

ABCs of Insurance

A primer for understanding terminology, regulation and available resources



Kansas Insurance Department

Sandy Praeger • Commissioner of Insurance

ABCs of Insurance

Kansas Insurance Department

May 2014

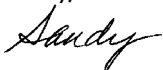
Dear Kansas consumer,

As you know, insurance can be a complicated and confusing subject. It's also an essential part of daily life and financial security. This primer is designed to help you make sense of the terminology and to provide you direction in how to find answers to your insurance questions.

This guide is divided into sections that represent the three-pronged mission of the Kansas Insurance Department: (1) to regulate the industry, (2) to educate consumers and (3) to advocate for consumers. We hope you'll find it to be a useful tool.

As always, feel free to call our in-state hotline if you have any questions: 800-432-2484.

Sincerely,



Sandy Praeger,
Commissioner of Insurance



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About us

Kansas Insurance Dept.

The Kansas Insurance Department (KID), established in 1871, assists and educates consumers, regulates and reviews companies, and licenses agents selling insurance products in the state. In 2013, more than \$17.4 billion in premium was written in Kansas. The state is fourth nationally in the number of out-of-state insurance companies doing business here. More competition means more competitive rates for Kansas consumers.

KID has approximately 119 full-time employees in the following divisions: Accident & Health, Property & Casualty, Life, Anti-Fraud, Consumer Assistance & Market Conduct, Financial Surveillance, Producers (Licensing), Government & Public Affairs, Legal, Human Resources, Comptroller & Building Services, Informational Technology, and Administration.

In fiscal year 2013, KID collected \$158.2 million in premium tax from insurance companies. Premium tax money is deposited in the state's general fund.

By phone: 800-432-2484 (toll-free in Kansas)
785-296-3071

By fax: 785-296-7805

TTY/TDD: 877-235-3151

Online: www.ksinsurance.org
www.facebook.com/kansasinsurancedepartment

Email: commissioner@ksinsurance.org

The Kansas Insurance Department also hosts a website and several social media sites dedicated to providing information on health care reform in Kansas.

Online: www.insureKS.org

On Facebook: www.facebook.com/insureKS

On Twitter: [@insureKS](https://twitter.com/insureKS)

On YouTube: www.youtube.com/insureKS

About us

Commissioner Praeger

Sandy Praeger was elected Kansas' 24th Commissioner of Insurance in 2002 and began serving in the position on Jan. 13, 2003. She was re-elected in 2006 and again in 2010.

She previously served three terms in the Kansas Senate and one term in the Kansas House of Representatives. She also served as mayor of Lawrence, Kan., and was on the Lawrence City Commission.

Commissioner Praeger was the 2008 president of the National Association of Insurance Commissioners (NAIC). She serves as chairwoman of the Health Insurance and Managed Care Committee and is a member of other NAIC committees and task forces.

She was twice a recipient of the prestigious Dr. Nathan B. Davis Award, bestowed annually by the American Medical Association to individuals who have made a significant contribution to public health through elected and career government service. In 2012 Commissioner Praeger was awarded the Excellence in Consumer Advocacy award given by the NAIC consumer representatives for her work on behalf of insurance consumers. In 2013 she was presented with the Distinguished Health Care Advocate Award from the Kansas Hospital Association, and in 2014 she was awarded a Health Quality Award from the National Committee for Quality Assurance (NCQA).

Commissioner Praeger is a graduate of the University of Kansas and lives in Lawrence with her husband, Dr. Mark Praeger. They have two married children and three grandchildren.

Regulate

What we do regulate

Companies

KID regulates and reviews the companies that sell insurance policies in the state to make sure they are financially solvent and comply with insurance laws and regulations. In 2013, approximately 2,590 companies sold policies in the state, and 50 were headquartered (domiciled) in Kansas.

Agents

As of December 2013, more than 22,100 resident agent-producers and 86,500 nonresident agent-producers were licensed in Kansas to sell insurance products. The Kansas Insurance Department also requires agents to meet ongoing continuing education requirements.

