

## MINUTES OF THE SENATE FINANCIAL INSTITUTIONS AND INSURANCE COMMITTEE

The meeting was called to order by Chairman Ruth Teichman at on March 25, 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:

Brad Smoot, First American Title Insurance Co.  
John Meetz, Kansas Insurance Department  
John Peterson, Kansas Land Title Association (written only)

Others attending:

See attached list.

The Chair called the meeting to order.

Hearing on

**HB 2505 - concerning title insurance; pertaining to unearned premium reserves**

Melissa Calderwood gave an overview of HB 2505. She stated the substitute for HB 2505 deleted all the original contents of the bill and included HB 2865, which was a bill heard by the committee and was requested by First American Title Insurance Company. At the hearing, the bill was supported by the Insurance Department and written comments were later received from the Kansas Land Title Association in support of the bill. She said this bill would amend a statute governing the unearned premium reserves of title insurance companies and remove a requirement that a foreign title insurance company maintain unearned premium reserves in an amount no less than the amount that would be required of a domestic title insurance company.

Brad Smoot, First American Title Insurance Company, testified in support of HB 2505. He said the amendment to HB 2505 governs the requirements for maintaining unearned premium reserves by foreign, out of state, title insurers. He said enacted in 1971, the foreign reserve requirements must be equal to or higher than the requirements for a Kansas domiciled title insurance company as specified in K.S.A. 40-234b. He said while that standard has some parochial appeal, it does create real problems for multi-state insurers like First American, by forcing the insurer to maintain unique reserve arrangements, including the creation of a subsidiary title insurance company specific to each state with such requirements. He continued, stating for that reason, most states do not impose such requirements. Instead, they rely on the reserve requirements of the state of domicile, he said. He noted the Kansas Insurance Department has reviewed this proposed legislation and is supportive of the changes made by House Substitute for HB 2505. Mr. Smoot said by striking the proviso language of K.S.A. 40-234c, it will reduce unnecessary costs for all concerned and bring Kansas in line with the majority of other states. (Attachment 1)

John Meetz, Kansas Insurance Department appeared in support of HB 2505. He said this bill simply provides that non-domestic title companies maintain a statutory premium reserve based on the title companies' domestic state's requirements. He said it eliminates the need for non-domestic companies to file a Special Title Insurance Exhibit showing the unearned premium reserve based on Kansas requirements. (Attachment 2)

John C. Peterson, on behalf of Kansas Land Title Association, presented written testimony only. (Attachment 3)

The Chair closed the hearing on HB 2505.

## CONTINUATION SHEET

MINUTES OF THE Senate Financial Institutions and Insurance Committee at on March 25, 2008 in Room 136-N of the Capitol.

Hearing on

### **HB 2688 - concerning insurance; relating to the property and casualty actuarial opinion letter law**

Melissa Calderwood gave an overview of HB 2688. She stated this bill was introduced by the Kansas Insurance Department. She noted the bill would enact the Property and Casualty Actuarial Opinion Letter Law, a law requiring every property and casualty insurance company doing business in the state of Kansas, unless exempted by the Insurance Commissioner, to annually submit to the Commissioner the opinion of an appointed actuary entitled "Statement of Actuarial Opinion." She noted that the Department will make every attempt to prevent the regulatory environment in Kansas from becoming overly burdensome on small domestic companies.

John Meetz, Kansas Insurance Department, testified in support of HB 2688, stating the Insurance Department will make every attempt to prevent the regulatory environment in Kansas from becoming overly burdensome on small domestic companies. (Attachment 4)

The Chair closed the hearing on HB 2688.

The Chair asked Senator Wysong, Chair of the F I & I Subcommittee on SB 601, for a report of that Subcommittee. Senator Wysong said a meeting was held Monday, March 24, at 12:22 p.m. He said there was a balloon amendment to make Substitute SB 601, which included most of the NCOIL language, including the two year instead of the five year moratorium on entering into a viatical settlement after the date of the issuance of the policy. He said on top of that, there were two other amendments accepted by the subcommittee that John Peterson brought forward. He said the stumbling block was basically the definition of STOLI. After a motion was made to approve the substitute bill and the two amendments, the parties were directed to get together and try to come up with a final compromise. He said it was his understanding that they have done so.

Ken Wilke then presented an overview of the balloon amendments to Substitute for SB 601.

### **Final action**

Following discussion, and further clarification, the Chair called for final action on Substitute for SB 601 which would move SB 601 into HB 2110.

Senator Wysong moved to pass HB 2110 out favorably. Senator Steineger seconded. Motion passed.

### **Final action**

#### **HB 2505 - concerning title insurance; pertaining to unearned premium reserves**

Senator Wysong moved to pass HB 2505 out favorably. Senator Brungardt seconded. Motion passed.

### **Final action**

#### **HB 2688 - concerning insurance; relating to the property and casualty actuarial opinion letter law**

Senator Brungardt moved to pass HB 2688 out favorably. Senator Wysong seconded. Motion passed.

The meeting adjourned at 10:30 a.m.