

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 30, 2007 in Room 234-N of the Capitol.

All members were present.

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:

Ted Clark, Anti-Fraud Director, Kansas Insurance Department

Others attending:

See attached list.

The Chair welcomed everyone to the meeting.

Bill Introductions

Brad Smoot testified on behalf of the American Insurance Association. He said the bill he was introducing was originally introduced in 2005 in the House Insurance Committee as **HB 2184**. Property and casualty insurers across the country are working with state regulators to increase the opportunities for insurance purchasers to get the policies and rates they need as quickly as possible. Introduction of this bill will initiate a lively and productive discussion of these issues. (Attachment 1)

Senator Barnett moved introduction of the bill. Senator Wilson seconded. Motion carried.

Sandy Braden requested a bill introduction on behalf of MARCIT. MARCIT provides by statute sickness and accident related liability insurance to municipalities in the area served by Douglas, Johnson, Wyandotte, Miami and Leavenworth counties in Kansas. Ms. Braden requested that the Committee introduce a bill that would allow them to expand across the state of Kansas and to provide additional types of insurance lines, including property liability, workers' comp, life, short and long-term disability insurance products. At this time they cannot provide these lines because of statute.

Senator Wysong moved introduction of the bill. Senator Barnett seconded. Motion carried

The Chair asked for continuation of the Legislative Post Audit report concerning credit unions.

John Smith, Kansas Department of Credit Unions, continued with reporting regarding credit union common bond. He said the Legislative Division of Post Audit Report of the Kansas Department of Credit Unions suggests that KDCU has not followed the common bond provisions of K.S.A. 17-2205. According to the report, LPA interpreted K.S.A. 17-2205 as limiting credit union memberships to "groups...having a common bond of occupation or association or to groups residing within a well defined neighborhood, community or rural district. In reviewing the common bond as expressed in Kansas credit unions' bylaws, credit unions have been approved by KDCU to have multiple common bonds at least since the 1950s.

While the Federal Credit Union Act recognized three types of federal credit union charters – single common bond (occupational and associational), multiple common bond (more than one group each having a common bond of occupation or association), and community, KDCU has allowed credit unions to have multiple bonds.

While some Kansas chartered credit unions were initially chartered with multiple common bonds, others were chartered as single common bonds and became mixed due to merger with other credit unions with the surviving credit union incorporating the merger credit unions common bond.

On January 29, 2007 KDCU reviewed the common bonds found in the individual credit union bylaws of the 90 Kansas credit unions as approved by the KDCU administrator. The common bonds that exist today are as

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follows:

- 43 Single Common Bonds
- 47 Multiple Common Bonds

KDCU's records support the fact that Kansas chartered credit unions were approved for multiple common bond fields of membership since the 1950s.

Discussion by the Committee followed with the suggestion of an interim study. Senator Brungardt moved the chairman be directed to write a letter requesting an interim from LCC to review the items discussed in the post audit report. Senator Steineger seconded the motion. Motion carried. (Attachment 2)

The Chair opened the hearing on **SB 114- concerning insurance fraud; pertaining to the penalty therefor; amending K.S.A. 2006 Supp. 40-2,118 and repealing the existing section.**

The Chair asked Melissa Calderwood for an overview of **SB 114** regarding fraudulent insurance acts.

This committee reviewed this bill last year and helped define fraudulent insurance. This particular bill would amend that penalty provision for fraudulent insurance acts involving \$25,000 or more. Such acts would be a sentence of imprisonment regardless of its location on the sentencing grid. The Insurance Department has requested language stating anyone committing the act involving \$25,000 or more would be subject to imprisonment. The bill is requested by the Insurance Commissioner.

Mr. Ted Clark, Anti-Fraud Director, testified on behalf of the Kansas Insurance Department. The intention of this bill is to decrease frequency of insurance fraud by increasing penalties for the highest dollar amount of fraud.

**SB 114** would change K.S.A. 40-2,118 to a presumptive sentence of imprisonment for criminals stealing large amounts of money through the insurance process. Harsher penalties for high dollar amount of insurance fraud would send a message to Kansans that insurance fraud is a serious crime and will not be taken lightly. Additionally, this will provide a plea bargaining tool for prosecutors.

Out of thirty-seven states reporting with insurance fraud statutes, only four would have less stringent sentencing standards than the state of Kansas. With the implementation of the changes in **SB 114**, insurance fraud criminals would now serve 23 to 26 months for one non-person felony. Texas has the highest maximum penalty with a sentence of life imprisonment.

**SB 114** will not only put Kansas on par with other states, but it will synchronize our insurance fraud statute with the penalties that the Kansas Securities Commissioner is able to employ when prosecuting for the same dollar amount.

I urge you to support **SB 114** on behalf of the most vulnerable Kansans who find themselves victims to insurance fraud. (Attachment 3)

The Chair held the hearing open on **SB 114**.

Action on:

**SB 112 - concerning insurance companies; pertaining to examination reports.** It is a burden on the Insurance Department to have to provide examination reports every three years. The Insurance Department is requesting that these examination reports be done instead every five years.

**Senator Wilson made a motion to move SB 112 out for passage. Senator Steineger seconded. Motion passed.**

The Chair said the Committee would work **SB 111** - concerning insurance companies; pertaining to sharing of certain information. Ken Wilke presented the balloon language. Mr. Wilke said after conferring with the

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Insurance Department, he rewrote the section so it clearly states they can share the information with the insurance department of this state or any other state or country; the law enforcement officials of this or any other state or agency of the federal government or any other country; or officials of any agency of another country. In subparagraph B, it states, however, that the Commissioner shall not share any information listed in paragraph (A) unless the agency or office receiving the report or matters related thereto agrees in writing to hold it confidential and in a manner consistent with this act.

Senator Steineger moved the balloon language be added. Senator Barnett seconded. Motion carried.

Motion by Senator Barnett moved to pass **SB 111** out favorably as amended. Senator Schmidt seconded. Motion passed.

Meeting was adjourned at 10:30 a.m.