

Approved April 5, 1983
Date

MINUTES OF THE SENATE COMMITTEE ON COMMERCIAL AND FINANCIAL INSTITUTIONS.

The meeting was called to order by Sen. Neil H. Arasmith at
Chairperson

9:30 a.m./~~p.m.~~ on April 4, 1983 in room 529-S of the Capitol.

All members were present except:

Senators Hess, McCray, Feleciano & Reilly - Excused

Committee staff present:

Bill Wolff, Legislative Research
Bruce Kinzie, Revisor's Office

Conferees appearing before the committee:

Larry Magill, Independent Insurance Agents of Kansas

The hearing was held on SB 434 dealing with the errors and omission insurance requirement for excess and surplus lines and brokers licenses. Larry Magill, Independent Insurance Agents of Kansas, appeared in support of the bill and noted that the bill had been introduced at the request of the independent insurance agents. (See Attachment I).

Sen. Werts made a motion to report SB 434 favorably. Sen. Gordon seconded the motion. The motion carried.

The meeting was adjourned.

SENATE COMMITTEE

ON

COMMERCIAL AND FINANCIAL INSTITUTIONS

OBSERVERS
(Please print)

DATE	NAME	ADDRESS	REPRESENTING
4/4	Dick Scott	Mission	State Farm
	LARRY MAGILL	TOPEKA	I. I. R. K.
	Ed Glavin	"	Kan. Assoc. of P.C. Ins.
	L. M. CORNISH	"	"

Testimony on SB 434
By: Larry W. Magill, Jr., Executive Manager
Independent Insurance Agents of Kansas

Thank you for the opportunity to appear in support of SB 434. We requested the introduction of this legislation by the Senate Ways & Means Committee on Tuesday, March 29, 1983, after the problem was brought to our attention by one of our members that afternoon. SB 434 corrects a serious oversight in the drafting of the errors and omission insurance requirement for Excess & Surplus lines and Brokers licenses.

This is an urgent matter because all the outstanding E&S licenses at the time HB2479 was passed last year are due to renew for the first time under the new requirements May 1, 1983. There are approximately 391 such licenses which, if you assume there is generally only one license per agency and if you assume that at least half the license holders are our members, affects almost 200 of our member agencies across the state.

The two statutes in question, K.S.A. 40-246f and the statute it was patterned after, K.S.A. 40-3711, both require "a blanket liability insurance policy insuring other insurance agents or brokers in an amount of not less than five hundred thousand dollars (\$500,000) total liability limit per occurrence subject to not less than five hundred thousand dollars (\$500,000) annual aggregate for all claims made during the policy period." As an alternative the agent can provide a \$100,000 individual policy.

The IIAK completely supports the concept of requiring E&O insurance to protect the consumers against an agents professional negligence. But agencies do not buy individual policies on each employee and it is a common practice in all types of commercial insurance to carry the lowest possible primary limits and then purchase a less expensive umbrella liability policy of \$1,000,000 or more.

The umbrella or excess liability frequently will include other exposures

Attachment I

such as excess auto liability and general liability in addition to the E&O coverage. While it is possible that an auto or general liability claim could exceed the agency's primary amount and reduce the coverage available for E&O claims under the umbrella, that possibility is extremely remote. It is no more possible than a series of E&O claims reducing the annual aggregate below 500,000 aggregate limit. In virtually all cases where the agent carries primary and excess, the excess is written for a minimum of \$1,000,000, twice the required amount.

We checked with two of our members here in Topeka to determine the cost impact of meeting the E&S license requirements. One agency presently carries \$250/750,000 primary and \$3 million excess E&O with St. Paul. For them to raise their primary to \$500/1,500 (St. Paul always uses an aggregate 3 times the per occurrence limit) it would cost them \$323 per year. The other agency presently carries \$100/300,000 primary and \$1,000,000 excess. For them to comply it will cost \$687 per year with American States Insurance Company.

We cannot see the public policy objective being served by forcing these agencies to increase their primary policy limits when they already carry two or more times as much coverage as the law requires.

We urge your favorable consideration of SB 434.