

Approved 3-2-87
Date

MINUTES OF THE House COMMITTEE ON Insurance

The meeting was called to order by Rep. Bill Bryant at
Chairperson

3:30 ~~XX~~ a.m./p.m. on February 24, 1987 in room 531-N of the Capitol.

All members were present except:

Rep. Littlejohn, excused

Committee staff present:

Emalene Correll, Chris Courtwright, Research Department
Bill Edds, Revisor's Office
Deanna Willard, Committee Secretary

Conferees appearing before the committee:

Rep. Jack Beauchamp
Jerry Slaughter, Kansas Medical Society
Sgt. Bob Giffin, Kansas Highway Patrol
Larry Magill, Independent Insurance Agents of Kansas
John Smith, Department of Motor Vehicles

The meeting was called to order by Vice-Chairman Bryant.

Hearing on: HB 2255 - professional liability insurance coverage for certain coroners

Rep. Beauchamp testified in favor of the bill which would exempt retired doctors who practice only as coroners from the requirement to carry malpractice coverage. He said that the insurance can be higher than the salary received. He is not aware of any opponents to the bill. (Attachment 1)

Mr. Jerry Slaughter, Kansas Medical Society, said that he would like to make the committee aware of Senate Bill 36 in the Public Health and Welfare Committee. It deals with those in non-patient services. The Board of Healing Arts would issue another type of license which would exempt certain categories. The concept is not to eliminate liability but to exempt from insurance. No hearings are yet scheduled on SB 36, not due to controversy, but because it is part of a group of related bills being worked.

He was asked if there are different rates for physicians--based on specialty or whether they are semi-retired. There are not. He said the cost to a county to pick up the liability coverage would be minimal, as they likely already have blanket liability coverage.

Hearing on: HB 2193 - motor vehicle liability insurance; proof of coverage

Testimony was presented by Sgt. Bob Giffin, for the Kansas Highway Patrol, in support of the bill, saying it would aid law enforcement officers by verifying the validity of a policy and would reduce inconvenience for the motoring public. (Att. 2.)

He said that requesting proof of insurance is as common as requesting a driver's license. At the officer's discretion, a DC 66 can be issued which requires the motorist to verify coverage and send in proof. The driver of the vehicle has the burden of

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MINUTES OF THE House COMMITTEE ON Insurance,
room 531-N, Statehouse, at 3:30 XX a.m./p.m. on February 24, 1987

proof of insurance coverage; it can be in the form of an ID card, a copy of the policy, or a certificate of self insurance.

Mr. Larry Magill, Independent Insurance Agents of Kansas, presented testimony in opposition to HB 2193, as the present proof of insurance law provides a means of positively verifying insurance coverage and ticketing the uninsured driver. He said adding the expiration date would add nothing to the value of the ID card and would add administrative expense for the insurers. (Att. 3.)

He responded to questions as follows:

1. Insurance companies are not required to notify the Motor Vehicle Department when a policy lapses.
2. The only way a card issued with a policy would be positive proof is if a policy were non-cancellable.

Mr. John Smith, Director, Department of Motor Vehicles, said he realizes that many people buy a short-term policy and let it lapse until time to purchase tags again. He said the current bill was designed to assist in enforcing the law and to eliminate their having to check on so many cancellation notices from companies. Most were the result of car or insurance carrier changes. He said the uninsured rate is between five and ten percent. He said it needs to be stressed that the police request the information necessary to verify coverage and that people don't carry the wrong cards. He also addressed the situation of persons being cited for not providing proof of coverage within 20 days and then its being annulled. He believes this is incorrect as the violation is "not furnishing proof of coverage" rather than "not having coverage."

He asked the committee to correct an oversight from last year: on Line 210, there should be an "or" rather than a comma after "damages."

Action on: HB 2147 - amending the Kansas automobile injury reparations act

The Chairman joined the meeting after testimony before another committee. He distributed a chart detailing no fault liability changes represented by HB 2147. (Att. 4.)

He said that it is the job of the committee to look out for the best interest of the consumer. The package of proposed benefits in HB 2147 is an increase of between two and two and a half times the present benefits. He was asked the steps for recovery when PIP is exhausted. They would be (1) look to another insurance policy, (2) personal assets, and (3) Medicaid. It was pointed out that higher limits of PIP coverage can be purchased.

