

Approved January 22, 1987  
Date

MINUTES OF THE Senate COMMITTEE ON Financial Institutions and Insurance

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

9:00 a.m. ~~p.m.~~ on January 21, 1987 in room 529-S of the Capitol.

All members were present except:

Committee staff present:

Bill Wolff, Legislative Research  
Bill Edds, Revisor of Statutes  
Myrta Anderson, Legislative Research

Conferees appearing before the committee:

Ron Todd, Kansas Insurance Department  
Larry Magill, Independent Insurance Agents  
Jay Thomas, Kansas Trial Lawyers  
Ron Smith, Kansas Bar Association

The chairman called the committee's attention to a draft of a bill which he had had staff prepare. He explained that he had the bill drawn after a situation in his district had occurred in which a bank took possession of property and was assessed taxes, to which the bank did not object; but the bank was also assessed a penalty for which it was not liable because it did not possess the property when the taxes became past due. The bill is designed to correct this situation.

Sen. Strick made a motion for the introduction of the bill, Sen. Burke seconded, and the motion carried.

Attention was turned to SB 22 dealing with notice prior to increasing insurance premiums. Ron Todd, Kansas Insurance Department, testified in support of the bill. He distributed copies of an amendment. (See Attachment I.) He said this measure passed both houses last session but had not been enacted. He explained that the purpose of the bill is to prevent insurance companies from increasing rates on a renewal policy until they notify the insured. The amendment enables agents to be notified by their companies.

Sen. Burke commented that the bill will not give individuals time to check for better rates. It gives the agent notice, but it does not notify the holder of the policy. Sen. Strick commented further that the amendment does away with the thirty day notice for the consumer and gives the agent five days notice. If the agent does not notify the consumer, he will not be aware of the increase.

Larry Magill, Independent Insurance Agents, testified indicating that his interest is in the notice provision of the amendment and not the thirty days notice. The amendment allows the agent an opportunity to contact the insured and tell the insured what other companies have to offer. He explained that even without the thirty days notice, there is some protection for the insured although it is not as strong. The five days notice to the agent gives him time to help the client.

Sen. Burke asked if the notice requirement to agents will put a hardship on insurance companies. Mr. Magill said that it would at first but that the worst hardship would be if companies deliver quotes late which would require that they calculate the renewal premium using old and new rates.

Sen. Karr asked if Mr. Magill supports the amendment or the original bill. Mr. Magill answered that he would be neutral to the bill with the amendment for agents, otherwise, he would oppose the bill. He has concerns about what the bill might do.

Sen. Reilly expressed his concern that the Kansas Independent Insurance Agents support this. Companies are about sixty days behind in processing and getting a quote now. He asked Mr. Magill if this is true of the mutuals and domestics. Mr. Magill noted that not many companies could meet the requirements of the bill and that most would

Unless specifically noted, the individual remarks recorded herein have not been transcribed verbatim. Individual remarks as reported herein have not been submitted to the individuals appearing before the committee for editing or corrections.

CONTINUATION SHEET

MINUTES OF THE SENATE COMMITTEE ON FINANCIAL INSTITUTIONS AND INSURANCE,

room 529-s, Statehouse, at 9:00 a.m./p.m. on January 21, 1987.

have to calculate two ways. In answer to Sen. Reilly's question as to if the bill would be of help or cause problems, Mr. Magill said that he did not know what the impact would be. Short committee discussion followed regarding the removal of the thirty day notification.

Jay Thomas, Kansas Trial Lawyers, testified in support of SB 22 with the thrity day notice requirement. He said a practical compromise would be to allow a five day notice to agents followed by a thirty day notice to the insured to give both an opportunity to look at other company rates. The chairman asked Mr. Thomas to put his suggestion in proper language so the committee could discuss it.

Ron Smith, Kansas Bar Association, stated his support for the bill as it came out of the interim committee. (See Attachment II.) He feels that with some language change, everyone can support the bill. Sen. Strick asked if he supports the amendment, and Mr. Smith answered that he had not seen it until the hearing, but he feels it can be worked out. This concluded the hearing on SB 22.