Firefighter Relief Fund

This fund, which is administered by the insurance department, is used to assist firefighters and their families when accidents or deaths occur in the line of duty. It is generated by a 2% tax imposed on insurance companies writing fire insurance coverage in Kansas. The tax is collected, placed in a special fund and distributed to approximately 580 cities, counties, townships and fire districts. The 2013 distribution of the fund totaled more than \$10.4 million.

Regulate

Policies

The Kansas Insurance Department is responsible for regulating the following types of insurance policies.

Fully-insured plans: Most insurance policies purchased through a local agent or agency are fully insured. Fully-insured policies are plans that insurance companies are 100% financially responsible for. The following types of plans fall under this category:

Automobile/vehicular: As long as the insurance company is licensed to do business in Kansas, KID has some authority over automobile and other vehicular insurance. In some rare cases, coverage for a vehicle is obtained through an excess lines carrier (see pg. 20 for more on excess lines). In these cases, KID may not have any authority.

Homeowners/renters: As with automobile insurance, KID regulates a majority of homeowners insurance and similar coverage (renters, dwellers, farm, etc.).

Health: All *individual* health insurance policies are fully insured. *Group health plans* (such as those through an employer) can be either fully-insured or self-insured. KID has regulatory authority over all fully-insured health plans within the boundaries of state and federal law.

Medicare supplement insurance: KID does not regulate Medicare but does have authority over Medicare supplement plans.

Long-Term Care insurance: KID regulates all long-term care insurance sold by licensed companies in Kansas.

Other types of insurance:

Life Travel Disability Title

Regulate

What we don't regulate

KanCare

KanCare is the system of integrated care for Medicaid and Children's Health Insurance Program (formerly known as HealthWave) beneficiaries that began service for Kansans on Jan. 1, 2013.

Medicaid is a partnership between the federal government and state governments. It provides health and long-term care coverage to low-income children and their parents, seniors and individuals with disabilities. Participants must meet income and resource regulations in order to qualify.

Kansas partners with three managed care companies to provide KanCare services. Each Medicaid consumer has the following plan options: Amerigroup of Kansas, Sunflower State Health Plan or UnitedHealthcare Community Plan.

By phone: 866-305-5147

Online: www.kancare.ks.gov/benefits_services.htm

Regulate

What we don't regulate

Medicare

Medicare is a federal health insurance program for people 65 and older or those with certain disabilities or End-Stage Renal Disease. It provides medical care coverage, but there are many costs it doesn't cover. For example, it provides very limited long-term care. Medicare has the following parts:

Part A – Hospital insurance

Part B – Medical insurance

Part C – Medicare Advantage plans, run by private companies but regulated by the Centers for Medicare and Medicaid Services

Part D – Prescription drug coverage

Medicare is regulated by the federal government. Medicare supplement insurance sold in Kansas is regulated by the Kansas Insurance Department. Individuals looking for Medicare information or assistance should contact SHICK (see page 8).

For more information on Medicare supplement insurance, see *KID's Medicare Supplement Insurance Shopper's Guide*.

By phone: 800-MEDICARE

Online: www.medicare.gov

Regulate

What we don't regulate

Multi-Peril Crop Insurance

The U.S. Department of Agriculture's Risk Management Agency oversees crop insurance, which is sold through independent insurance agents.

By phone: 785-228-5512 – Topeka regional office

Online: www.rma.usda.gov

NFIP (National Flood Insurance Program)

The Federal Emergency Management Agency (FEMA) oversees flood insurance, which is sold through independent agents.

Homeowners insurance policies don't cover flood damage losses. The availability of flood insurance depends on your community's participation in the NFIP.

If you live in a floodplain, your mortgage lender will require you to have flood insurance. Contact the NFIP to learn about agents in your area who sell flood insurance.

By phone: 888-379-9531

Online: www.floodsmart.gov

Regulate

What we don't regulate

Self-insured health plans

Out of any 10 health plans in Kansas:

- 3 are regulated by KID.
- 4 are self-insured plans under the Employee Retirement Income Security Act of 1974 (ERISA).
- 3 are Medicare or Medicaid.

Many large companies self-insure their health plans. Self-insured plans are regulated by the Department of Labor, though most issues involving self-insured plans should be directed to the human resources division of your employer.

State of Kansas employees' health plans are self-insured.

Also called *self-funded*. See also *Employee Retirement Income Security Act of 1974* on Page 20.