Rep. King made a motion to adopt an amendment which would drop out general benefits and lower the monetary threshold to \$1750. Rep. Gross seconded the motion. (Att. 5.) Rep. King stated that as it would keep a large number of cases out of court, there wouldn't likely be much premium impact.

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The Chairman commented that Dick Brock's earlier testimony indicated that moving up to CPI levels would result in a balanced bill. He had used two CPI's, one a medical figure with a factor higher than that of the other types of CPI's since medical costs have risen much faster than other costs.

Rep. Neufeld made a substitute motion that the \$3000 in Line 503 be changed to \$2250 and that the \$3000 in Line 512 be changed to \$2250 as a compromise halfway between the proponents' and the opponents' requests. It would not strike general benefits. There was no second to the motion.

Rep. Schauf offered a substitute motion. (Att. 6.) Rep. Bryant seconded the motion. Rep. Schauf said the \$10,000 would be a part of the automatic benefits for rehabilitation based on the bill definition on page 3.

The Chairman said that any of the amendments would likely require a recosting of the bill. Several committee members said that they didn't believe enough statistical information was presented by the proponents as to the effect of the bill. Another said they couldn't present the exact figures until there is some experience with the bill.

The substitute motion failed.

Rep. Beauchamp made a substitute motion to strike general benefits and leave everything else the same. There was no second to the motion.

Rep. Neufeld offered a substitute motion to change the \$1750 threshold in Rep. King's offered amendment to \$2000. Rep. Beauchamp seconded the motion.

The Chairman said that \$2000 might be a better compromise if general benefits are going to be struck. Otherwise, benefits or premiums would likely need to be lowered to retain a balance.

The substitute motion failed.

The motion to adopt Rep. King's amendment carried.

Rep. King made a motion to recommend the bill favorably as amended; Rep. Beauchamp seconded the motion. The motion carried.

Rep. Brady requested new data on the effect of the bill on premiums. Mr. Brock said that they do not have information but could try to get figures. It was suggested that ISO or State Farm be requested to provide information.

The meeting was adjourned at 5:00 p.m.

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HOUSE OF
REPRESENTATIVES

COMMITTEE ASSIGNMENTS
MEMBER: AGRICULTURE AND SMALL BUSINESS
INSURANCE
LOCAL GOVERNMENT

February 24, 1987

Mr. Chairman and Members of the Insurance Committee:

HB 2255 is intended to exempt retired doctors who practice only as coroners from the statutorily required basic malpractice coverage and give them coverage under the Kansas Tort Claims Act.

After reviewing the bill, I believe this would be better accomplished by exempting coroners' services from those professional services covered under the Health Care Provider Insurance Availability Act. This would mean that neither basic coverage nor health care stabilization coverage would be required or provided for those services but they would be subject to the limits of and insurance coverage under the Kansas Tort Claims Act. This resolves a number of problems that would arise under the current bill with regard to coordinating the provisions of the two acts.

House Insurance Committee
Feb. 24, 1987
Att. 1

SUMMARY OF TESTIMONY

Before the House Committee on Insurance

February 24, 1987

Presented by the Kansas Highway Patrol

(Sergeant Bob Giffin)

Appeared in Support of House Bill 2193

The Kansas Highway Patrol supports House Bill 2193. This act would simply require that an insurance policy expiration date be placed on the policy holder's proof of liability insurance.

Passage of this bill would significantly aid law enforcement officers who must check for proof of liability insurance during the course of a traffic stop. Having the policy expiration date listed would in most cases satisfy the officer's curiosity as to the validity of the policy, thus freeing the officer to concentrate on other duties as well as reducing any inconvenience that may be placed on the motoring public in attempting to prove that their policy is valid.

The Patrol requests the committee recommend House Bill 2193 favorable for passage.

TESTIMONY ON HB 2193
BEFORE THE HOUSE INSURANCE COMMITTEE
FEBRUARY 24, 1987
BY: LARRY W. MAGILL, JR., EXECUTIVE VICE PRESIDENT
INDEPENDENT INSURANCE AGENTS OF KANSAS

Thank you Mr. Chairman and members of the Committee for the opportunity to appear today in opposition to HB 2193, which would amend our current proof of insurance law to require that auto insurance I.D. cards contain the expiration date of the policy.

This issue has been debated a number of times by the legislature. The present law was passed by the 1984 session after an interim study. The interim study followed several unsuccessful attempts to pass legislation in previous sessions.