The hearing on SB 24 dealing with rating plans followed with the testimony in support by Ron Todd, Kansas Insurance Department. Mr. Todd explained that the bill comes from the interim committee and puts some controls in the statute that would keep these plans from fluctuating so much. It deals with both commercial and personal loans. He agreed with the chairman's statement that it would codify what has already been done in the Department.

Jay Thomas, Kansas Trial Lawyers, testified in support of SB 24 noting that the statute has not been revised since 1946 and that he thinks this bill is needed.

Sen. Werts stated that he does not like the idea of using accounting language in the bill. Mr. Todd said that this language was used because the terms have been used for years.

Sen. Werts made a motion to report SB 24 favorable for passage, Sen. Harder seconded, and the motion carried.

The meeting was adjourned.

SENATE COMMITTEE

ON

FINANCIAL INSTITUTIONS AND INSURANCE

OBSERVERS  
(Please print)

DATE	NAME	ADDRESS	REPRESENTING
1/21	Jim Olin	Topeka, Ks	PIA of Ks
1/21	Dick Brock	" "	Ks Gas Dept
1-21	Lee WRIGHT	Mission, Ks	Farmers Ins. Group
1-21	Richard Mason	Topeka	KTLA
	Ben Cukrowski	Topeka	KLHA
	Ron Smith	Topeka	KBA
	Spencer Oast	Topeka	KLSI
	John G. Smith	St Louis, MO	
	LARRY MAGILL	TOPEKA	IIAK
1-21	Don M	"	League of Minn
	Geo. Barbee	Topeka	Ks Consulting Eng
1-21	WALTER DARLING	TOPEKA	DIVISION OF BUDGET
1-21	JERRY HALLIDAY	Topeka	Ks MEDICAL SOCIETY
	M. Haver	"	Co-Op January
	CK Fitz	"	KASB
	Kathy Murney	"	MCAK
	Bruce GRAHAM	Topeka	Ks Motor Carriers Assn
	Richard Harmon	Topeka	Ks PIC Assoc
	Dick Scott	Kc	State Farm

SENATE BILL No. 22

By Special Committee on Tort Reform and Liability Insurance

Re Proposal No. 29

12-15

0017 AN ACT concerning insurance; relating to notice prior to in-  
0018 creasing premiums for certain policies.

0019 *Be it enacted by the Legislature of the State of Kansas:*

0020 Section 1. The premium rates for any contract of property  
0021 and casualty insurance continued or renewed following the  
0022 effective date of this act shall be no greater than those charged  
0023 for the immediately preceding policy period unless and until 30  
0024 ~~days have elapsed from the date the insured was notified of any~~ is  
0025 applicable increase.

0026 Sec. 2. This act shall take effect and be in force from and  
0027 after its publication in the statute book.

Notice to the agent shall be given at least five working days prior to notice to the insured unless the agent gives earlier notice to the insured.



January 20, 1987  
SB 22

**KANSAS BAR  
ASSOCIATION**

1200 Harrison  
P.O. Box 1037  
Topeka, Kansas 66601  
(913) 234-5696

Mr. Chairman. Members of the Senate Financial Institutions  
Committee. My name is Ron Smith, KBA Legislative Counsel.

KBA supports SB 22 as drafted. We believe that the  
insured ought to have notice of pending increases  
in premiums and have time to "shop" for alternative  
coverage.

KBA has a legislative committee of 42 lawyers headed by Chairman  
Tom Wright of Topeka. Our Executive Council is another 21 lawyers  
elected by our 4,500 KBA members statewide.

We endorse and support SB 22.

We are concerned that, as happened last year, the industry may  
desire a provision that notice to the agent of a rate increase consti-  
tutes notice to the insured. That is not feasible. Many agents are  
"captives" of their company and do not have the ability to shop for  
other coverage. Even where the agent is an independent, we believe SB  
22 should require notice to the insured at the same time of any notice  
to agents.