

MINUTES OF THE FINANCIAL INSTITUTIONS & INSURANCE COMMITTEE

The meeting was called to order by Chairperson Senator Ruth Teichman at 9:30 a.m. on February 12, 2003 in Room 234-N of the Capitol.

All members were present except:

Committee staff present: Ken Wilke, Office of the Revisor of Statutes  
Dr. Bill Wolff, Kansas Legislative Research Department  
Marlene Putman, Committee Secretary

Conferees appearing before the committee: Sandy Praeger, Commissioner of Insurance  
Larry Magill, Ks Assoc. of Ins. Agents  
Ron Gaches (Eric Ellman, CDIA)  
Jim Harwood, Farmers Ins.

Others attending: See attached list

Senator Teichman introduced Sandy Praeger, Commissioner of Insurance. She testified in favor of **SB 144** (see attachment 1) She reiterated that the bill will protect Kansas consumers while preserving the personal lines insurance market. At some point we would like to offer some technical corrections that we would like to offer. Today I just want to offer you my testimony. Kansas, like 30 other states is investigating of credit based insurance scoring.

We think that it is important that discriminatory practices, if they exist, be exposed and that a credit score should not be the only factor used in raising rates or denying coverage.

Jim Harwood, President of Farmers Insurance appeared as an opponent for the bill. Farmers strongly supports the use of credit based insurance scoring to augment the other underwriting and rating tools available to an insurance company. (See attachment 2)

Senator Teichman related that one of the things that she learned from being on the Task Force this summer is that there is a difference between Credit Scoring, and Credit Insurance Scoring. This is a big problem with the consumers. They do not understand the difference. Basically Credit Scoring is the scoring that you get from Trans-Union, and Equifax, reflecting how you pay your bills. Credit Insurance Scoring uses this plus other factors such as your MVR, bankrupt procedures, etc. Credit Scoring is only one of the things that is used in Credit Insurance Scoring.

Larry Magill represented the Kansas Association of Insurance Agents of Kansas and the Professional Insurance Agents of Kansas.(see attachment 3). He was a proponent for the bill.

Eric Ellman, Consumer Data Information Association. He participated in the task force hearings earlier this fall. He explained the difference between Credit Scoring, and Insurance Credit Scoring. They measure two different things. A credit score measures credit worthiness. An insurance score measures risk of loss. Credit score measures “are you going to pay this bill?” “Are you going to pay this bill on time?” Insurance score is a future predictor of insurance loss. Is this consumer going to get in to an accident, and is this consumer going to file a claim? This is the basic difference between the two. He had several comments on the Federal Credit Reporting Association. When you ask for a credit report through this agency, you get the complete report. In section 10 of this bill turns over a generation of

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National Credit reporting law on its head by saying you can only get certain parts of the credit report. He will furnish written testimony upon request.

The committee asked several questions of Mr. Ellman regarding legitimate disputes. Mr. Ellman said that Federal Law requires us to resolve all disputes in 30 days. If the dispute is not answered in 30 days, the dispute must be removed from the credit report, and the word of the consumer is taken. More than half of the disputes are resolved in 5 days or less.

Mr Ellman passed out a brochure (see attachment 4) that explains the Credit Reporting Dispute Resolution Process.

Meeting was adjourned.