

MINUTES OF THE FINANCIAL INSTITUTIONS & INSURANCE COMMITTEE

The meeting was called to order by Chairman Ruth Teichman at 9:30 a.m. on March 14, 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:

Kevin Davis, Kansas Insurance Department  
LeRoy Brungardt, Kansas Professional Insurance Agents

Others attending:

See attached list.

The Chair called the meeting to order.

Hearing on

**HB 2075 – Insurance Department Anti-fraud Program; extension of exception to open records act disclosure**

Melissa gave an overview of **HB 2075**. She said this bill was requested for introduction by the Kansas Insurance Department. She stated that under current law, any anti-fraud plan submitted to the Commissioner of Insurance is confidential and is not considered a public record. She said this bill would extend the sunset provision contained in this statute from July 1, 2011 to July 1, 2016. She added that **HB 2075** could be implemented without additional cost to the agency since the requirements of the bill are current practice.

Kevin Davis, Kansas Insurance Department, testified in support of **HB 2075**. Mr. Davis stated that this statute authorizes the Insurance Department to continue to operate a provision of their anti-fraud program. He said this program allows the Department to receive information from an insurance company or individual who has knowledge or a good faith belief that insurance fraud is being committed to file such information with the Department. He said insurers are required to develop anti-fraud initiatives or file an anti-fraud plan with the Department. He continued that these initiatives or plans of the insurance companies are to be held confidential and not subject to public record. This is to keep these programs from disclosure to individuals attempting to defraud insurance companies. He noted that this bill is being introduced to extend the sunset provision of the anti-fraud program which will extend the expiration date of the law from July 1, 2011 to July 1, 2016. (Attachment 1)

The Chair closed the hearing on **HB 2075**.

Senator Steineger moved to gut **HB 2075** and insert the contents of substitute for **SB 206** in its place.  
Senator Schmidt seconded. Motion carried.

Ken Wilke, Revisor, noted a technical error on Page 28, Line 37 of the bill. It should read “next” instead of “net” to correct the error.

Action on

**SB 71 – Increasing continuing education requirements for insurance agents.**

LeRoy Brungardt, Professional Insurance Agents, testified in support of **SB 71**. He stated the bill consists of three items. (1) Increasing CE hours of agents to 24 hours, including three hours of ethics; (2) a Kansas Insurance Department amendment for a fingerprinting requirements and (3) a Kansas Insurance Department amendment to tighten up the limited lines license area. Mr. Brungardt said the bill was introduced to limit federal intervention amid an overwhelming distaste for additional federal intervention

## CONTINUATION SHEET

The minutes of the Financial Institutions & Insurance Committee at 9:30 a.m. on March 14, 2011, in Room 152-S of the Capitol.

in the current legislative climate. He said uniform standards that have been proposed and numerous states are adopting is for the purpose of retaining the state control that our local agents wish to maintain. Summarizing, Mr. Brungardt stated he is asking the Committee to support **SB 71**, not only to maintain the local control under the direction of the Kansas Insurance Department, but also to recognize that continuing education for a professional license is a reasonable requirement to protect the consumers of Kansas. (Attachment 2)

Senator Schmidt asked Mr. Brungardt if the additional 12 hours are easily accessible and if they cost the agent.

Mr. Brungardt responded that they will cost the agent, depending upon where he will get them. He said there are some associations that provide them through dues. There are some companies that provide them at no cost. He said if you go to online CE courses, there is a tremendous price break.

Senator Schmidt asked when the federal regulations could force us to comply?

Mr. Brungardt stated he was guessing within four years we will see that regulation.

Senator Olson stated that the problem he sees is, if you aren't selling that kind of insurance, you still have to take the courses. He said you are mandating the agent to take these courses that are going to be meaningless to him. If they were selling that type of insurance, yes, they would need that, but they aren't even selling that insurance. It will cost the agent a lot of money, but will bring them no benefit.

