

MINUTES OF THE SENATE FINANCIAL INSTITUTIONS & INSURANCE COMMITTEE

The meeting was called to order by Chairman Ruth Teichman at 9:30 am. on February 9, 2011, in Room 152-S of the Capitol.

All members were present.

Committee staff present:

Ken Wilke, Office of the Revisor of Statutes
Melissa Calderwood, Kansas Legislative Research Department
Heather O'Hara, Kansas Legislative Research Department
Beverly Beam, Committee Assistant

Conferees appearing before the Committee:

Maury Loridon, President, NAIFA Kansas
Bob Shields, President, Professional Insurance Agents
LeRoy Brungardt, PIA
Kevin David, Kansas Insurance Jdept.
Bill Sneed, State Farm Ins.
Rep. Vigil Peck
David Monaghan, American Family Insurance (Written only)

Others attending:
See attached list.

Chairman Teichman welcomed everyone to the meeting.

Hearing on

SB 71 - Increasing continuing education requirements for insurance agents.

Ken Wilke gave an overview of **SB 71**. Mr. Wilke said this bill deals with continuing education credits for insurance agents. He stated that the Kansas Insurance Department indicates that passage of **SB 71** would have a fiscal effect on its operations. He said the Insurance Department states that the bill would simplify administrative tasks in both agent continuing education and in license renewal; however, programming changes would be required in three computer systems used for agent continuing education, license administration and renewal. Mr. Wilke went line for line stating the various changes to be made.

LeRoy Brungardt, Professional Insurance Agents, testified in support of **SB 71**. He stated that this bill is being proposed to bring the state of Kansas into compliance with the CE uniform standard adopted by the NAIC. He said the history of these standards began with the passage of the Gramm, Leach, Bliley Act of November, 1999 to satisfy a NARAB requirement that stated if at least 26 insurance jurisdictions weren't certified as being compliant with the initial requirements of the Act by November, 2001, the Federal Government would take over the licensing function of agents in the State Insurance Departments. He said Kansas was one of the 32 states certified at that time in meeting the original requirements. Kansas adopted the Agents Licensing Model Act effective July 1, 2001. Continuing, he said not long after this, during the NAIC regular meetings, it became obvious to the leadership of the Producer Licensing Working Group that in spite of staving off the NARAB threat, there would have to be more effort made by the states to become more streamlined, efficient and Uniform in the overall functioning of insurance agent licensing. (Attachment 1)

Bob Shields, President, Kansas Association of Professional Insurance Agents, testified in support of **SB 71** stating that PIA supports the existing system of State based insurance regulation and opposes preemption by a Federal insurance regulator, whether optional or mandatory. Mr. Shields said PIA believes to ask Kansas federal legislators to oppose federal insurance regulation we must take action on the state level to bring Kansas into compliance with uniform producer licensing. He noted that 33 of 52 jurisdictions in the United States are already in compliance with these standards. (Attachment 2)

CONTINUATION SHEET

Minutes of the Senate Judiciary Committee at 9:30 a.m. on February 9, 2011 in Room 548-S of the Capitol.

Maury Loridon, NAIFA Kansas President, testified in support of **SB 71**. He stated that because of the professional ethics goals, NAIFA Kansas supports the efforts to increase the hours of required continuing education from 12 hours to 24 hours every two years, including three hours of ethics. He noted that in today's competitive marketplace with heightened consumer awareness and expanded product offerings, NAIFA Kansas members need to be up to date and well informed. He said this bill would not only enhance the knowledge of NAIFA Kansas members, but would also bring Kansas into compliance with the Uniform Licensing Standards established by the National Association of Insurance Commissioners as provided for in the Gramm-Leach-Bliley act passed by Congress. (Attachment 3)

Bill Sneed, representing State Farm Insurance, testified in opposition to **SB 71**. Mr. Sneed stated that this issue has been studied by the Legislature numerous times. He noted that in 2007, **SB 113** was introduced, and in 2008 **SB 440** an identical bill, was also introduced. Both bills had hearings, he said, and during the debate on **SB 113**, the original **SB 113** was substantially amended to a form very similar to that you see in **SB 71**. He added that the proposal in **SB 71** states that anyone holding a license, be it multi-line or single line, must maintain twenty-four hours of continuing education, so for those agents who carry multi-line licenses **SB 71** would create very little effect. (Attachment 4)

Representative Virgil Peck, Jr., testified in opposition to **SB 71**. Rep. Peck stated that he has been a fulltime licensed life and health agent since 1979. He said if **SB 71** were to become law, it would require him to take an additional 12 hours of continuing education every two years and therefore double the number of CE hours he is required to take. He said **SB 71** will not improve Kansas insurance agents, will not benefit the state and will not benefit or protect Kansas citizens. He said it would only provide more money to those who conduct the CE course, many of which are out of state companies. (Attachment 5)

Testimony of David Monaghan, Government Affairs Counsel, American Family Insurance. (Attachment 6- written only)

Action on

SB 65 - Health insurance; internal and external review of health care decisions.

