

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 February 6, 2007 in Room 234-N of the Capitol.

All members were present except Senator Barnett

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:

Leroy Brungardt, Director, Kansas Insurance Dept.
Lee Wright, Farmers Insurance Group
John Meetz, Government Affairs Liaison, Kansas Insurance Dept.

Others attending:

See attached list.

The Chair called the meeting to order and opened the hearing on **SB 113 - concerning insurance agents and producers, relating to continuing education requirements; amending K.S.A. 2006 Supp. 40-4903 and repealing the existing section.**

Melissa Calderwood, Legislative Research Department, gave an overview of the bill. This bill amends the biennial continuing education requirements. The bill provides that a licensed insurance agent who is an individual and holds a property or casualty, life, accident and health, or variable contracts qualification or any combination thereof have a total of 24 hours of continuing education. Three of these hours must be ethics and legal compliance.

Leroy Brungardt, Director, Kansas Insurance Department was the first to testify on behalf of the Kansas Insurance Department. Mr. Brungardt testified that this Bill originated in the National Gramm Leach Bliley Act of the late 1990's. Reciprocity in the licensing functions of the states was the aim of that Act with emphasis on uniformity. The current proposal is a last step in the uniformity aspect of the continuing education requirement. **SB 113** proposes that insurance agents who have authority in life, health, property, casualty, personal lines, variable or any combination thereof have a total of 24 hours of continuing education in two years. The Kansas Insurance Department proposes a phase-in period.

A second change that has been suggested and agreed to is to allow carryover credit from one biennium to the next. A third change involves changing the ethics requirement to ethics and legal compliance. The fourth change involves agents who have life/health authority and property/casualty authority would not have a phase in period since they already acquire 24 hours of CEC's for their license.

The Kansas Insurance Department encourages consideration of this bill as it is proposed. (Attachment 1)

Kansas Association of Insurance and Financial Advisers submitted written testimony in support of **SB 113**. NAIFA Kansas supports the efforts to increase the hours of required continuing education from 12 hours to 24 hours every two years, including three hours of ethics.

This bill would enhance the knowledge of NAIFA members and bring uniformity to Kansas. (Attachment 2)

Larry Magill, Executive Director, Kansas Association of Insurance Agents, presented neutral testimony on **SB 113**. He testified that KAIA understands and supports the need to keep Kansas in the mainstream of state regulation. To the extent that the current continuing education requirement is one of the lowest and that the NAIC standard is 24 hours every two years, we felt the need to not oppose the Department's effort to bring Kansas in line. (Attachment 3)

The Chair asked for testimony on **SB 121**. Lee Wright, Farmers Insurance Group, testified that **SB 121** would

CONTINUATION SHEET

MINUTES OF THE Senate Financial Institutions and Insurance Committee at 9:30 A.M. on February 6, 2007 in Room 234-N of the Capitol.

The Chair asked Melissa Calderwood for an overview of SB 121. This bill concerns reciprocal insurance companies; pertaining to attorneys-in-fact; amending K.S.A. 40-1611 and repealing the existing section. It was requested by Farmers Insurance Group.

amend a portion of statute dealing only with those insurers organized as reciprocals. A reciprocal and its attorney-in-fact shall be considered the same entity. A reciprocal or inter-insurance exchange is an unincorporated association of individuals, partnerships or corporations, called "subscribers." Exchanges generally are managed by a representative called an "attorney-in-fact", appointed by the subscribers in their subscriber agreements. Kansas Insurance Department requested the change to this particular statute during the 2000 legislative session. Testimony specifically indicates the Insurance Department sought to avoid significant public policy shifts or issues in redrafting Kansas reciprocal law.

Without the change requested, an attorney-in-fact could be subjected to taxation, creating an unfair double tax on reciprocal insurance company structures.

This bill has been reviewed by both the Kansas Insurance Department and the Kansas Property and Casualty Domestic Insurers Association, representing the three domestic companies organized as reciprocals. All are in full support of this legislation. (Attachment 4)

John Meetz, Government Affairs Liaison for the Kansas Insurance Department testified that the Kansas Insurance Department endorses SB 121 as proposed by Farmers Insurance Group. (Attachment 5)

Written testimony was presented by David A. Hanson, Legislative Counsel, Kansas Association of Property & Casualty Insurance Companies. (Attachment 6)

Action 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.

Ken Wilke, Revisor of Statutes Office, testified that in Paragraph 2, Section (e) Line 23 that addresses the question raised by Senator Barone regarding the aggregate amount has been amended to read, *A fraudulent insurance act as defined in subsection (a), or any combination of such acts which occur in a period of six consecutive months, which involves \$25,000 or more shall have a presumptive sentence of imprisonment regardless of its location on the sentencing grid block.*

Senator Barone moved the amendment. Seconded by Senator Wysong. Motion carried.

Senator Wysong moved the bill out favorably as amended. Seconded by Senator Barone. Motion carried.

Action on:

SB 121 - concerning reciprocal insurance companies; pertaining to attorneys-in-fact; amending K.S.A. 40-1611 and repealing the existing section.

Senator Wilson moved to pass this bill out favorably and that it be put on the consent calendar. Senator Steineger seconded. Motion carried.

Meeting adjourned at 10:15 a.m.