Mr. Brungardt said in the history, when you go back to the early 90's, most states adopt this philosophy – an agent is an agent is an agent, regardless of how many lines they sell. Whether it is one line or four lines. So any agent who had a professional license had to have so many hours of CE regardless of the kinds of insurance he sold. Kansas was one of the states that did split out the life and health section and property and casualty section.

Mr. Olson said he feels the way it is set up now is the right way and that is how he has supported it in the past. He said he is not a supporter of this bill.

Senator Merrick said he is not supportive of this bill.

Senator Steineger said in recent years there are more rules and regulations on people and the recession is going to probably be long and slow in recovering so right now he believes inflicting more rules and regulations on people, small businesses and also big business is a bad trend. For that reason, I will be voting against this bill.

Written only testimony of Bob R. Shields, President, Kansas Association of Professional Insurance Agents. (Attachment 3)

The next meeting is scheduled for March 15, 2011.

The meeting was adjourned at 10:10 a.m.

## SENATE FINANCIAL INSTITUTIONS & INS. COMMITTEE GUEST LIST

DATE: 3-14-11

[illegible]



# Kansas Insurance Department

Sandy Praeger, Commissioner of Insurance

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## TESTIMONY ON

HB 2075

## SENATE FINANCIAL INSTITUTIONS AND INSURANCE COMMITTEE

March 14, 2011

Madam Chair and Members of the Committee:

I am Kevin Davis with the Kansas Insurance Department appearing in support of HB 2075.

This is a bill is existing law in K.S.A. 40-2,118. It is being introduced to extend the sunset provision of our anti-fraud program. This will extend the expiration date of the law from July 1, 2011 to July 1, 2016; this change is found on page 2 lines 12 and 14.

This statute authorizes the Insurance Department to continue to operate a provision of our anti-fraud program. This program allows the Department to receive information from an insurance company or individual who has knowledge or a good faith belief that insurance fraud is being committed to file such information with the Department. Insurers are required to develop anti-fraud initiatives or file an antifraud plan with the Department. These initiatives or plans of the insurance companies are to be held confidential and not subject to public record. This is to keep these programs from disclosure to individuals attempting to defraud insurance companies. This program has been helpful in prosecuting insurance fraud in Kansas.

We respectfully request your approval to extend this important program through July 1, 2016. I would be happy to answer any questions.

*FI & I Committee  
3-14-11  
Attachment 1*



To: Senator Ruth Teichman, Chairperson  
Financial Institutions and Insurance Committee Members  
From: LeRoy Brungardt-KS Professional Insurance Agents  
Re: SB 71

I am submitting a last update regarding the above bill. The bill has consisted of three items:

- 1) Increasing CE hours of agents to a 24 hours, including 3 hours of ethics;
- 2) A Kansas Insurance Department (KID) amendment for a fingerprinting requirement;
- 3) A KID amendment to tighten up the limited lines license area.

These items are the only ones of 39 Uniform Standards that Kansas has not met in an effort to stave off federal intervention in the licensing of insurance agents.

We found out the fingerprinting process was also a banking industry request and that this Senate Committee had deferred action on this until the 2012 Session. With that in mind we, KPIA and KID, are pulling that out of SB 71, leaving the CE hours and limited lines as the two issues in SB 71.

We are facing a conundrum. We have introduced the bill to limit federal intervention amid an overwhelming distaste for additional federal intervention in the current legislative climate. The uniform Standards that have been proposed and numerous states are adopting is for the purpose of RETAINING the state control that our local agents wish to maintain.

Unfortunately, the CE hours appear to be a major sticky issue. Oklahoma recently passed legislation for the 24 (3) attainment and Arkansas has just passed their 24 (3) requirement effective in 2013. These were two states that had a slightly lower CE requirement than KS currently has.

As a buyer of insurance products just as you are buyers of insurance in Kansas, I am always wanting to deal with agents that are capable, knowledgeable, and professional in their dealings with me. I don't think any of you are different than I am in that respect. Any agent should be staying up to date with the ever changing landscape of the insurance industry and its products. Obviously, one way to do that is through continuing education. Most Kansas consumers will spend thousands of dollars on life, health, and property/casualty insurance annually. If you happen to be a business owner, it will be a few thousand more. All the more reason that the agents we deal with should be capable and knowledgeable.