Senator Longbine moved to pass SB 65 out favorably. Senator Taddiken seconded. Motion passed

The next meeting is scheduled for February 10, 2011.

The meeting was adjourned at 10:30 am.

SENATE FINANCIAL INSTITUTIONS & INS. COMMITTEE GUEST LIST

DATE: 2-9-11

[illegible]



Local
Agents
Serving
Main Street
America

To : Members of Senate Financial Institutions and Insurance Committee
From : LeRoy Brungardt – Professional Insurance Agents
Re : SB 71 – Proposal to increase Continuing Education hours for Insurance Agents

Senator Teichman and Members of the committee

This bill is being proposed to bring the state of Kansas into compliance with the CE uniform standard adopted by the NAIC. The history of these standards began with the passage of the Gramm, Leach, Bliley Act of Nov, 1999 to satisfy a NARAB requirement that stated if at least 26 insurance jurisdictions weren't certified as being compliant with the initial requirements of the Act by Nov, 2001, the Federal Government would take over the licensing function of agents in the State Insurance Departments.

Kansas was one of the 32 states certified at that time in meeting the original requirements. Kansas adopted the Agents Licensing Model Act effective July 1, 2001. Ken Wilke was instrumental in drafting that Bill and it is currently KSA-4900 et al in our statutes.

Very soon after this, during the NAIC regular meetings it became obvious to the leadership of the Producer Licensing Working Group that in spite of staving off the NARAB threat, there would have to be more efforts made by the states to become more streamlined, efficient, and UNIFORM in the overall functioning of insurance agent licensing. Even by making the licensing easier, the industry still stated that there were too many states not doing enough in the uniformity area. The leadership of that subgroup, of which I was an active participant at that time, adopted 39 uniform standards for states to attain in order to be compliant. This was in Nov, 2008.

The uniform standard for CE is 24 hours of CE, three of which must be ethics, every two years. The purpose of SB 71 is to achieve this standard.

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*FII Committee
2-9-11
Attachment 1*



Date: February 9, 2011
To: Senate Financial Institution and Insurance Committee
From: Bob R. Shields, President
Kansas Association of Professional Insurance Agents
Re: Support of SB 71 – Proposal to increase Insurance Agents
Continuing Education hours

The Kansas Association of Professional Insurance Agents supports the existing system of State based insurance regulation and opposes preemption by a Federal insurance regulator, whether optional or mandatory.

PIA has been working with the National Association of Insurance Commissioners (NAIC) and the National Conference of Insurance Legislators (NCOIL) to improve the process insurance agents must go through to obtain a resident license and a non-resident license. Our goals are uniformity and reciprocity among the states.

Addressing the lack of uniformity in the licensing system is a critical issue for not only our members, but all Main Street Agents. In today's marketplace, many agencies are increasingly operating in multiple jurisdictions. The lack of uniformity in the licensing process is costly and time-consuming for agents. Further, the often confusing and disparate procedures mean increased chances of inadvertent violations.

This issue is just as important for agencies that operate within one state. Proponents of federal insurance regulation point to the inefficient state licensing system as evidence that the states simply can not get their act together and therefore a federal takeover is required.

I have found that our federal legislators agreed that Kansas does a good job with insurance regulation and that it would not benefit Kansans to move regulation from Topeka to Washington DC.

PIA believes for us to ask our Kansas federal legislators to oppose federal insurance regulation we must take action on the state level to bring Kansas into compliance with uniform producer licensing. 33 of 52 jurisdictions in the United States are already in compliance with these standards.

PIA believes a federal insurance regulatory system replacing our Kansas insurance regulatory system would be a disaster for all of us. It would have a particularly devastating effect on the smaller agencies in the State that would be driven from the marketplace by large corporations operating with a single national license. Consumers and policyholders that can have a conversation directly with a regulator in their home State would find it impossible under a Federal system.

PIA supports the uniform standard that will be achieved by SB-71.

Thank you for the opportunity to submit testimony.

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FI&I Committee
2-9-11
Attachment 2



**NATIONAL ASSOCIATION OF
INSURANCE AND FINANCIAL ADVISORS OF KANSAS**

**Testimony of Maury Loridon, CLU, ChFC, RHU,
NAIFA Kansas, in Support of Senate Bill 71
Before the Senate Financial Institutions and Insurance Committee
February 9, 2011**

Madame Chairman and Committee Members, thank you for the opportunity to provide testimony today on behalf of the members of NAIFA Kansas in support of SB71. I am Maury Loridon from Overland Park, and serve as the NAIFA Kansas President. Our membership consists of 800 Kansans who are actively engaged as life, health, property and casualty insurance agents and financial advisors.

