Approved: Feb. 7, 1994
Date

MINUTES OF THE HOUSE COMMITTEE ON FINANCIAL INSTITUTIONS AND INSURANCE.

The meeting was called to order by Chairperson William Bryant at 3:30 p.m. on February 1, 1994 in Room 527-S of the Capitol.

All members were present except: Representative Darlene Cornfield, Excused
Representative George Teagarden, Excused

Committee staff present: William Wolff, Legislative Research Department
Bruce Kinzie, Revisor of Statutes
Nikki Feuerborn, Committee Secretary

Conferees appearing before the committee: William Sneed, State Farm
Dick Brock, Insurance Department
Brad Smoot, AIA
Larry Magill, KAIA

Others attending: See attached list

William Sneed, representing State Farm Insurance, requested the introduction of legislation which would amend HB 2626 regarding uninsured/underinsured motorists (Attachment 1). This proposal would disallow coverage by the insurer of vehicles not described in the policy under which the claim is made or is not a newly acquired or replacement motor vehicle.

Representative Dawson requested the introduction of this proposal into legislation. The motion was seconded by Representative Correll. Motion carried.

HEARING ON HB 2638: Property and casualty insurance, discontinuing certain business, notice

Dick Brock of the Insurance Department explained the proposed amendment which would authorize the Commissioner of Insurance to adopt a regulation extending the 60 day notice period now required up to 120 days before an insurance company can cease writing or renewing a kind or class of property or casualty insurance (Attachment 2). This would be a temporary regulation as insurance companies usually receive notification about 180 days before they are to stop writing certain types of business.

Brad Smoot, AIA, requested that the Commissioner's authority in this area be expanded to only an additional 60 days rather than the 120 day period (Attachment 3).

HEARING ON HB 2692: Licensing requirements for insurance agents and brokers

Larry Magill, KAIA, stated that this bill would allow up to three hours of the required 12 hours of property-casualty continuing education and up to three hours of the required 12 hours of life and health continuing education to be in agency management courses every two years (Attachment 4). It would also allow nonresident broker license applicants to use professional designation courses to meet the 15 hours of business courses required to obtain a brokers license.

Dick Brock stated the support of this bill by the Insurance Department.

The meeting adjourned at 4:15 p.m. The next meeting will be held on February 2, 1994.

Unless specifically noted, the individual remarks recorded herein have not been transcribed verbatim. Individual remarks as reported herein have not been submitted to the individuals appearing before the committee for editing or corrections.

GUEST LIST

COMMITTEE: ______________________ DATE: 1 Feb 94

NAME (PLEASE PRINT)	ADDRESS	COMPANY/ORGANIZATIO
Danielle Noe	Topeka	State Farm
Bill Sneed	Topeka	State Farm
Lee WRIGHT	Overland Park	Farmers Ins Group
Rick Wilborn	McPherson	Alliance Ins Co's
Dick Brock	Topeka	Ins Dept

(e) Any insurer may provide for the exclusion or limitation of coverage:

(1) When the insured is occupying or struck by a motor vehicle ~~an uninsured automobile or trailer~~ owned by or provided for the insured's regular use if such motor vehicle is not described in the policy under which the claim is made or is not a newly acquired or replacement motor vehicle covered under the terms of the policy under which the claim is made;

(2) when the uninsured automobile is owned by a self-insurer or any governmental entity;

(3) when there is no evidence of physical contact with the uninsured motor vehicle and when there is no reliable competent evidence to prove the facts of the accident from a disinterested witness not making claim under the policy;

(4) to the extent that workers' compensation benefits apply;

(5) when suit is filed against the uninsured motorist without notice to the insurance carrier; and

(6) to the extent that personal injury protection benefits apply.

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Attachment 1
Feb. 1, 1994

Law Review and Bar Journal References:
"Kansas Automobile Insurance: Current Issues and Problems," John J. Knoll, 29 W.L.J. 600, 611 (1990).

40-277.

Cross References to Related Sections:
Limitation on consideration of alcohol or drug test refusal or failure, see 8-1013.

Research and Practice Aids:
Insurance ⇨ 228(1).
C.J.S. Insurance § 446.

Law Review and Bar Journal References:
"Kansas Automobile Insurance: Current Issues and Problems," John J. Knoll, 29 W.L.J. 600, 609 (1990).

Attorney General's Opinions:
Suspension of driving privileges for DUI; certain violations not public records; liability insurance. 88-100.

40-284. Uninsured motorist coverage and underinsured motorist coverage; rejection; antistacking provision; exclusions or limitations of coverage; subrogation rights of underinsured motorist coverage insurer. (a) No automobile liability insurance policy covering liability arising out of the ownership, maintenance, or use of any motor vehicle shall be delivered or issued for delivery in this state with respect to any motor vehicle registered or principally garaged in this state, unless the policy contains or has endorsed thereon, a provision with coverage limits equal to the limits of liability coverage for bodily injury or death in such automobile liability insurance policy sold to the named insured for payment of part or all sums which the insured or the insured's legal representative shall be legally entitled to recover as damages from the uninsured owner or operator of a motor vehicle because of bodily injury, sickness or disease, including death, resulting therefrom, sustained by the insured, caused by accident and arising out of ownership, maintenance or use of such motor vehicle, or providing for such payment irrespective of legal liability of the insured or any other person or organization. No insurer shall be required to offer, provide or make available coverage conforming to this section in connection with any excess policy, umbrella policy or any other policy which does not provide primary motor vehicle insurance for liabilities arising out of the ownership, maintenance, operation or use of a specifically insured motor vehicle.