SHICK (Senior Health Insurance Counseling for Kansas)

SHICK is a free program offering older Kansans an opportunity to talk with trained community volunteers and get answers to questions about Medicare and other issues, like Medicare supplement insurance, Medicare Part D, and long-term care. SHICK is a Kansas Department for Aging and Disability Services (KDADS) program.

By phone: 800-860-5260

Online: www.kdads.ks.gov/shick/shick_index.html

Regulate

Related organizations

Workers' compensation

The Kansas Department of Labor is the primary state agency charged with the oversight of workers' compensation in Kansas. KID's responsibilities with workers' compensation are limited to approval of rates, oversight of the high-risk plan, the administration of the Workers' Compensation Fund (previously known as the second injury fund) and the investigation and prosecution of fraud and abuse by insurance companies in the payment of workers' compensation claims.

By phone: 785-296-4000

Online: www.dol.ks.gov/WorkComp/Default.aspx

Other

KID also does not have regulatory oversight regarding physicians, 401(k) plans, flexible spending accounts and other payroll deduction issues, or contracts between hospitals, physicians, and/or insurance companies.

Regulate

Related organizations

Guaranty associations

Funds in guaranty associations protect policyholders in the event an insurance company becomes insolvent (cannot pay policyholders' claims). All insurers are members of the guaranty association for their line of insurance, and the association covers claims (within limits) against companies that fail. Each company contributes an annual fee to the fund.

The Kansas Insurance Guaranty Association contracts with Western Guaranty Fund Services to administer property and casualty claims should an insolvency occur. The Kansas Life & Health Insurance Guaranty Association is composed of all insurers licensed to sell life insurance, health insurance and annuities in Kansas.

Western Guaranty Fund Services:

By phone: 800-303-7565

Online: <http://westernguarantyfundservices.org>

Kansas Life & Health Insurance Guaranty Association:

By phone: 785-271-1199

Online: www.kslifega.org

Regulate

Related organizations

Kansas FAIR Plan

Short for “Fair Access to Insurance Requirements,” the Kansas FAIR Plan was created by the Kansas Legislature to insure property that insurance companies refuse to cover. To be eligible for consideration under the FAIR Plan, property coverage should first be declined by three insurance companies. To apply for coverage under the plan, contact any agent who sells property insurance. The FAIR Plan agent will inspect the property to determine whether the plan will offer coverage. Approval in the plan is not guaranteed.

By phone: 785-271-2300

Online: www.ksfairplan.com

KAIP (Kansas Automobile Insurance Plan)

The KAIP provides coverage for drivers who are unable to purchase automobile insurance in the private market. To be eligible for consideration under the Kansas Automobile Insurance Plan, the driver’s coverage should have been rejected by three insurance companies. To apply for coverage under the plan, contact any agent who sells personal auto insurance.

Regulate

Related organizations

NAIC

**(National Association
of Insurance Commissioners)**

Headquartered in Kansas City, Mo., the National Association of Insurance Commissioners (NAIC) is a voluntary organization of the chief insurance regulatory officials of the 50 states, the District of Columbia and five U.S. territories. The NAIC's overriding objective is to assist state insurance regulators in protecting consumers and helping maintain the financial stability of the insurance industry by offering financial, actuarial, legal, computer, research, market conduct and economic expertise. Formed in 1871, it is the oldest association of state officials.

In 2012, state insurance departments employed approximately 11,500 personnel to regulate 6,115 domestic insurers. During that same year, states received nearly 271,000 official complaints and 2.3 million inquiries. Of these amounts, Kansas received 3,096 complaints and 2,726 inquiries.

Online: www.naic.org

Educate

Tips and tools

R Request a speaker

KID employees speak at dozens of conferences, meetings and other engagements throughout the state annually. On the top right of the KID homepage, under the “Quick Links” tab, click on “Speaking Engagements” to request a speaker. Also, by clicking on the link on the right of that page, you can see upcoming engagements listed and a map showing recently visited counties.

