

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 14, 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, KID  
Jeffrey Lewis, AT&T General Counsel  
John Peterson, Enterprise Leasing  
Larry Magill, KAIA

Others attending:

See attached list.

The Chair called the meeting to order.

Hearing on:

**SB 463 - concerning insurance; requiring self-insurers of motor vehicles to provide both uninsured and underinsured motorist coverage**

Melissa Calderwood was asked to give an overview of SB 463.

Ms. Calderwood stated the bill was requested by the Insurance Department. It would amend an auto insurance liability law to require that self insurers provide for each motor vehicle, both uninsured and underinsured motorist coverage for bodily injury or death. The amount of the coverage would be limited to an amount equal to the limit of the self insurance and the self insurer would be permitted by the bill to reject any excess coverage in writing to the Insurance Commissioner. Current law, K.S.A. 40-3107e limits liability coverage to not less than \$25,000 for bodily injury or death for one person and not less than \$50,000 for bodily injury or death for two or more persons and not less than \$10,000 for destruction of property in any one accident. The fiscal note has been made available and the Insurance Department indicates there would be no fiscal effect associated with the enactment of the bill.

John Meetz, Kansas Insurance Department, testified in support of this bill stating that it would require self-insurers to provide uninsured and underinsured motor vehicle coverage in the same way that it is required of commercial insurers in the State of Kansas. He said if the amount of the uninsured or underinsured motorist coverage exceeds the limits of self-insurance under current law, the self-insurer may reject the amount in writing to the Insurance Department. Mr. Meetz continued that since the Insurance Department has had regulatory authority over self-insurers, the Department has taken the position that uninsured/underinsured motorist coverage would be provided by self-insurers. He said this was communicated to each company in the letter granting approval of the application for self-insurance.

Mr. Meetz noted that the purpose of SB 463 is to place self-insurers on the same level as any other commercial insured. He said the self-insurer will have to provide uninsured and underinsured motorist coverage at a limit equal to its limit of self insurance; the self-insurer will have the ability to reject uninsured and underinsured motorist coverage in excess of the minimum limits of 25/50 as any other individual or company can; if the self-insurer chooses to reject the excess limits of coverage, the Kansas Insurance Department will provide a form to accomplish this task. (Attachment 1)

## CONTINUATION SHEET

MINUTES OF THE Senate Financial Institutions and Insurance Committee at 9:30 A.M. on February 14, 2008 in Room 136-N of the Capitol.

Jeffrey E. Lewis, General Counsel, AT&T Kansas, testified in opposition to this bill. Mr. Lewis stated SB 463 would require qualifying self-insurers to provide for each motor vehicle both uninsured and underinsured motorist coverage for bodily injury or death. However, he said the Committee should be aware that the proposed bill appears to have inconsistencies. He said the bill specially requires the amount of such coverage to be equal to the limit of self insurance. He said the bill then goes on to state that each self-insurer has the opportunity to reject any amounts of such coverage in excess of the statutory limits for bodily injury or death. He noted self insurers such as AT&T doing business in Kansas are also required to maintain workers compensation insurance. Under existing laws, workers compensation is generally designed to be the sole remedy for employee injury claims against an employer, he said. The proposed language in SB 463 could be read to allow employees to recover damages caused by uninsured or underinsured motorists in excess of damages and other compensation that the employee would receive under workers' compensation laws.

(Attachment 2)

John Peterson, Enterprise Leasing, also testified in opposition to SB 463. Mr. Peterson said SB 463 amends K.S.A. 40-284 requiring self insured to provide for each motor vehicle uninsured and underinsured motorist coverage for bodily injury and death. He said the current language is vague and provides no clarification for a driver or occupant of a self insured vehicle who already has available source of uninsured or underinsured motorist coverage. He continued that the amendment he proposed would expand the current legislation to protect the consumer from having redundant coverage and would provide clear direction for the driver or occupants to use their already available insured or underinsured motorist coverage. (Attachment 3)

The Chair closed the hearing on SB 463 and opened the hearing on SB 498.

Hearing on:

### **SB 498 - concerning insurance; relating to the amount of certain penalties**

Melissa Calderwood gave an overview of SB 498. Ms. Calderwood noted this bill is also requested by the Insurance Department and would increase the penalty associated with the failure to provide reports and other information to the Insurance Commissioner as required by the statute. She said the bill would increase the existing penalty amounts of up to \$500 for a violation to up to \$1,000 for violation or act. The bill also would increase the amounts of initial penalty to be assessed on a weekly basis until the receipt of the information from up to \$100 to an amount up to \$500.00. The fiscal note states there will be no fiscal effect associated with enactment of the bill. The Department anticipates more timely responses from the higher penalties but not additional penalty receipts, she said.

Mr. Meetz testified in support of SB 498 stating that this bill allows the Commissioner, after a due process hearing, to fine any producer or company that fails to file a required report or respond to a proper inquiry by the Commissioner. He said currently the fine for the first violation is set at \$500 and an additional penalty of \$100 may be imposed for each week thereafter. He said SB 498 would raise these fines to \$1,000 and \$500 respectively. He noted that while the vast majority of companies and producers are diligent in filing their reports and responses to Department inquiries, a few do not file their premium tax reports. They withhold financial and market conduct information or they ignore inquires about consumer complaints. He said these violations of the law can continue for months despite repeated requests. He continued that the longer the delay in the payment of taxes, the more a company can profit from the interest on the money which rightfully belongs to Kansas. Mr. Meetz said SB 498 will help take the profit out of ignoring the law and urged the committee to adopt the bill. (Attachment 4)

Larry Magill, KAIA, testified as a neutral party stating he was only offering technical amendments to the bill that would correct the reference to insurance agents in the back of the bill.

There being no further business, the meeting adjourned at 10:30 a.m.