NAIFA Kansas members are engaged in offering insurance and other related financial services and occupy the unique position of liaison between the purchasers and the suppliers of insurance and closely related financial products. Inherent in this role is the combination of professional duty to the client and to the insurance company as well. And ethical balance is required to avoid any conflict between these two obligations.

Part of the NAIFA Kansas code of ethics is to adhere to professional standards of conduct in helping clients to protect insurable obligations and attain their financial security objectives; to present accurately and honestly all facts essential to clients decisions; to perfect skills and increase knowledge through continuing education; to conduct business in such a way that that their example might help raise the professional standards of those in the profession; and to keep informed with respect to applicable laws and regulations and to observe them in the practice of their profession.

Because of the professional ethics goals, NAIFA Kansas supports the efforts to increase the hours of required continuing education from 12 hours to 24 hours every two years, including 3 hours of ethics. In today's competitive marketplace with heightened consumer awareness and expanded product offerings, NAIFA Kansas members need to be up to date and well informed.

And NAIFA Kansas offers many opportunities for their members to easily get their continuing education requirements through online services and seminars, so the 24 hours should not be a burden on the insurance professional.

This bill would not only enhance the knowledge of NAIFA Kansas members, but would also bring Kansas into compliance with the Uniform Licensing Standards established by the National Association of Insurance Commissioners as provided for in the Gramm-Leach-Bliley Act passed by Congress.

Thank you for your consideration.

Maury Loridon, CLU, ChFC, RHU
NAIFA Kansas President
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785-354-7770

*FI&I Committee
2-9-11
Attachment 3*

TO: The Honorable Ruth Teichman, Chair
Senate Financial Institutions and Insurance Committee

FROM: William W. Sneed, Legislative Counsel
The State Farm Insurance Companies

SUBJECT: S.B. 71

DATE: February 9, 2011

Madame Chair, Members of the Committee: My name is Bill Sneed and I am Legislative Counsel for the State Farm Insurance Companies. State Farm is the largest insurer of homes and automobiles in Kansas. State Farm insures one out of every three cars and one out of every four homes in the United States. Please accept this testimony as my client's opposition to S.B. 71.

To begin, I believe it is critical that the Committee understand that my client is committed to its agents having the most current knowledge and up-to-the-minute information regarding the selling and servicing of insurance products. Thus, my client's opposition to S.B. 71 is not an opposition to continuing education; it is, however, an opposition to the applicability that S.B. 71 creates if it were enacted into law.

Further, this issue has been studied by the Legislature numerous times. In 2007, S.B. 113 was introduced, and in 2008, S.B. 444, an identical bill, was also introduced. Both bills had hearings. During the debate on S.B. 113, the original S.B. 113 was substantially amended to a form very similar to that you see in S.B. 71. At the time the bill was worked in the Senate, my client, in working with the various agents' associations, withdrew its opposition with the understanding that the bill would go to the House, and that our issue with this particular bill would be looked at, and hopefully compromised, by the time the bill was heard in the House. The bill was rejected by the House, and thus, the issues raised by State Farm were never fully articulated and the bill was not worked by the Kansas Legislature.

Under current law, an individual holding only a property and casualty license is required to maintain, on a biannual basis, a minimum of twelve hours of continuing education. Of those twelve, at least one hour of instruction must be in insurance ethics. Further, if an agent is licensed only for a life, accident, health or variable contract, they, too, are only required to maintain on a biannual basis twelve hours of continuing education. The proposal in S.B. 71 states that anyone holding a license, be it multi-line or single line, must maintain twenty-four hours of continuing education. Thus, for those agents who carry multi-line licenses (which most State Farm agents carry), S.B. 71 would create very little affect. The issue deals directly with the staff of those agents and how S.B. 71 would affect them.

Kansas law states that the Commissioner of Insurance shall have regulation over anyone or anything whose actions constitute "transacting the business of insurance." This statutory

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*FI, I Committee
2-9-11
Attachment 4*

The Honorable Ruth Teichman, Chair
Senate Financial Institutions and Insurance Committee
February 9, 2011
Page 2

phrase has been broadly interpreted by all insurance commissioners since the 1950's. During the 1970's, issues arose as to whether office staff providing services for the agent would be required to maintain an insurance agent's license. With the broad interpretation of "transacting business" in effect, it was determined, and is considered good business practice, to have one's staff carry an agent's license so that there would never be a question on any action being taken outside the statutory realm of "transacting the business of insurance."

Thus, in most State Farm agencies, staff are licensed in order to avoid any potential violations. Most staff people retain a single line license because that individual will only work in a single line of insurance. For example, Clerk A handles the processing of life applications for the agent. That individual only procures a life license. The same would be true for Clerk B, who handles the applications for a homeowner's policy. That individual only carries only carries a single line property and casualty license. Thus, this bill has the fiscal effect of doubling the expenses of the insurance agencies, which all would agree are in essence small businesses. I am sure it goes without saying that in the current economic times, adding expenses to small businesses in Kansas is the last thing most legislators would like to see happen.