Online speaker request form:

www.ksinsurance.org/about/speaker.htm

Publications from KID

To educate consumers about insurance, KID publishes booklets, rate guides and brochures on many kinds of insurance coverage. All publications, including the following, can be requested online or by phone, or they can be printed from the KID website or Facebook page:

Life and health

- Long-Term Care Insurance & Shopper’s Guide
- Medicare Supplement Insurance Shopper’s Guide
- Health Insurance in Kansas
- Life Insurance and Annuity Basics

Property and casualty

- Auto Insurance and Shopper’s Guide
- Homeowners and Renters Insurance & Shopper’s Guide
- Personal Home Inventory

General

- Consumer Complaint Ratio Report (annual)
- Annual Report

Educate

Complaint ratio

A complaint ratio is a statistic that shows the number of closed complaints for every \$1 million of premium a company sold in Kansas during each calendar year. For example, if a company has a complaint ratio of 1.58, it means the company had 1.58 complaints for every \$1 million of premium sold in Kansas. The lower the number of complaints per million, the better. A company with a complaint ratio of 1.58 has a better complaint ratio than a company with a 3.58 ratio. If a company has a zero (0) ratio, no complaints were filed against that company. You can find these ratios in the most recent edition of KID's Consumer Complaint Ratio Report.

Home inventory

A home inventory is a document that anyone with homeowners or renters insurance should maintain to ensure appropriate coverage on the contents of the dwelling. A home inventory is also a valuable resource should a home be burglarized or damaged in a disaster.

KID's "Personal Home Inventory" booklet — which can be printed from the KID website or ordered via web or phone — offers tips for recording the contents of a home, as well as tips for photographing or video recording contents. The booklet's charts focus on different areas of a home and include recommendations about the types of items to include.

A mobile application from the NAIC, called "MyHome Scr. APP.book," is available for download on Apple and Android smartphones and tablets. The app allows you to keep a digital copy of your inventory, including photos. You can download the free app from your device's app store.

Educate

Auto insurance/coverage

A basic personal automobile insurance policy requires four types of coverage:

- Bodily injury liability
- Property damage liability
- Personal injury protection (PIP)/Kansas no-fault
- Uninsured/underinsured motorist protection

A consumer may also want to purchase collision and/or comprehensive coverage, which aren't required by Kansas law but may be required by a lender or bank until the vehicle is paid off. Collision provides coverage for the repairs or actual cash value of your own vehicle in a motor vehicle collision or rollover. Comprehensive provides coverage for damage to your own vehicle caused by fire, theft, windstorm, hail or other losses.

Auto insurance/ratings

Details about you and your driving record help decide how an auto insurance company rates you as a driver. Companies use three categories:

Preferred – Drivers usually have had no moving traffic violations and/or chargeable accidents in the past three to five years. These drivers pay the lowest premium rates.

Standard – Moderate-risk drivers who have a reasonably clean driving record with no more than one moving traffic violation and no chargeable accidents in the past three to five years.

Nonstandard – Drivers considered to be high-risk. These drivers may be young, have less driving experience, have had moving traffic violations and/or chargeable accidents

Educate

in the last three to five years, have poor payment history or have had convictions for driving under the influence of alcohol or drugs. These drivers pay the highest premium rates.

See also *Kansas Automobile Insurance Plan* on Page 11.

Shopping for individual health

When shopping for an individual health insurance policy, it is important to make sure you are buying the health care plan you want and can afford. You should make a list of your needs to compare with the benefits offered by a plan you are considering. Listed below are some questions you should ask when shopping for health insurance.

Questions about coverage

- What does the plan pay for, and what does it exclude?
- Will the plan pay for things like organ transplants, infertility treatments, or chiropractic care?
- Does the plan cover vision and/or dental benefits, or do you need a separate policy for each?
- What mental health benefits are available under the plan?
- Will the plan pay for long-term physical therapy?
- Are my doctors and hospitals in the network?
- Is pregnancy care covered?

Questions about premiums

- Do rates increase as you age?
- How often can a company change rates?
- How much do you have to pay when you receive health care services (copayments, coinsurance and deductibles)?
- What is the limit on how much you must pay for health care services you receive (out-of-pocket maximums)?

Educate

Questions about customer service

- Has the company had an unusually high number of consumer complaints?
- What happens when you call the company's customer service number?
- How long does it take to reach a real person?
- Does the company have an easy-to-use website that is helpful?

