

MINUTES OF THE SENATE FINANCIAL INSTITUTIONS AND INSURANCE COMMITTEE

The meeting was called to order by Chairman Ruth Teichman at 9:30 A.M. on January 18, 2007 in Room 234-N of the Capitol.

All members were present except:

Senator Dennis Wilson

Committee staff present:

Melissa Calderwood, Kansas Legislative Research Department
Terri Weber, Kansas Legislative Research Department
Ken Wilke, Office of Revisor of Statutes
Bev Beam, Committee Secretary

Conferees appearing before the committee:

Lee Wright, Farmers Insurance Group
Sandy Praeger, State Insurance Commissioner
Carmen, Alldritt, Director of Vehicles

Others attending:

See attached list.

The Chair welcomed everyone to the meeting.

Lee Wright, Farmers Insurance Group, introduced the first bill which would amend a portion of the statute dealing with payment of levies and taxes by reciprocal insurers. The amending language is designed to further clarify the intent of legislation passing in 2000 that dealt exclusively with reciprocals. (Attachment 1)

Senator Barnett moved introduction of the bill. Motion was seconded by Senator Barone. Motion passed.

The Chair introduced the State Commissioner of Insurance, Sandy Praeger. Commissioner Praeger gave the following overview of the Insurance Department:

In 2003 the NAIC approved eight amendments that would serve as model legislation for a program called the Interstate Insurance Product Regulation Compact. The Interstate Compact will promote uniformity through application of national product standards embedded with strong consumer protections.

Last year, Michigan joined the compact, bringing the total number of member states to 29 and concluding a record year in which nine new states entered into the compact. A total of 14 states are looking to draft Compact legislation in 2007.

At the NAIC Conference in San Antonio, leaders on the Commission outlined goals for 2007 which include:

- Plans to publish and consider more than 30 additional proposed standards in the areas of life insurance and annuities.

- Drafting uniform standards that have been developed through the work of the Interstate Compact National Standards Working Group of the NAIC's Speed-to-Market Task Force making them available to the Commission to utilize in developing uniform national product standards.

- The Commission is confident it will be in a position to accept product filings for review and approval/disapproval in 2007.

The Commissioner said other NAIC Initiatives are:

CONTINUATION SHEET

MINUTES OF THE Senate Financial Institutions and Insurance Committee at 9:30 A.M. on January 18, 2007 in Room 234-N of the Capitol.

Military Life - In September, President Bush signed into law the "Military Personnel Financial Services Protection Act." This bill clarifies the application of state insurance and securities protections on military installations. It became clear there was a need for legislation when retired military personnel returned to military installations to sell unnecessary policies to young service men and women.

We have monitored their situation for several years and believe that the states that have the real problem are those with basic training bases, which we do not have in Kansas.

The Kansas Insurance Department will be supporting a bill that would give us the authority to regulate the sale of insurance on Kansas military installations.

Small Business Health Plan Bill - The Small Business Health Plan Bill will not be the focus of the new U. S. Congress due to the changes in Senate leadership. However, the concept of multi-state purchasing pools for small businesses remains popular among many legislators.

High-Risk Pool Funding - The state of Kansas currently has 1,700 citizens enrolled in Kansas Uninsurable Health Insurance Plan. Congress reauthorized support for these pools but failed to appropriate money for the high-risk insurance pools. Commissioners are encouraged by the NAIC to urge their congressional delegations to include \$75 million for high-risk pool grants. If Congress appropriates the money, Kansas would receive \$1.3 million for Fiscal Year 2007.

Long-Term Care - At the Winter NAIC Conference regulators passed amendments to the Long-Term Care Model Act that affect producer training requirements, coverage of certified facilities and provisions for partnership programs.

Auto Insurance Verification Task Force

Last year SCR 1619 authorized the creation of the Auto Insurance Verification Task Force which was charged with finding a solution to the problem of uninsured motorists in Kansas. The task force was made up of legislators, regulators, industry representatives and law enforcement. Information was presented by Kansas Insurance Department; Kansas Department of Revenue; Kansas High Patrol; Kansas Hispanic and Latino Affairs Commission; Insurance Companies; NAIC and Law enforcement associations. The Commissioner said she would urge the Kansas Legislature to renew the authorization of the task force so they could continue to have the opportunity to explore solutions to the uninsured motorists problem in Kansas.

The Commissioner said the Kansas Insurance Department is proposing a number of other bills that will serve several different purposes including a bill that would allow the Insurance Department more electronic filings, and a three-part fraud bill that would allow the Anti-Fraud division to better combat illegal insurance activities in Kansas. ([Attachment 2](#))

Next to testify was Carmen Alldritt, Director of Vehicles, regarding the Real ID Act. She said Real ID was passed by Congress in May, 2005, and becomes reality May 11, 2008. Real ID will affect every American as it mandates every driver's license or identification card must be federally approved. Each state will have to alter their method of issuing drivers' licenses and identification cards. This huge task is made even more challenging as Congress has yet to determine what the exact rules and regulations will be and the federal government has provided no funding for this massive project which is estimated to cost the states 11 billion dollars.

Under Real ID each individual will be required to present a valid birth document proving full legal name, documentation showing any name change, proof of address, valid social security number and proof of residency in the state they reside. Individuals must also prove lawful presence. We were informed late last week the Department of Homeland Security had submitted draft regulations to the Office of Management and Budget. OMB has 90 days to do the review. After review, the regulations are returned to DHS for any recommended changes. After publication, DHS will accept public comment for 60 days. This process could be complete by July 2007 or as late as September/October 2007.

The National Governors' Association, NCSL and the American Association of Motor Vehicle Administrators

CONTINUATION SHEET

MINUTES OF THE Senate Financial Institutions and Insurance Committee at 9:30 A.M. on January 18, 2007 in Room 234-N of the Capitol.

have concluded Real ID will impose unrealistic burdens on states and have a major impact on services to the public.

KDOR has been hosting monthly meetings involving various state agencies that are key to this project. Agencies such as KHP, Vital Statistics, the Governor's Office, KBI and KDOR. We are working to develop interconnectivity between KDOR and Vital Statistics for data exchange.

Agencies are also working together to develop a legislative package for Real ID readiness.

Three big items we know will impact our department. At this time we don't keep copies of original documents when individuals make application for a first-time DL or ID. Those documents are returned at the time of application to the individual. Real ID requires we retain documents for seven years. It's our understanding the document retention would also apply to all DL and ID renewal or re-enrollments.

The interconnectivity between states and federal government doesn't exist. This application has not been developed or built. Currently it's impossible to verify through any one system, the documents Real ID requires for verification of an individual.

Currently, if there is a problem with an individual's social security number we ask them to visit with social security. Under Real ID, our DL examiners would be required to resolve those problems. We're not trained nor do we have the resources to tackle this.

Secretary Wagnon's direction to us has been, we have to follow the law and be ready for implementation May 11, 2008. (Attachment 3)

The Chair introduced Secretary Wagnon to the committee. She gave brief remarks.

The Meeting adjourned at 10:30 a.m.