In summary, I'm asking you to give consideration to supporting SB 71, not only to maintain the local control under the auspices of the Kansas Insurance Department, but, also, to recognize that continuing education for a professional license is a reasonable requirement to protect the consumers of Kansas.

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*FI&I Committee  
3-14-11  
Attachment 2*



Date: March 10, 2011  
To: Senate Financial Institution and Insurance Committee  
Senator Ruth Teichman, Chair  
From: Bob R. Shields, President  
Kansas Association of Professional Insurance Agents  
Re: Support of SB 71

Let me introduce myself, I am Bob Shields, a small business owner from Oswego, the county seat of Labette. I own an independent insurance agency. I have been in the insurance business for 33 years. I am the President of the Kansas Association of Professional Insurance Agents, an association representing our members and insurance agents in the state. With respect to my support for SB 71 and State regulation of the insurance industry I would like to offer the following observations.

Members of PIA from across the nation converged on Washington, D.C. April 1-2, 2009 for their annual Federal Legislative Summit. We did so against a backdrop of a pending major overhaul of the nation's financial regulatory system. As President of the Kansas PIA I found that our Kansas 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. But not all of the federal legislators agreed with our support of state regulation. On April 1st House Financial Services Committee Chairman Barney Frank (D-Mass.) let it be known he was not happy with our opposition to federal regulation and threatened to put the measure before the house. I was also informed that State Farm Insurance was providing support for federal regulation over state regulation.

The next day, April 2, 2009, U.S. House members, Reps. Melissa Bean (D-IL) and Ed Royce (R-CA) introduced the National Insurance Consumer Protection Act, which would establish a federal charter system of regulation and supervision for insurers and insurance agents and producers. It would require insurers that are "systemically significant" to be federally licensed.

On April 3rd, 2009, State Farm Insurance issued a lengthy press release in support of the bill and federal regulation. It states in part; "In general terms, the option of operating under a federal charter would establish a federal system of regulation and supervision for insurers. This system would be similar to the banking regulatory system ..... State Farm supports this as a means of achieving much needed modernization of our insurance regulatory system. A uniform, federal regulatory framework would allow State Farm and other insurers to serve their customers across the United States...."

<http://www.statefarm.com/about/media/current/ofc.asp>

Please note that the federal regulations will require 24 hours of CE with 3 hours of ethics, fingerprinting, similar to SB 71. The difference? SB 71 will give us a chance to keep insurance regulation in Topeka, Kansas! NOT IN WASHINGTON DC.

State Farm's representative stood before the Kansas Senate committee and stated that federal regulation will never happen. This would appear to contradict State Farm's press releases to the media and policyholders. One only needs to visit State Farm's websites to see the amount of support devoted to federal regulation.

State Farm's threat to oppose SB 71 over provisions that reflect the federal regulations they support would appear to make no sense. Unless your goal is to keep enough states out of compliance that the federal government deems a federal takeover of insurance regulation is necessary.

I had the opportunity to visit with Senator Jerry Moran in Girard on Feb 16th about SB 71. He asked why anyone would oppose it. He said that the regulation of insurance being taken away from the states and handed to the federal government is a very real possibility. Once this process starts that no action by the state legislators will be able to stop it or roll it back.

*FI&I Committee*  
*3-14-11*  
*Attachment 3*

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With respect to those who disagree with the number of hours for continuing education please consider the following. I live in a town of less than 2000 people.

Librarian – 45 hours CE every three years.

Water line/Sewer line repair – 20 hours of CE every 2 years.

Seed Salesman – 40 hours of CE every two years.

We have a public library that requires a "Certified" librarian; certification requires 45 hours of CE every three years. We have three employees that require 20 hours of CE every two years to maintain the water and sewer system (10 hours of CE for water and another 10 hours of CE for sewer).

The local Pioneer Seed Salesman is a certified crop advisor and must complete 40 hours of CE every two years.

This is without going into the number of hours required for other professionals.