Insure U

The Insure U curriculum teaches consumers about insurance in an informal, online program. Participants can research the topics that affect them, then take quizzes to test their knowledge. Consumers learn about auto, home, health and life insurance decisions that often depend on their stage in life. Information is geared toward young singles, young families, established families, seniors, domestic partners, single parents, grandparents raising grandchildren and military members. There's also a segment for small-business owners.



Insure U was developed by the National Association of Insurance Commissioners.

Online: www.insureuonline.org

Educate

Key terms

Accountable care organizations – A network of doctors and hospitals that shares responsibility for providing care to patients. ACOs were formed in conjunction with the health reform law of 2010.

Actual cash value v. replacement value – Replacement value is the amount needed to buy a comparable new item. Actual cash value means a policy will pay damages equal to the replacement value minus depreciation. In both cases, your deductible on your insurance still applies.

Adverse selection – People with illnesses or who are at high risk to develop illnesses are more likely than healthier people to seek health insurance. Health insurance companies strive to keep their risk pools balanced by including both health and unhealthy individuals. Adverse selection occurs when a disproportionate number of unhealthy people enroll in a health plan, which can cause health insurance premiums to rise.

Allowed amount – Maximum amount on which payment is based for covered health services. This may be called “eligible expense,” “payment allowance” or “negotiated rate.” If your provider charges more than the allowed amount, you may have to pay the difference. (See *Balance billing*)

Annuity – A life insurance product that pays income benefits for a specific period or for the consumer’s life. Deferred annuities let assets grow tax deferred before they’re converted to payments. Immediate annuities can begin payments after a single premium is paid.

Assigned risk plans – Plans through which consumers can buy insurance if they have been denied coverage in the regular market because they are considered too great of a risk. The term is most

Educate

often applied to auto insurance. Every insurer licensed in the state must participate in these plans.

Balance billing – When a provider bills you for the difference between the provider's charge and the allowed amount. For example, if the provider's charge is \$100 and the allowed amount is \$70, the provider may bill you for the remaining \$30. A preferred provider may *not* balance bill you.

Captive agent – An agent who represents only one insurance company.

Coinsurance – Your share of the costs of a covered health care service, calculated as a percent (for example, 20%) of the allowed amount for the service. You pay coinsurance plus any deductibles you owe. For example, if the health insurance or plan's allowed amount for an office visit is \$100 and you've met your deductible, your coinsurance payment of 20% would be \$20. The health insurance or plan pays the rest of the allowed amount.

Commercial lines – Insurance products for businesses. For example: directors and officers liability, fire and allied lines, medical malpractice liability, and workers' compensation are commercial lines.

Copayment – A fixed amount (for example, \$25) you pay for a covered health care service, usually when you receive the service. The amount can vary by the type of covered health care service.

Cost-sharing - Health care provider charges for which a patient is responsible under the terms of a health plan. Common forms of cost-sharing include deductibles, coinsurance and copayments. Balance billing charges from out-of-network physicians are not considered cost-sharing.

Credit scoring – Insurers commonly review the credit history of consumers to produce an insurance score that is used in underwriting and rating insurance policies.

Educate

Deductible – The amount you owe out-of-pocket before your insurance begins to pay. For example, if your deductible for health insurance is \$1000, your plan won't pay anything until you've met your \$1000 deductible for covered health care services subject to the deductible. The deductible may not apply to all services.

Domestic insurance company – A company incorporated in Kansas.

Employee Retirement Income Security Act of 1974 (ERISA)

– A comprehensive and complex statute that federalizes the law of employee benefits. ERISA pre-empts state insurance law from regulating employer self-funded benefit plans. It also sets minimum standards for private health benefit plans and pensions. ERISA applies to most kinds of employee benefit plans, including plans covering health care benefits, which are called employee welfare benefit plans.

Errors and omissions coverage (E&O) – Insurance coverage agents and brokers can purchase to protect against negligent acts or omissions that may harm clients. E&O coverage is not required in Kansas.

Essential health benefits – A set of health care service categories that must be covered by certain plans starting in 2014. Policies must cover these benefits in order to be certified and offered in the Health Insurance Marketplace. See *KID's Health Insurance in Kansas* book for more information on essential health benefits.