Further, there is an additional cost beyond just the payment of the licensing fee. These continuing education classes are expensive. Further, current law is not very conducive to in-house or company-sponsored continuing education classes. Thus, agents, and under S.B. 71, their employees, would be subject to increased time out of the office, and again, such down time has a fiscal effect on that small business.

As we have stated to the supporters of this type of legislation since 2007, if such a bill could be drafted to address the concerns dealing with office staff who retain single-line licenses and the ability to expand in-house and/or company-sponsored continuing education classes, we believe we could withdraw our objections to S.B. 71. However, until those major issues are addressed, we must oppose S.B. 71 and urge the Committee to not act favorably on this bill.

We appreciate the opportunity to present this testimony, and we will be happy to answer questions at the appropriate time.

Respectfully submitted,



William W. Sneed

WWS:kjb

STATE OF KANSAS

VIRGIL PECK, JR.

REPRESENTATIVE, DISTRICT 11

BOX 277

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COMMITTEE ASSIGNMENTS:

CHAIRMAN: TRANSPORTATION AND
PUBLIC SAFETY BUDGET

MEMBER: APPROPRIATIONS
COMMERCE & ECONOMIC
DEVELOPMENT
LEGISLATIVE POST AUDIT
JOINT CORRECTIONS &
JUVENILE JUSTICE OVERSIGHT

HOUSE OF REPRESENTATIVES

To: Financial Institutions and Insurance

From: Representative Virgil Peck, Jr.

Re: Testimony Opposing SB 71

February 9, 2011

Chairperson Teichman and Committee members, thank you for the opportunity to appear before you today in **opposition to SB 71**. I realize it is a little unusual for a House member to appear as an opponent on a Senate bill while the bill is still on the Senate side of the Capitol. However, I thought it a good idea, as Barney Fife would say, to "nip it in the bud".

To give you a little background on myself, I have been a fulltime licensed life and health agent since 1979 (I was 19 when I started) but only write life insurance.

If **SB 71** were to become law it would require me to take an additional 12 hours of continuing education (CE) every two years. The current requirement is 12 CE hours each biennium and is worthless. Therefore, **SB 71** would double the number of CE hours I'm required to take.

I want to spend a couple minutes and explain how most insurance agents meet the required CE hours. They leave their home/office and travel to a hotel meeting room. There the agents must spend at least 50 minutes of every hour "listening" to an instructor talk about "something". The topic does not have to be of interest or benefit to the agent and the agent isn't even required to listen to what is being said. Further, there is no written or oral exam required. There is also a financial loss to the agent. Many 12 hour courses cost \$100 - \$120 and the agent is also out the cost of a motel room and meals. All for little to no benefit to the agent.

In the interest of full disclosure, there are other methods of meeting the CE requirements, but few agents take that route.

To summarize, passage of **SB71** will not improve Kansas insurance agents, will not benefit the state and will not benefit or protect Kansas citizens. It would only provide more money to those who conduct the CE courses; and many are out of state companies.

*FI & I Committee
2-9-11
Attachment 5*

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David Monaghan, GPCU
Government Affairs Counsel

February 8, 2011

Senator Ruth Teichman
Kansas State Capitol
Room 236-E
300 SW 10th Street
Topeka, KS 66612

Re: American Family Insurance's position on Senate Bill 71

Dear Chairman Teichman and Members of the Senate Financial Institutions and Insurance Committee:

American Family Insurance insures approximately sixteen percent of the automobiles and homes in the state. We offer insurance products through some 210 appointed producers who reside throughout the state.

Senate Bill 71 increases the number of continuing education credits required to maintain a producer's license. While Senate Bill 71 will have little direct impact on American Family's appointed producers because such producers are required to maintain qualifications to sell property, casualty, life and health, Senate Bill 71 will have a significant impact on many licensed producers who work as customer services representatives for appointed producers.

American Family's appointed producers in Kansas employ some 367 licensed producers to work on their behalf. Two hundred and twenty of these 367 licensed producers handle only property/casualty or life/health matters and are not licensed to sell both property/casualty and life/health. Under current law, these licensed producers must obtain 12 hours of continuing education credit. Senate 71 would double the continuing education credit requirement for these licensed producers.

We support continuing education for producers. However, we believe continuing education requirements (including the number of credits needed) should be based on the scope the producer's qualifications.

We oppose Senate Bill 71 in its current form.

Sincerely,

A handwritten signature in dark ink, appearing to read "David A. Monaghan", written over a horizontal line.

David Monaghan

*FI&I Committee
2-9-11
Attachment 6*