(b) Any uninsured motorist coverage shall include an underinsured motorist provision which enables the insured or the insured's legal representative to recover from the insurer the amount of damages for bodily injury or death to which the insured is legally entitled from the owner or operator of another motor vehicle with coverage limits equal to the limits of liability provided by such uninsured motorist coverage to the extent such coverage exceeds the limits of the bodily injury coverage carried by the owner or operator of the other motor vehicle.

(c) The insured named in the policy shall have the right to reject, in writing, the uninsured motorist coverage required by subsections (a) and (b) which is in excess of the limits for bodily injury or death set forth in K.S.A. 40-3107 and amendments thereto. A rejection by an insured named in the policy of the uninsured motorist coverage shall be a rejection on behalf of all parties insured by the policy. Unless the insured named in the policy requests such coverage in writing, such coverage need not be provided in any subsequent policy issued by the same insurer for motor vehicles owned by the named insured, including, but not limited to, supplemental, renewal, reinstated, transferred or substitute policies where the named insured had rejected the coverage in connection with a policy previously issued to the insured by the same insurer.

(d) Coverage under the policy shall be limited to the extent that the total limits available cannot exceed the highest limits of any single applicable policy, regardless of the number of policies involved, persons covered, claims made, vehicles or premiums shown on the policy or premiums paid or vehicles involved in an accident.

(e) Any insurer may provide for the exclusion or limitation of coverage:

(1) When the insured is occupying or struck by an uninsured automobile or trailer owned or provided for the insured's regular use;

(2) when the uninsured automobile is owned by a self-insurer or any governmental entity;

(3) when there is no evidence of physical contact with the uninsured motor vehicle and when there is no reliable competent evidence to prove the facts of the accident from a disinterested witness not making claim under the policy;

(4) to the extent that workers' compensation benefits apply;

(5) when suit is filed against the uninsured motorist without notice to the insurance carrier; and

1-2

Testimony on

House Bill No. 2638

by

Dick Brock

Kansas Insurance Department

House Bill No. 2638 would amend K.S.A. 40-2,123 by authorizing the Commissioner of Insurance to adopt a regulation extending the 60 day notice period now required before an insurance company can cease writing or renewing a kind or class of property or casualty insurance.

With the recent and repeated catastrophic losses incurred by many property and casualty insurers, there have been a number of companies that have stopped writing certain lines of insurance in the state. This includes homeowners and private passenger automobile insurance. Under K.S.A. 40-2,123, carriers are required to provide the Commissioner of Insurance 60 days advance notice before discontinuing the writing or renewal of one or more kinds of property or casualty insurance. However, with the uncertain market conditions created by the storms over the past several years, 60 days simply has not provided consumers or agents an adequate amount of time to locate replacement coverage. By authorizing the Commissioner to adopt a regulation to extend the notification period up to an additional 120 days, House Bill No. 2638 would give insurance consumers and agents up to a total of six months to locate a new market when notified that the existing insurer will no longer be providing a particular line of insurance.

House FI&I
Attachment 2
Feb. 1, 1994

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ATTORNEY AT LAW

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STATEMENT OF BRAD SMOOT, LEGISLATIVE COUNSEL FOR THE AMERICAN INSURANCE ASSOCIATION,

PRESENTED TO THE KANSAS HOUSE FINANCIAL INSTITUTIONS AND INSURANCE COMMITTEE REGARDING 1994 HOUSE BILL 2638, FEBRUARY 1, 1994.

Mr. Chairman and Members of the Committee:

I am Brad Smoot, Legislative Counsel for the American Insurance Association (AIA), a trade association representing more than 200 companies providing a variety of insurance products to Kansans and across the nation.

We appreciate the opportunity to comment on H2638, a measure which would increase the time requirements for the giving of notice by a carrier planning to withdraw from Kansas property and casualty market from the current 60 days up to 180 days. While we applaud the Kansas Insurance Department's interest in stabilizing markets by slowing withdrawals, we believe that the additional authority might be more than is actually necessary.

It is my understanding that Kansas law, if amended as proposed here, might be one of the longest notice periods in the fifty states. May we suggest that if the Committee wishes to expand the Commissioner's authority in this area that it merely permit an additional 60 days.

I would be pleased to respond to any questions the committee might have.

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Attachment 3
Feb 1, 1994

Testimony on HB 2692
Before the House Financial Institutions and Insurance Committee
By: Larry W. Magill, Jr., Executive Vice President
Kansas Association of Insurance Agents
February 1, 1994

Thank you, Mr. Chairman, and members of the committee for the opportunity to appear today in support of HB 2692, a measure we asked this committee to introduce. The bill seeks to accomplish two things: 1) It would allow up to three hours of the required 12 hours of property-casualty continuing education and up to three hours of the required 12 hours of life and health continuing education to be in agency management courses every two years and; 2) It allows nonresident broker license applicants to use professional designation courses to meet the 15 hours of business courses required to obtain a brokers license.

