

1 Public Protection Cabinet
2 Department of Insurance
3 Division of Health and Life Insurance and Managed Care
4 (Amendment)

5 806 KAR 19:050. Combined health and dismemberment restrictions.

6 RELATES TO: KRS 304.19-080, 304.19-120

7 STATUTORY AUTHORITY: KRS 304.2-110

8 NECESSITY, FUNCTION, AND CONFORMITY: KRS 304.2-110 authorizes the
9 Commissioner of Insurance to promulgate administrative regulations necessary for or as an aid to
10 the effectuation of any provision of the Kentucky Insurance Code as defined in KRS 304.1-010.
11 ~~[KRS 304.2-110 provides that the Executive Director of Insurance may make reasonable rules~~
12 ~~and regulations necessary for or as an aid to the effectuation of any provision of the Kentucky~~
13 ~~Insurance Code.] The function of this [This] administrative regulation is to prohibit [prohibits]~~
14 the writing of ~~[both]~~ health and dismemberment insurance in connection with a credit transaction
15 unless the debtor has a choice upon extinguishment of the debt, to receive ~~a refund of [are fund~~
16 ~~for]~~ premiums paid for the unused insurance, or to continue the coverage under the unused
17 insurance.

18 Section 1. An [No] insurer shall not write or issue any health and dismemberment insurance
19 policy in connection with a credit transaction subject to the provisions of KRS Chapter

1 304, Subtitle 19, that [~~the insurance code which,~~] alone or in conjunction with [or] the policy
2 [policies], is expressly written as security for a loan. Unless [,~~provides for both health insurance~~
3 ~~and dismemberment insurance; unless the insurer shall afford to the debtor a choice, when~~] the
4 debt is extinguished prior to maturity at the end of the claim, the insurer shall grant the debtor the
5 choice to receive a refund of premiums paid for the unused insurance, or to continue the
6 coverage afforded by the [~~such~~] unused policy [or policies].

806 KAR 19:050

READ AND APPROVED:

Sharon P. Clark

12/18/2020

Sharon P. Clark
Commissioner, Department of Insurance

Date

Kerry B. Harvey

12/21/2020

Kerry B. Harvey
Secretary, Public Protection Cabinet

Date

PUBLIC HEARING AND PUBLIC COMMENT PERIOD

A public hearing on this administrative regulation shall be held at 9:00 AM on March 22nd, 2021 at 500 Mero Street, Frankfort, KY 40602. Individuals interested in being heard at this hearing shall notify this agency in writing by five workdays prior to the hearing, of their intent to attend. If no notification of intent to attend the hearing is received by that date, the hearing may be canceled. This hearing is open to the public. Any person who wishes to be heard will be given an opportunity to comment on the proposed administrative regulation. A transcript of the public hearing will not be made unless a written request for a transcript is made. If you do not wish to be heard at the public hearing, you may submit written comments on the proposed administrative regulation. Written comments shall be accepted through 11:59 PM on March 31st, 2021. Send written notification of intent to be heard at the public hearing or written comments on the proposed administrative regulation to the contact person below.

Contact Person: Abigail Gall

Title: Executive Administrative Secretary

Address: 500 Mero Street, Frankfort, KY 40601

Phone: +1 (502) 564-6026

Fax: +1 (502) 564-1453

Email: abigail.gall@ky.gov

REGULATORY IMPACT ANALYSIS AND TIERING STATEMENT

Regulation: 806 KAR 19:050

Contact Person: Abigail Gall

Phone: +1 (502) 564-6026

Email: abigail.gall@ky.gov

(1) Provide a brief summary of:

(a) What this administrative regulation does: The function of this administrative regulation is to prohibit writing health and dismemberment insurance connected to a credit transaction, with the expectation that the debtor has the option to receive a refund of premium paid upon extinguishment of the debt.

(b) The necessity of this administrative regulation: The necessity of this administrative regulation is to aide in the effectuation of the Insurance Code defined in KRS 304.1-010.

(c) How this administrative regulation conforms to the content of the authorizing statutes: KRS 304.2-110 authorizes the Commissioner of Insurance to promulgate administrative regulations necessary for or as an aid to the effectuation of any provision of the Kentucky Insurance Code as defined in KRS 304.1-010.

(d) How this administrative regulation currently assists or will assist in the effective administration of the statutes: KRS 304.2-110 authorizes the Commissioner to promulgate administrative regulations that help the Insurance Code be more effective, this administrative regulation does so by helping to regulate the insurance market.

