deficiency

A members' fund balance of less than \$1 million reported on an annual financial statement or report on examination triggers a filing of a remedial plan within 30 days. The Office of Insurance may approve, modify, or disapprove the plan.

Financial deficiencies (negative members' fund balances or negative cash) must be made up immediately, from the following: surplus from prior fund years; a previously approved assessment plan; and alternate methods as the Office of Insurance may direct or approve to provide financial security in the form of surety, deposit, letter of credit, guarantee or pledge.

If a self-insured group fails to assess its members within 30 days to make up a deficit, the Office of Insurance must order it to do so. If the self-insured group does not assess after the Office of Insurance orders it to do so, or if the deficiency is not fully made up, the group shall be deemed to be in hazardous financial condition and insolvent or about to become insolvent as defined in KRS 304.33-140, and the Office of Insurance may file a petition for delinquency proceedings under Subtitle 33 in Franklin Circuit Court.

Suspension and Revocation

After a hearing, the Office of Insurance may suspend or revoke a self-insured group's certificate of filing, or impose a civil penalty of up to \$10,000 per violation for:

operating in contravention of its organizational documents

advertising in an untrue, misrepresentative, misleading, deceptive, or unfair manner

violations of statute or regulations

obtaining a certificate of filing by unfair or deceptive means

misappropriation, conversion, illegal withholding, or refusal to pay upon proper demand any monies that belong to a member or employee

unfair or deceptive practices (KRS 304 Subtitle 12)

failing to correct a violation to statutes or regulations adopted thereunder, within a reasonable time period established by the executive director in administrative regulations.

The Office of Insurance, in its discretion and without advance notice or hearing, may suspend or revoke upon the commencement of receivership, conservatorship, rehabilitation, or other delinquency proceedings.

Office of Insurance Annual Report

Annually on or before the fifteenth day of December, the executive director is required to make a report to the Governor and the Interim Joint Committees of Banking and Insurance and Labor and Industry on the status of the self-insured groups.

Contact: Property and Casualty Division

(502)564-6046

Financial Standards and Examination Division
(502)564-6082

Senate Bill 97 – Group Life Insurance

This bill amends KRS 304.16-030 by decreasing the number of lives that may be insured under a group life insurance policy from ten (10) employees at the date of issue to two (2) employees at the date of issue.

Contact: Life Insurance Division
(502) 564-6071

Senate Bill 130 – Replacement of Life Insurance and Annuities/Indexed Nonforfeiture

Replacement of Life Insurance and Annuities

This bill amends KRS 304.12-030 to include, within the scope of the replacement statutes, annuities, variable life insurance, variable annuities, and policies where there is a direct solicitation of an individual employee by an insurance producer. The bill exempts the following additional policies from replacement requirements:

- Group life and annuity where there is no direct solicitation by an insurance provider;
- Group life and annuity used to fund pre-arranged funeral contracts;
- Existing policy or contract replaced by the same insurer pursuant to a program filed with and approved by the Executive Director;
- Policies or contracts used to fund:
 - i. An employee pension or welfare benefit plan that is covered by the Employee Retirement and Income Security Act (ERISA);
 - ii. A plan described by Sections 402(a), 401(k) or 403(b) of the Internal Revenue Code, where the plan, for purposes of ERISA, is established or maintained by an employer;
 - iii. A governmental or church plan defined in Section 414 of the Internal Revenue Code, a governmental or church welfare benefit plan or a deferred compensation plan of a state or local government or tax exempt organization under Section 457 of the Internal Revenue Code; or
 - iv. A nonqualified deferred compensation arrangement established or maintained by an employer or plan sponsor.

Additionally, the restriction that the new policy cannot be issued until thirty (30) days after the notice of replacement is delivered to the existing insurer has been repealed. However, a requirement that a thirty (30) day free look period, which includes an unconditional return of premium, has been added.

Indexed Nonforfeiture

The bill also amends the Standard Nonforfeiture Law for Individual Deferred Annuities (KRS 304.15-315) to allow for the following minimum interest rate for nonforfeiture amounts: For contracts issued between July 1, 2003 and July 1, 2006, the minimum interest rate for nonforfeiture amounts equals 1.5%. After August 1, 2005, insurers may use indexed nonforfeiture provisions on a contract form by contract form basis. Insurers must use indexed nonforfeiture provisions for contracts issued on and after July 1, 2006.

Contact: Life Insurance Division
(502)564-6071

Senate Bill 142 – Sprinkler Contractors

This bill amends KRS 198B.595 to remove the requirement that the liability insurance required for licensure as a sprinkler contractor be designated “professional liability insurance.”

However, the insurance must cover the legal liability of the sprinkler contractor for the result of erroneous acts or failure to act in his or her capacity as a fire protection sprinkler contractor or system designer. Further the insurance must be in the form of a certificate of insurance executed by an insurer authorized to do business in this state or exported by a licensed surplus lines broker to an eligible carrier.

Contact: Kentucky Office of Housing, Buildings and Construction
(502)573-0364

Senate Bill 163 – Viaticals

This bill amends Kentucky’s viatical laws to adopt some provisions of the NAIC Model Law and Regulation.

Definitions

The bill amends KRS 304.15-020 to define the following terms to be consistent with the NAIC Model:

- business of viatical settlements
- chronically ill
- financing entity
- fraudulent viatical settlement act
- special purpose entity
- terminally ill
- viatical settlement contract
- viatical settlement provider
- viator
- related provider trust

The following definitions are repealed:

- independent third party trustee
- viatical settlement purchaser

Licensing

The bill allows a licensed agent with a life line of authority to act as a viatical settlement broker without first obtaining a license provided that:

- That person has been licensed as a resident insurance agent with a life line of authority in his home state for at least one (1) year;
- Not later than thirty (30) days from the first day of operating as a viatical settlement broker, the agent notifies the executive director, on a form or in a manner that may be prescribed by the executive director, that he is acting as a viatical settlement broker and pays any applicable fees to be determined by the executive director. The notification shall include an acknowledgment by the agent that he will operate as a viatical settlement broker in accordance with this subtitle; and
- Irrespective of the manner in which a viatical settlement broker or life insurance agent is compensated, the viatical settlement broker or life insurance agent is deemed to represent only the viator and owes a fiduciary duty to the viator to act according to the viator's instructions and in the best interests of the viator.

KRS 304.9-150 is amended to require business entities to notify the Kentucky Office of Insurance within thirty (30) days of any changes to directors, officers or designees.

KRS 304.9-440 is amended to include, as reason for taking action against a license:

- Having pled guilty or nolo contendere to any felony;
- Having admitted or been found to have committed a fraudulent viatical settlement act;
- Failing to no longer meet requirements for initial licensure;
- If the licensee is a viatical settlement provider, demonstrating a pattern of unreasonable payments to viators or failing to honor contractual obligations set out in a viatical settlement contract;
- Using a viatical settlement form not approved by the Kentucky Office of Insurance;
- Having assigned, transferred or pledged a viaticated policy to a person other than one allowed by statute.

Records Retention

The following records must be maintained for five (5) years after death of the viator:

- Proposed, offered, or executed settlement contracts, underwriting documents, policy forms, and applications from the date of the proposal, offer, or execution of the settlement contract, whichever is later; and
- All checks, drafts, or other evidence and documentation related to the payment, transfer, deposit, or release of funds from the date of the transaction.

Rescission

Rescission is effective if:

- Notice of rescission given; and
- Within rescission period, all proceeds and premiums, loans and interest are repaid to the viatical settlement provider.

If insured dies during rescission period, the contract is deemed to be rescinded, subject to repayment or all viatical proceeds.

Disclosures

The bill sets forth specific disclosure requirements that must be provided to the viator. Additionally the bill outlines specific information that the insurer must provide. The insurer must respond to a request for verification of coverage by the viatical settlement provider or viatical settlement broker within thirty (30) days.

Finally, the viatical settlement provider must obtain a witnessed document from the viator acknowledging that he or she is freely viaticating the policy.

Unfair Trade Practices

The bill amends KRS 304.15-716 to include as an unfair trade practice viaticating a policy within two (2) years of issuance unless:

- The policy is issued in exercise of conversion rights, and the total time the insured was covered under the prior policy and the conversion policy is at least twenty-four (24) months;
- The viator is terminally or chronically ill; or
- The viator or insurer disposes of ownership interests in a closely held corporation pursuant to the terms of a buyout in effect at the time the policy was issued.

Fraud

The bill amends KRS 304.15-717 to expand upon the existing provisions related to fraudulent viatical settlement acts. Specifically, the bill:

- Requires a fraud statement on an application for a viatical settlement contract and on a viatical settlement contract;
- Requires a person to report fraud viatical settlement act to the Executive Director; and
- Provides immunity for providing information to
 - o The Office of Insurance
 - o Federal, state or local law enforcement or regulatory officials
 - o A person involved in the prevention and detection of fraudulent viatical settlement acts
 - o The NAIC, NASD, NASAA
 - o The insurer that issued the policy covering the life of the insured.

The bill provides that the information received during an investigation of a fraudulent settlement act is privileged and confidential.

Viatical settlement providers are required to adopt anti-fraud initiatives including investigators and an anti-fraud plan.

Contact: Life Insurance Division
(502)564-6071

Agent Licensing Division

(502)564-6004

Senate Bill 209 – Medicare Supplement Insurance and Minimum Guaranteed
Loss Ratios

Medicare Supplement

Section 1 of this bill amends the definition of Medicare Supplement policy within KRS 304.14-500 to conform the definition to the NAIC model. (The Office of Insurance intends to amend its regulations to adopt the new NAIC Medicare Supplement Insurance Minimum Standards Model Act.)

Minimum Guaranteed Loss Ratio

Section 2 of this bill amends KRS 304.17A-095 to lower the minimum guaranteed loss ratio for individuals from 70% to 65%. It also permits an insurer to amend its policy forms to utilize a minimum guaranteed loss ratio.

Contact: Health Insurance Policy and Managed Care Division
(502)564-6088

House Bill 18 – Penalties for Willful Noncompliance of Payment of Local
Government Premium Taxes

The bill states that if an insurer willfully engages in a pattern of business conduct that fails to properly collect and remit the local government premium tax, the Office of Insurance may assess a penalty that is no greater than ten percent (10%) of the additional fee owed. The penalty fee is payable to the municipality, less an administration fee that is maintained by the Office of Insurance. Companies and agents are permitted to request an administrative hearing upon the finding of a willful violation.

The bill also requires a municipality to refund any overpayment of the local government premium tax to the insurance company or agent within 90 days notice to the municipality.

Contact: Consumer Protection and Education Division
(502)564-6034

House Bill 63 – Motor Vehicle Insurance – Owner Must Have Security

The bill amends KRS 304.39-080 to subject an owner of a motor vehicle who permits another person to operate a motor vehicle without security to the same penalties as those who operate a motor vehicle without security.

The bill further provides that a person can have a driver's license denied or suspended if it is determined that they are a "habitual violator" of the requirement to maintain security. "Habitual violator" is defined as having operated a motor vehicle without the required security three or more times within five years.

Contact: Property and Casualty Division
(502)564-6046

House Bill 80 – Automobile Liability Insurance – Owner Serving in Armed Services Outside Kentucky

This bill amends KRS 186A-042 to allow a county clerk to process an application for title and registration, registration renewal, replacement plate, registration certificate, duplicate registration, transfer of registration, temporary tag, even if AVIS (automated vehicle identification system) doesn't list the vehicle as insured, provided that the owner

- is in the armed forces serving outside Kentucky, and
- provides an affidavit by the provost marshal of the base where the owner is stationed stating that the motor vehicle is covered in accordance with KRS 304.Subtitle 39.

Contact: Property and Casualty Division
(502)564-6046

House Bill 109 – Salvage Titles

The bill amends KRS 304.186A-530 to allow issuance of salvage title and rebuilt vehicle titles for vehicles previously declined as unrebuildable by another state.

Contact: Property and Casualty Division
(502)564-6046

Consumer Protection and Education Division
(502)564-6034

House Bill 164 – FAIR Plan Membership

This bill amends KRS 304.35-040 to amend the membership of the governing board of the FAIR Plan Reinsurance Association to include representative of NAMIC and PCIAA. The bill removes references to AAI and NAI as a result of the merger creating PCIAA.

The bill also removes the requirement that the articles of association be approved by the Executive Director.

Contact: Property and Casualty Division
(502)564-6046

House Bill 179 – Kentucky Health Care Improvement Authority

This bill amends KRS 304.17B-003 to allow those who serve by virtue of their office to designate a representative to attend meetings and vote on their behalf.

This bill also clarifies the duties of the Authority.

Contact: Executive Director's Office
(502)564-6026

House Bill 189 – Licenses for Member of the Armed Services

This bill creates a new statute within KRS Chapter 36 to extend for 90 days after the end of deployment, any professional licenses held by members of the United States Armed forces that expires while they are deployed overseas. To renew a license following the extension period, licensees must meet all license renewal requirements except for any continuing education requirement.

Contact: Agent Licensing Division
(502)564-6004

House Bill 275 – Producer Licensing

This bill makes numerous changes to Kentucky's producer licensing laws in accordance with the Producer Licensing Model Act and NAIC Uniform Resident Licensing Standards.

Requirements for Licensure

Resident applicants for variable life and variable annuity line of authority must hold an active life line of authority. No examination is required.

Applicants for an administrator license must be a Kentucky resident or licensed in good standing in their home state.

The minimum age for a consultant's license is decreased from 25 to 18 with adequate experience.

