

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, 2008 in Room 136-N of the Capitol.

All members were present.

Committee staff present:

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

Conferees appearing before the committee:

John Meetz, Kansas Insurance Department
Bill Sneed, Polsinelli Law Firm

Others attending:

See attached list.

The Chair called the meeting to order and welcomed State Farm attendees to the meeting.

Introduction of bills

Senator Barbara Allen introduced a bill concerning clinical trials. She said this bill would insure that patients who enroll in a cancer clinical trial will have their routine healthcare costs covered by an insurance company.

Senator Steineger moved introduction. Senator Brungardt seconded. Motion passed.

Hearing on:

SB 442 - concerning insurance; relating to foreign insurance companies doing business in the state.

The Chair asked Melissa Calderwood, Legislative Research, for an overview of the bill. Ms. Calderwood said SB 442 as requested by the Insurance Department, would amend the law governing foreign insurance companies applying to do business in Kansas and would amend the law to give the Insurance Commissioner the authority to require an applicant company to fully disclose the identity of all stockholders, partners, officers, members and employees. The Commissioner would then be permitted to exercise her discretion and could refuse to issue a license if she is not satisfied that any officer, employee or other disclosed representative who materially may influence the applicants conduct has either a good business reputation or is competent and trustworthy and attempts to act in good faith. The fiscal note indicates there would no effect on this bill.

John Meetz testified in support of this bill. Mr. Meetz said the SB 442 would allow the Commissioner of Insurance to have discretion when determining if an insurance company is suitable for admission into the state of Kansas. Mr. Meetz proposed the following balloon amendment to the bill. Mr. Meetz said the current version of the bill would allow the Commissioner to require the applicant to disclose the identity of all stockholders, partners, officers, members and employees. He said the language in the balloon gives the Commissioner of Insurance the authority to require the applicant to disclose the identity of any person with a "controlling" interest in the applicant. He noted a controlling interest exists if any person, directly or indirectly, owns, controls, holds with the power to vote, or holds proxies representing 10% or more of the voting securities of any other person. Mr. Meetz also noted that the current version of the bill would allow the Commissioner to deny admission of an applicant if any of the stockholders, partners, officers, members and employees do not possess a good business reputation or are not competent and trustworthy and intend to act in good faith. The balloon only requires that "controlling" interests are held to such standards, he said.

Mr. Meetz continued that the bill would give the Commissioner some additional latitude in determining which

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companies should be admitted to operate in the state of Kansas. He noted, however, that the Department makes every effort to allow financially viable entities of good character to operate in Kansas.

([Attachment 1](#))

Bill Sneed, Polsinelli Law Firm, testified in opposition to [SB 442](#). Mr. Sneed said [SB 442](#) deals with the requirements for non-domestic insurance companies and their ability to gain admission to transact the business of insurance in Kansas. He noted the law is one formulated by the NAIC and has been on the books in some form for many years. He said the Insurance Department wishes to add another requirement. He said it is the new language that is over-broad in scope and criteria, and thus fraught with problems the State of Kansas should not encourage. He said the new language purports to allow the Commissioner the authority, at any time, to require an applicant to fully disclose the identity of all stockholders, partners, officers, members and employees. The only limitation on this requirement would be if such a stockholder, partner, officer, member or employee may materially influence the applicant's conduct. Mr. Sneed noted that it is his understanding

that the Department is considering amendments to this proposal. Mr. Sneed requested that the Committee not take action on this bill. ([Attachment 2](#))

Written testimony in opposition to [SB 442](#) was submitted by Larry Magill, Kansas Association of Independent Agents. ([Attachment 3](#))

The Chair said the Committee would not work this bill at this time and closed the hearing on [SB 442](#).

The Chair said she had previously announced that Senator Steineger would be a member of the Subcommittee for the credit union/financial institution issue; however, because Senator Steineger is also on Ways & Means and has a lot of other subcommittees, he now will be replaced on that committee with Senator Barone.

The Chair announced there would be no meeting Thursday, January 31. The meeting adjourned at 10:30 a.m.