Independent agents are in a struggle for survival. Insurance companies have been steadily and significantly reducing commissions as long as I have been in or around the business - over 20 years. Companies are continually increasing the premium volume required to obtain and keep an insurance company contract. Sophisticated and expensive computer systems are becoming a requirement along with fax machines and laptops. Insurance pricing has been "soft" since the late 80's with little increases in premium written from one year to the next. All of this is putting tremendous pressure on agencies to manage themselves better to stay in business.

While the principal goal of continuing education is to improve the technical knowledge of agents to benefit and protect consumers, good customer service from a well-managed and efficient agency also benefits

House FI&I
Attachment 4
Feb 1, 1994

consumers. If rural agents can't survive, consumers may lose the last option to purchase insurance locally. At the very least, consumer options are fewer with less competition in the marketplace. We believe a well managed agency offers the consumer better service, local options and ultimately more competitive choices.

At least ten states currently authorize continuing education for insurance agency management courses: Colorado, Delaware, Georgia, Idaho, Kentucky, Louisiana, Oregon, Tennessee, Utah and West Virginia. It may be more since the continuing education summary we used wasn't that clear on what a number of states would approve.

Attached is an editorial from one of our industry's leading agent newsletters with over 3,000 member subscribers countrywide decrying the lack of budget dollars for agency management education. Since most agencies in Kansas license virtually all people in their offices, agent continuing education expenses are considerably higher than before mandatory continuing education. In this age of shrinking bottom lines for agencies, they cannot afford the cost or time to also attend agency management courses.

HB 2692 will give them the flexibility of obtaining up to one-fourth of their hours needed for a property-casualty or life and health license in management courses. It doesn't require it. We feel certain it will be somewhat self-regulating. The younger, newer people in the business will pick up their continuing education in professional designation or other technical courses they need to be effective selling and servicing customers, while the older, more experienced agency principals will likely opt for some management courses.

The second change we propose merely treats nonresident agents the same as residents who apply for brokers licenses. In 1991 with our support, the Insurance Department changed the post-licensure education requirement for resident brokers to allow life/health or property/casualty insurance courses provided through an accredited college, university or community college; or professional designation courses determined equivalent by the Commissioner. Prior to that, a person had to obtain 15 credit hours of business or accounting courses within five years from the date they obtained their resident brokers license.

Apparently through an oversight, the Department did not suggest a similar change in the nonresident broker education requirement contained in 40-3706. That statute only allows use of 15 credit hours of business or accounting courses. Our proposed change would allow the Insurance Department to give credit for equivalent professional designation courses to meet the 15 hour requirement for nonresident broker applicants. Although the language is slightly different, this will essentially treat nonresidents on an equal basis with residents who apply for brokers licenses.

We supported the original change in 1991 because we felt that professional designation courses that taught technical insurance knowledge were more relevant for a brokers license than college business and accounting courses.

We urge the committee to act favorably on HB 2692. We would be happy to answer questions or provide any additional information the committee desires.

'MS' Twenty-Second Year • Independent In Everything • Neutral In Nothing

November 29, 1993

WEEKLY MARKETEER

INSURANCE MARKETING & MANAGEMENT SERVICES

TWO CHEERS FOR CONTINUING ED

A lot can be said for continuing-education requirements. They spur your staff to develop the professionalism essential for quality service, encouraging your best people to become even better. They weed out the part-timers, the also-rans, the ribbon clerks, and the "I'm working for the agency so insure my family" types. *Unfortunately, meeting C.E. requirements can leave agents and brokers worse off than when they started — and too often does.*

Come Again?

Every agency or brokerage has a finite amount of resources (money, time, and effort) to invest in developing the skills of its staff. You have only so many educational dollars in your budget. In most cases, most of these funds flow to C.E. courses. The result: The management training that's every bit as essential to your business' growth tends to fall by the wayside. Product knowledge and professional expertise are all well and good — but by and large, they won't help you or your staff manage one whit more effectively.

Room At The Top — For Improvement

The establishment of C.E. requirements began the death knell for management seminars. Agents just weren't willing to invest their education dollars in building managerial skills. That's unfortunate, especially in this era of slashed budgets, soft markets, tightening regulations, and stiff competition. The industry needs highly-skilled, creative management now more than ever. Even the best-trained employees in the world need guidance; they're like superbly trained dancers waiting for someone to choreograph them into a meaningful dance.

Do Yourself A Favor

Let your state or provincial regulator know that learning the fundamentals of management is every bit as important as mastering the intricacies of the latest Homeowners form. Until C.E. credits are awarded for studying techniques essential to running an agency or brokerage, management education (indeed, management in general) will continue to languish. The only other hope is that agents, brokers, and companies will begin to appreciate the advantages of considering long-term management training in their short-term planning — and become willing to invest in a major effort to educate their managers. Cross your fingers, but don't hold your breath.

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