

February 2, 2021

The Honorable Jeff Longbine, Chairperson
Senate Committee on Financial Institutions and Insurance
Statehouse, Room 546-S
Topeka, Kansas 66612

Dear Senator Longbine:

SUBJECT: Fiscal Note for SB 78 by Senate Committee on Insurance

In accordance with KSA 75-3715a, the following fiscal note concerning SB 78 is respectfully submitted to your committee.

SB 78 would allow the Insurance Commissioner to make investigations and examinations with regards to any application for registration or licensure of any person or entity under Kansas law or any registration or licensure previously granted. The Commissioner could appoint investigators to conduct investigations, subpoena witnesses and compel them to testify, require documents, and order depositions. The bill describes actions that could be taken if a person refuses to obey a subpoena or refuses to testify, including a civil penalty up to \$2,000 for each violation.

SB 78 would repeal the Automobile Club Services Act, which includes the requirement for auto clubs to obtain certification of authority. The bill would require surplus lines exemptions be completed through publication in the Kansas Register rather than by rules and regulations. The bill would also lower the nonforfeiture interest rate on individual deferred annuities.

SB 78 would make changes to utilization review by: (1) removing the utilization review Advisory Committee from the rules and regulations drafting and revision process and from the suspension or revocation of a utilization review organization's certificate, (2) repealing the utilization review Advisory Committee, and (3) updating the name of the recognized accrediting body. The bill would also strike a reference to the Utilization Review Advisory Committee.

The bill would add requirements for out-of-state risk retention groups. SB 78 would add that a Professional Employer Organization (PEO) registrant's application would automatically expire 120 days after the end of the registrant's fiscal year. Under current law, within 60 days after the end of the registrant's fiscal year, the registrant must renew its registration. The bill would increase this deadline to within 120 days. The bill would also add that the most recent audit of the registrant's financial statements could not be older than 13 months. Under current law, a PEO or professional employer group must file an audit on an annual basis, within 60 days after the end of the PEO's or parent holding company's fiscal year-end. The bill would increase this

deadline to within 120 days after the fiscal year and would include an audit and renewal registration application.

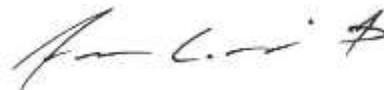
| Estimated State Fiscal Effect | | | | |
|-------------------------------|----------------|----------------------|----------------|----------------------|
| | FY 2021 SGF | FY 2021 All Funds | FY 2022 SGF | FY 2022 All Funds |
| Revenue | -- | -- | -- | (\$33,670) |
| Expenditure | -- | -- | -- | -- |
| FTE Pos. | -- | -- | -- | -- |

The Department of Insurance states that because the bill would repeal the Automobile Club Services Act, automobile clubs would no longer be required to register with the Department. As a result, enactment of the bill would reduce revenues to the Insurance Department Service Regulation Fund by \$33,670 annually, beginning in FY 2022.

SB 78 could increase the number of cases filed in district courts because it allows the Insurance Commissioner to apply to the courts to enforce compliance with subpoenas. This would in turn increase the time spent by district court judicial and nonjudicial personnel in processing, researching, and hearing cases. The bill could also result in the collection of additional docket fees and civil penalties. However, the additional expenditures and revenues cannot be estimated at this time. Any fiscal effect associated with SB 78 is not reflected in *The FY 2022 Governor's Budget Report*.

The Kansas Association of Counties states that there could be some costs associated with the servicing of subpoenas and other court activities. The bill could also affect counties if there are costs associated with cooperating in investigations with the Kansas Insurance Department. The Association also states that there could be court costs and fees that could be recovered to assist with additional costs. However, a precise fiscal effect cannot be estimated. The League of Kansas Municipalities states that SB 78 would not have a fiscal effect on cities.

Sincerely,



Adam Proffitt
Director of the Budget

cc: Bobbi Mariani, Insurance
Debbie Thomas, Judiciary
Wendi Stark, League of Municipalities
Jay Hall, Association of Counties