

MINUTES OF THE Joint COMMITTEE ON Insurance

The meeting was called to order by Rep. Rex B. Hoy at
Chairperson

3:00 ~~am~~/p.m. on February 5, 1985 in room 519-S of the Capitol.

All ^{House} members were present ~~except~~ The following Senators were in attendance:
Arasmith, Warren, Gordon, Kerr and Strick.

Committee staff present: Gordon Self, Revisor of Statutes Office
Melinda Hansen, Research Department
Bill Wolff, Research Department
Emalene Correll, Research Department
Margaret Gentry, Secretary

Conferees appearing before the committee:

Gary Walter, Vice-President, Kansas Life Association
Ben Nelson, Executive Vice-President, National Association of Insurance
Commissioners
Dick Brock, Kansas Insurance Department
Ron Todd, Kansas Insurance Department

The Chairman announced that the meeting was basically an educational opportunity to inform members about the regulatory environment in the insurance industry.

Gary Walter told the Committee that there are 28 domestic life and health insurance companies licensed in Kansas, and 610 non-domestic companies. There are 35 property and casualty domestic companies and 578 non-domestic companies licensed to do business in Kansas. There is a total of 1,251 insurance companies licensed to transact business in the state; approximately 19,230 resident agents and 6,541 non resident agents. In 1983, the industry wrote \$2,711,967,000 in insurance. Forty-four percent was in property and casualty for a total of \$1,194,212,000; Health, \$842,083,000, representing 31 percent; and life insurance premiums amounted to \$675,672,000 for 25 percent.

The total premium tax paid to the state in the most recent fiscal year was \$41,121,227; and total taxes and fees amounted to \$71,266,070. In 1983, \$556,200,000 was paid in the form of life insurance and annuity benefits. Twenty-eight percent was death benefits; 19 percent annuities; 24 percent, dividends; 26 percent surrender; 1 percent disability and 2 percent matured endowments.

Mr. Walter told the committee that there are a number of organizations which are able and willing to provide detailed information about the insurance industry, including The Kansas Insurance Education Foundation, The Kansas Life Association and The Kansas Association of Property and Casualty Insurance Companies.

Ben Nelson, Executive Vice-President of the National Association of Insurance Commissioners, explained that his office had moved from Wisconsin to Kansas City about a year ago, and the location has made them more accessible to more people. He noted that the insurance industry is one of the last to be regulated at the state level, and while the regulations vary some from state to state, there are many identical regulations as well. He explained that the NAIC role is to assist the states in an advisory and supportive manner. They provide publications and computer services to the states and seek to promote uniformity and standardization as much as possible. In addition, they staff a Washington office to make certain Congress is fully informed about the effects on states of proposals relating to the industry. He explained that while a proposal may sound good and the intent is the best, without the proper data and projections it could cause chaos at the state level and throughout the industry.

Dick Brock related the history of the office of Insurance Commissioner, explaining that the office had been elective since 1927. He stated that the Department has 130 employees, including staff in a Wichita office and examiners who travel most of the time. He noted that the Department is especially concerned with solvency, and all companies are examined regularly to assure this. He explained that the Department participates in a nationwide examination system which is coordinated among the Commissioners. The country is divided into four zones for examination purposes. He also explained that it is determined that a company may be in precarious condition they can require additional deposits which are held in a vault, for the protection of the consumer. He discussed the Guaranty Funds which he referred to as a "fail-safe mechanism" if a company does become insolvent.

Ron Todd discussed the operation of the Department, reiterating that a number of functions are uniform throughout the states. He expressed satisfaction with the Consumer Assistance Division which includes a "hot line" for complaints and questions throughout the state and which assists many individuals during the past year. He stated that over the past three years, the department has conducted Senior Citizen seminars, addressing the particular problems of these individuals; and prepared consumer brochures covering seven different categories.

After a question and answer period, the meeting was adjourned.

Rex B. H. H.