Excess lines – Property and casualty coverage that — because of the nature of the risk — isn't readily available in the standard marketplace (from an admitted carrier). Also called *nonadmitted*, *substandard* or *surplus lines*.

Educate

Excluded services - Health care services that your health insurance or plan doesn't pay for or cover.

External review - The review of a health plan's determination that a requested or provided health care service or treatment is not or was not medically necessary. This review is conducted by a person or entity with no affiliation or connection to the health plan.

Flex rating – Flex rating bands allow property and casualty companies to raise or lower rates within a band (in Kansas, the band is 12%) without approval from the insurance department. This is included as law in Kansas statutes.

Guaranteed renewability - A requirement that health insurers renew coverage under a health plan except in cases of failure to pay premium or fraud.

Guaranteed replacement cost coverage – A homeowners insurance policy that pays to replace or repair a home even if the cost exceeds the policy limit.

Health Insurance Marketplace – An online market where individuals, families, and small businesses can learn about their health coverage options, compare health insurance plans based on costs, benefits and other important features, choose a plan, and enroll in coverage.

Health Insurance Portability and Accountability Act (HIPAA) – The federal law enacted in 1996 which eased the “job lock” problem by making it easier for individuals to move from job-to-job without the risk of being unable to obtain health insurance or having to wait for coverage due to pre-existing medical conditions.

Health maintenance organization (HMO) – A type of managed care organization (health plan) that provides health care cover-

Educate

age through a network of hospitals, doctors and other health care providers. Typically, the HMO only pays for care that is provided from an in-network provider. See also *Point of service plan* on page 25 and *Preferred provider organization* on page 25.

Health savings account (HSA) – The Medicare bill signed by President George W. Bush on Dec. 8, 2003 created HSAs. Individuals covered by a qualified high deductible health plan (HDHP) (and have no other first dollar coverage) are able to open an HSA on a tax preferred basis to save for future qualified medical and retiree health expenses.

In-network provider – A health care provider (such as a hospital or doctor) that is contracted to be part of the network for a managed care organization (such as an HMO or PPO). The provider agrees to the managed care organization's rules and fee schedules in order to be part of the network and agrees not to balance bill patients for amounts beyond the agreed upon fee.

Individual mandate – A requirement that everyone maintain health insurance coverage. The Affordable Care Act requires that everyone who can purchase health insurance for less than 8% of their household income do so or pay a tax penalty.

Internal review – The review of the health plan's determination that a requested or provided health care service or treatment health care service is not or was not medically necessary by an individual(s) associated with the health plan.

KanCare – KanCare is the system of integrated care for Medicaid and Children's Health Insurance Program (formerly known as HealthWave). It provides health and long-term care coverage to low-income children and their parents, seniors and individuals with disabilities. Participants must meet income and resource regulations in order to qualify.

Educate

Life settlement – The sale of a life insurance policy to a third party for more than the policy’s cash surrender value but less than the death benefit. The third party becomes the new owner of the policy. While similar to *viatical settlements*, life settlements do not usually involve policies where the insured is chronically or terminally ill.

Limited benefit plans - A type of health plan that provides coverage for only certain specified health care services or treatments or provides coverage for health care services or treatments for a certain amount during a specified period. These types of policies don’t fulfill the individual mandate requirement outlined in the Affordable Care Act.

Major medical – Insurance that covers a much broader range of medical expenses than standard health insurance. It generally has higher individual benefits and policy maximum limits.

Marketplace plan – A health insurance plan sold on the Health Insurance Marketplace at www.healthcare.gov.

Medical loss ratio - The percentage of health insurance premiums that are spent by the insurance company on health care services.

Medicare supplement insurance – Medicare supplement insurance helps cover expenses that come with the gaps in Original Medicare, such as coinsurance, copayments and deductibles. Also sometimes called *Medigap*, Medicare supplement coverage is available only with Original Medicare.

Mortgage guarantee insurance – Coverage required by a lender in case the mortgage holder defaults on a loan. Also called *private mortgage insurance*.

Mortgage insurance – Term insurance that covers the life of the person taking out a mortgage to pay the mortgage if that person dies. The coverage amount decreases as the mortgage is paid off.

Educate

Mutual insurance company – A company that is owned by its policyholders, who receive dividends.

Network – The facilities, providers and suppliers your health insurer or plan has contracted with to provide health care services.

Non-preferred provider – A provider who doesn't have a contract with your health insurer or plan to provide services to you. You'll pay more to see a non-preferred provider. Check your policy to see if you can go to all providers who have contracted with your health insurance or plan, or if your health insurance or plan has a "tiered" network and you must pay extra to see some providers.

Open enrollment period - A specified period during which individuals may enroll in a health insurance plan each year. In certain situations, such as if one has had a birth, death or divorce in their family, individuals may be allowed to enroll in a plan outside of the open enrollment period.

Out-of-network provider - A health care provider (such as a hospital or doctor) that is not contracted to be part of a managed care organization's network (such as an HMO or PPO). Depending on the managed care organization's rules, an individual may not be covered at all or may be required to pay a higher portion of the total costs when he/she seeks care from an out-of-network provider.

Out-of-pocket limit – The most you pay during a policy period (usually a year) before your health insurance or plan begins to pay 100% of the allowed amount. This limit never includes your premium, balance billed charges or health care your health insurance or plan doesn't cover. Some health insurance or plans don't count all your copayments, deductibles, coinsurance payments, out-of-network payments or other expenses toward this limit.

Educate

Patient Protection and Affordable Care Act (PPACA) - Legislation (Public Law 111-148) signed by President Barack Obama on March 23, 2010. Commonly referred to as the “Affordable Care Act,” “ACA,” “the health reform law,” or “Obamacare.”

Point of service plan – A managed care plan that gives members the option of seeking care from a specialist without a referral from a primary-care physician. Such services are subject to a higher deductible and/or coinsurance. See also *Health maintenance organization* on page 21 and *Preferred provider organization* on page 25.

Preauthorization – A decision by your health insurer or plan that a health care service, treatment plan, prescription drug or durable medical equipment is medically necessary. Sometimes call *prior authorization, prior approval* or *precertification*. Your health insurance or plan may require preauthorization for certain services before you receive them, except in an emergency. Preauthorization isn't a promise your health insurance or plan will cover the cost.

Pre-existing condition – A condition for which a reasonably prudent person sought and received medical treatment prior to the effective date of a company's coverage.

Preferred provider organization (PPO) – A type of managed care organization (health plan) that provides health care coverage through a network of providers. Typically the PPO requires the policyholder to pay higher costs when they seek care from an out-of-network provider. See also *Health maintenance organization* on page 21 and *Point of service plan* on page 25.

Premium – The amount that must be paid for your insurance or plan. You (and/or your employer, in the case of health insurance) usually pay it monthly, quarterly or yearly.

Premium tax – A state tax on consumer premiums, collected by insurance companies and deposited in the state's general fund, where it is appropriated by the legislature.

Educate

Preventive benefits - Covered services that are intended to prevent disease or to identify disease while it is more easily treatable.

Provider network – The group of doctors and specialists with which an insurance company contracts. The copayment to see a network provider is generally less than to see an out-of-network provider.

Qualified health plan – Under the Affordable Care Act, starting in 2014, an insurance plan that is certified by the Health Insurance Marketplace, provides *essential health benefits*, follows established limits on *cost-sharing*, and meets other requirements.

Rate review - KID reviews premium rates set by insurance companies to make sure that they comply with insurance laws. This review is a safeguard to make sure that the company will be able to pay all necessary claims to its policyholders.

Rescission - The process of voiding an insurance plan from its inception based on the grounds of fraud or intentional misrepresentation of a relevant fact.

Reserves – Money collected by companies from premiums and set aside to pay claims.

Risk-based capital – The need by insurance companies to maintain capital relative to the risk of the types of insurance they sell. Higher risk types of insurance require higher amounts of capital.

Self-insured – An employer or organization with a self-insured policy assumes the responsibility of paying all claims for its employees' or members' policies. In some situations, an insurance company may serve as the third-party administrator for self-insured plans.

Educate

Solvency – The ability of an insurance company to meet all of its financial obligations. State insurance regulators carefully monitor the solvency of all insurance companies and require corrective action if a company's financial situation becomes hazardous. In extreme circumstances, a state may seize control of a company that is in danger of not meeting its financial obligations.

Third-party administrator – An insurance company or business that processes claims or provides other services for self-insured plans or insurance companies.

Underwriting - The process insurance companies go through to determine how much a person's premium will be when purchasing insurance.

Waiting period - A period of time that an individual must wait after submitting an application for a health insurance plan before coverage becomes effective and claims may be paid. Premiums are not collected during this period. Oftentimes a waiting period occurs after an individual becomes employed.

Advocate

Consumer assistance

Since 2003, KID's consumer assistance representatives have recovered more than \$111 million for consumers over and above what companies had offered in claims payments.

Consumers with questions or concerns are encouraged to call the Consumer Assistance Hotline. See also *Filing a complaint* below.

Consumer Assistance Hotline: 800-432-2484

Filing a complaint

If consumers have tried unsuccessfully to resolve a claim dispute with their company or agent, we encourage them to contact KID. Often companies resolve the matter after our department intervenes.

Consumers may file a complaint online through the KID website, but we recommend they also call because we may be able to provide immediate assistance.

If a consumer does need to file a formal written complaint, we require the following information:

- Name.
- Address.
- Daytime telephone number.
- The name of the insurance company, agent or adjuster.
- The type of insurance involved (automobile, homeowners, health, life, etc.).
- The policy number.
- A clear, concise written explanation of the complaint — this can be sent by mail or filed through our website.
- Copies of supporting letters, police reports, notes, etc.
- An explanation of what has been done, including who spoke with the consumer and what they were told (names, dates, times, places, etc.).

Advocate

Consumers shouldn't send original records, and they should keep a copy of the letter sent to KID.

Upon receipt of a complaint, KID will investigate and provide updates as they occur. A consumer filing a complaint will receive a letter from the assigned consumer assistance representative, and the representative will contact the insurance company on the consumer's behalf. **KID representatives must have written complaints in order to assist.**

Financial ratings

Financial stability helps ensure a company can pay its claims. KID enforces statutory requirements and monitors the financial solvency of companies licensed and operating in the state. Rating agencies consider company earnings, capital adequacy, operating leverage, liquidity, investment performance, reinsurance programs and management ability, integrity and experience.

You can check an insurance company's financial rating by contacting one of these ratings organizations: A.M. Best Co., Fitch Inc., Moody's Investors Service, Standard & Poor's Insurance Rating services.

Legislative presence

KID introduces bills each legislative session to further strengthen, clarify or bring into compliance existing statutes for legislative consideration. KID participates in the legislative process to explain and clarify how proposed bills would affect Kansas consumers. The agency advocates on behalf of some bills and against others. As part of KID's presence at the Statehouse, the agency also works to educate lawmakers about insurance issues.

For more information: Call 785-296-7803

Advocate

Long-term care Partnership

Individuals who need long-term care, but do not have long-term care insurance, often must rely on Medicaid to fund their long-term care. However, before becoming eligible for Medicaid, the individual must spend down all but \$2,000 of their assets. The Kansas Partnership for Long-Term Care is a program that provides insurance consumers protection from having to spend their assets. Each dollar that a long-term care Partnership policy pays out in benefits entitles the consumer to keep a dollar of assets after being eligible to apply for Medicaid services. Partnership-qualified policies must be tax qualified, contain certain consumer protection provisions and provide inflation protection. About 20 companies have Partnership endorsements approved in Kansas.

Online: www.ksinsurance.org/ltc



We're here to help!

If you have any questions or concerns about an insurance company or product in Kansas, call our Consumer Assistance Hotline:

800-432-2484

Kansas Insurance Department
Sandy Praeger, Commissioner
420 S.W. 9th St.

Topeka, KS 66612-1603

Phone: 785-296-3071

Fax: 785-296-7805

commissioner@ksinsurance.org

www.ksinsurance.org

www.facebook.com/kansasinsurancedepartment

TTY/TDD: 877-235-3151

Office hours: 8 a.m. to 5 p.m. weekdays

Kansas Insurance Department

Contact us

Consumer Assistance Hotline: 800-432-2484

Email: commissioner@ksinsurance.org

Website: www.ksinsurance.org

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Commissioner of Insurance

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