The requirement that an applicant for an agent license must have a high school diploma or GED has been removed.

All resident applicants must obtain background check from Administrative Office of the Courts.

Prelicensing Training

The bill amends the prelicensing training requirement to require twenty (20) hours of prelicensing training per line of authority.

Designations

Each designated individual agent must have at least one appointment with the insurer.

Each business entity must designate at least one licensed individual with the same line of authority. If not, that line of authority will become inactive for the business entity. If the business entity has no designated individuals, the business entity license will terminate.

With regard to renewal, by January 31 of odd-numbered years, each licensed business entity must file a report of all designated individuals for all lines of authority.

Continuing Education

Beginning January 31, 2006, the continuing education biennium will be adjusted to coincide with the license renewal date (based on birth month & year).

Three hours of continuing education must be related to ethics. (The previous requirement was two hours.)

License Renewal

Proof of financial responsibility is no longer required to be verified during license renewal.

Individual license renewal requests and fees (if any) received within 30 days after the renewal date may be accepted without a penalty or interruption of the license. Individual license renewal requests and fees (if any) received after 30 days from the renewal date, but within 60 days from the renewal date may be accepted without an interruption of the license, if penalty fee is paid with renewal request.

Appointments

An agent may place insurance with an insurer without first obtaining an appointment for fifteen (15) days from the date the first application is executed. (The requirement for higher financial responsibility in the amount of \$1,000,000 per occurrence and \$2,000,000 in aggregate has been repealed.) If an agent does not receive confirmation of their appointment within 15 days from the date the first application is executed, the agent must stop placing business with that insurer until confirmation is received.

Within 15 days from the date the first application is submitted or an agency contract is executed, the insurer must submit a notice of appointment to the Office of Insurance. If there is no executed agency contract, the insurer must mail a copy of the notice of appointment to the agent.

Continuing Education Providers

The Executive Director may withdraw the approval of a continuing education course for good cause shown. Additionally, the Executive Director may impose a penalty of not more than \$1000 upon providers for failure to comply with the statutes and regulations (i.e. furnish certificate of completion.)

Administrators

The bill requires authorized insurers to use only licensed administrators.

Administrative Action

The Executive Director may place a license on probation or impose other conditions on a license for twenty-four (24) months rather than twelve (12).

Surplus Lines Brokers

The bill specifies that if a resident surplus lines broker fails to maintain an agent license with a property and casualty line of authority, the surplus lines broker license shall terminate.

Contact: Agent Licensing Division
(502) 564-6004

House Bill 278 – Small Business Health Insurance Relief

This bill created the following initiatives:

Basic Health Benefit Plan

Creates a basic health benefit plan available in the individual, small group, and employer organized association markets, which would exclude many of the state mandates found in the standard benefit plan

Allows for limited coverage and only provides coverage for physician, pharmacy, home health, inpatient and outpatient hospital and preventive services

Includes an emergency clause in order to get the product to the market as soon as possible (the goal is to make this product available for July 1 renewals)

Uniform Provider Credentialing Application

Creates a standard form and guidelines for physicians and providers to become credentialed with insurance companies and hospitals

Consumer Right-to-Know

Consumer Component – establishes a committee to advise CHFS on the collection, analysis and distribution of consumer-oriented information related to the health care system, the cost of treatment and procedures, outcomes and quality indicators, and policies and regulations to implement the electronic collection and transmission of patient information and other cost saving patient record systems

Market Component- requires companies that offer group health benefit plans to supply aggregate claims and other data to an Employer Organized Association health benefit plan, upon written request

Contact: Health Insurance Policy and Managed Care Division
(502) 564-6088

House Bill 316 – Prompt Pay for LHSO (dental only)

The bill subjects limited health service organizations (LHSO) providing only dental benefits to the existing status regarding prompt payment of claims (KRS 304.17A-700 through 304.17A-730) with the following exemptions:

LHSOs have three (3) business days to respond to original or corrected claim or within three (3) business days LHSO may list claim and date received on a file to be accessed electronically;
Reports received by KRS 304.17A-722 must be submitted on an annual basis
Interest on claims is to be paid only if the interest calculated is greater than or equal to \$5.

Contact: Health Insurance Policy and Managed Care Division
(502) 564-6088

House Bill 335 – Financial Security for Automobiles

This bill amends KRS 187-290(1) to confirm the proof of financial responsibility amounts to the statutory minimum requirements tort liability under KRS 304.29-110.

Contact: Property and Casualty Division
(502) 564-6046

/s/ R. Glenn Jennings

R. Glenn Jennings
Executive Director
Kentucky Office of Insurance

April 29, 2005

Date