The Independent Insurance Agents of Kansas support the underlying purpose of our present proof of insurance law--to provide law enforcement with an opportunity to catch the uninsured driver before he is involved in an accident causing property damage and possibly bodily injury. We believe the changes enacted by the 1984 session of the legislature accomplished that purpose. They allow law enforcement to ask for proof of insurance any time a driver is stopped. If the driver is unable to provide any proof of insurance, the officer can issue a ticket which will be cancelled if proof is provided to the officer or the responsible court within 20 days of the date of issue of the ticket.

On the other hand, if the driver provides evidence of insurance through an auto insurance I.D. card, the officer can take down the information from the card, the insured's name and the policy number along with the description of the vehicle being driven, send the form

to the Division of Motor Vehicles and they will verify coverage with the insurance company. If the insurance company responds to the Division of Motor Vehicles that there is no coverage, the Division can begin proceedings to suspend the driver's license and vehicle registration.

Either way, under present law, law enforcement officers are given a means of positively verifying insurance coverage and ticketing the uninsured driver.

However, requiring additional information on the auto insurance I.D. card will accomplish nothing. Regardless of whether the card includes an expiration date or not, there is no guarantee that the insurance coverage is still in force. Auto insurance policies can be renewed quarterly, every six months or annually. Six month and annual policies typically offer installment payment provisions which an insured can fail to pay causing the policy to be cancelled. Even if the insured pays the premium up front, the insured can always request cancellation and a refund of premium. It is also possible that an insurance carrier could cancel coverage mid-term, although Kansas has very specific statutes governing when and under what circumstances they can take that action. In any event, the auto insurance I.D. card is still in the insured's possession and would still show coverage expiring on some date in the future.

Not only does adding the expiration date add nothing to the value of the auto insurance I.D. card, it adds a substantial administrative expense to both insurance agents and companies. Auto insurance I.D. cards can be issued by either, and sometimes both, for the same account. Requiring the inclusion of the expiration date

only means that both the agents and the companies must issue that many more auto insurance I.D. cards for quarterly, six month or annual policies as they renew. The way the law stands now, as long as the insured remains with the same insurance company, a new insurance card does not have to be issued.

The only way to positively know that a driver and a vehicle are insured is to confirm coverage directly with the alleged insurance company for the date that driver was stopped. We can only think of two other alternatives that would be any more effective and neither of them would be palatable. One would be a "master computer system" with everybody's auto insurance information continually fed into it and with law enforcement officers having access to it when they stop drivers. Obviously, this "Orwellian" approach would neither be cost effective or feasible. The other solution would be for the legislature to mandate that only prepaid non-cancellable auto insurance policies can be sold to consumers. This would be great for insurance companies and insurance agents, but not so great for consumers.

We truly believe that if people understand the way our present proof of insurance law is intended to work, and use it, that they will find it is effective. At least as effective a deterrant to the driver who would go without insurance as any state has.

We urge the Committee to not report HB 2193 favorably for passage. Thank you for your consideration.

HB 2147

NO FAULT LIABILITY CHANGES

	<u>Present</u>	<u>HB 2147</u>
A. Personal Injury Protection (PIP)		
Wages/disability	\$650/mo.	\$1400/mo.
Funeral	\$1000	\$2500
Medical	\$2000	\$6500
Rehabilitation	\$2000	\$6500
Survivors' benefits	\$650/mo.	\$1400/mo
Substitution benefits	\$12/day	\$25/day
B. Monetary Threshold	\$500	\$3000
C. Verbal Threshold	Permanent disfigurement Fracture Weight Bearing Bone Loss of body member Permanent injury Loss of bodily function Death	Permanent disfigurement Loss of body member Permanent injury Loss of bodily function Death
D. General Benefits	None	a. \$500 if medical exceeds \$1500 b. Dollar-for-dollar up to total general benefits \$2000

Proposed Amendment to HB 2147

On page 3, in line 106, by striking ", general benefits";

On page 5, by striking all of lines 182 to 186, inclusive;

On page 14, in line 503, by striking "\$3,000" and inserting

1750 "~~\$1,500~~"; in line 512, by striking "\$3,000" and inserting

1750 "~~\$1,500~~";

Proposed Amendment to HB 2147

On page 3, in line 106, by striking ", general benefits"; in line 111, by striking "\$6,500" and inserting "\$10,000";

On page 5, by striking all of lines 182 to 186, inclusive;

On page 14, in line 503, by striking "\$3,000" and inserting "\$2,000"; in line 512, by striking "\$3,000" and inserting "\$2,000";