

SESSION OF 2008

SUPPLEMENTAL NOTE ON SENATE BILL NO. 498

As Amended by House Committee on
Insurance and Financial Institutions

Brief*

SB 498, as amended, would increase the penalties associated with the failure to provide required reports and other information to the Insurance Commissioner, as required by statute. The bill would increase the penalty amount for a violation from the current amount of up to \$500 to an amount up to \$1,000 per violation or act. The bill also would increase the amount of an additional penalty to be assessed on a weekly basis until the receipt of the information from the current amount of up to \$100 to amount of up to \$500.

Background

The bill was introduced at the request of the Kansas Insurance Department whose representative indicated that while the vast majority of companies and producers, estimated at more than 99 percent, are diligent in filing their reports and responses to Department inquiries, a very few do not file their premium taxes reports, withhold financial and market conduct information, or ignore inquiries about consumer complaints. These violations of the law, the representative noted, can continue for months despite repeated requests by the Department. The Kansas Association of Insurance Agents provided neutral testimony and offered a technical amendment.

The Senate Committee on Financial Institutions and Insurance recommended an amendment to the bill to allow the Insurance Commissioner to impose a civil penalty in an amount

*Supplemental notes are prepared by the Legislative Research Department and do not express legislative intent. The supplemental note and fiscal note for this bill may be accessed on the Internet at <http://www.kslegislature.org>

that would be determined by rules and regulations. The amount could not be less than \$500 or more than \$5,000, and the amendment further clarified that in the case of a continuing violation, for every day the violation continues, the violation would be deemed a separate violation. Technical amendments to the bill also were recommended.

The House Committee on Insurance and Financial Institutions recommended an amendment to the bill to strike the provisions regarding the fixed amount of the penalty by the Commissioner in rules and regulations and insert the penalty amounts provided in the bill, as introduced. No change was made to the technical amendments recommended by the Senate.

The fiscal note prepared by the Division of the Budget states the Kansas Insurance Department indicates there would be no fiscal effect associated with enactment of the bill. The Department anticipates more timely responses from the higher penalties, but not additional penalty receipts.