(2) If this is an amendment to an existing administrative regulation, provide a brief summary of:

(a) How the amendment will change this existing administrative regulation: The amendments to this administrative regulation are changes required by Chapter 13A.

(b) The necessity of the amendment to this administrative regulation: The necessity of these amendments are established in the Chapter 13A.222, in which the drafting requirements are set forth. These requirements ensure the administrative regulation language to be uniform and simple for those needing to reference.

(c) How the amendment conforms to the content of the authorizing statutes: Chapter 13A gives a detailed explanation of the formatting rules as well as prohibited words and phrases, so these amendments remove old language and replace with acceptable unambiguous language.

(d) How the amendment will assist in the effective administration of the statutes: The amendments made to this administrative regulation meet Chapter 13A guidelines, which means the administrative regulation meets standards that are more effective. With clearer language 304.1-010 is more effective and thus, allowing the Department to regulate more effectively.

(3) List the type and number of individuals, businesses, organizations, or state and local governments affected by this administrative regulation: Insurers who write health and dismemberment policies and offer reimbursements for said policies as well as the department for implementing the restrictions.

(4) Provide an analysis of how the entities identified in the previous question will be impacted by either the implementation of this administrative regulation, if new, or by the change, if it is an amendment, including:

(a) List the actions each of the regulated entities have to take to comply with this regulation or amendment: An insurer should not write or issue any health and dismemberment policy that has a connection to a credit transaction or is written as loan security except when the debtor is offered a choice of refund or continued coverage upon maturity.

(b) In complying with this administrative regulation or amendment, how much will it cost each of the entities: There is no cost associated with the administrative regulation or amendment.

(c) As a result of compliance, what benefits will accrue to the entities: The insurer can write valid health and dismemberment policies as long as the debtor is given a choice of refund of premium paid or continued coverage upon maturity

(5) Provide an estimate of how much it will cost the administrative body to implement this administrative regulation:

(a) Initially: Implementation of this amendment is not anticipated to have an initial cost on the Department of Insurance.

(b) On a continuing basis: Implementation of this amendment is not anticipated to have an on-going cost on the Department of Insurance.

(6) What is the source of the funding to be used for the implementation and enforcement of this administrative regulation: The Department will use funds from its current operational budget to perform the tasks necessary.

(7) Provide an assessment of whether an increase in fees or funding will be necessary to implement this administrative regulation, if new, or by the change if it is an amendment: An increase of fees will not be necessary because additional personnel is likely unnecessary.

(8) State whether or not this administrative regulation established any fees or directly or indirectly increased any fees: This administrative regulation does not establish any fees.

(9) TIERING: Is tiering applied? Explain why or why not. Tiering is not applied because these restrictions apply to all insurers.

FISCAL NOTE ON STATE OR LOCAL GOVERNMENT

Regulation: 806 KAR 19:050

Contact Person: Abigail Gall

Phone: +1 (502) 564-6026

Email: abigail.gall@ky.gov

(1) What units, parts or divisions of state or local government (including cities, counties, fire departments, or school districts) will be impacted by this administrative regulation? The Department as the implementer.

(2) Identify each state or federal statute or federal regulation that requires or authorizes the action taken by the administrative regulation. KRS 304.2-110

(3) Estimate the effect of this administrative regulation on the expenditures and revenues of a state or local government agency (including cities, counties, fire departments, or school districts) for the first full year the administrative regulation is to be in effect. If specific dollar estimates cannot be determined, provide a brief narrative to explain the fiscal impact of the administrative regulation.

(a) How much revenue will this administrative regulation generate for the state or local government (including cities, counties, fire departments, or school districts) for the first year? This administrative regulation is revenue neutral.

(b) How much revenue will this administrative regulation generate for the state or local government (including cities, counties, fire departments, or school districts) for subsequent years? This administrative regulation is revenue neutral.

(c) How much will it cost to administer this program for the first year? There is no associated cost to administer this program.

(d) How much will it cost to administer this program for subsequent years? There is no associated cost to administer this program.

Note: If specific dollar estimates cannot be determined, provide a brief narrative to explain the fiscal impact of the administrative regulation.

(4) Revenues (+/-): Neutral

(5) Expenditures (+/-): Neutral

(6) Other Explanation: