

Approved January 27, 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 22, 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

Conferees appearing before the committee:

Dick Brock, Kansas Insurance Department
Jerry Hanna, Kansas Trial Lawyers
L. M. Cornish, Kansas Property and Casualty Insurance Companies
Bill Mitchell, Alliance Insurance Company of McPherson

The minutes of January 21 were approved.

The hearing began on SB 23 dealing with the filing of loss experience on an itemized basis. Dick Brock, Kansas Insurance Department, testified neither in support or in opposition to the bill but to offer an explanation of the bill and assistance in the committee's consideration of it. He said that in these days of a hard market, everybody wants more information, but even if SB 23 is passed, the department will not always have the information requested. Most of the information that is required by the bill is being received by the department now. However, the information is not broken down on a risk by risk category. With SB 23, the department will have to ask for a multitude of information on different risks which will be expensive for both the department and the companies. Furthermore, the bill amends both the property and casualty regulations act, but most of the difficulty has been with casualty so Mr. Brock questions why both were amended. In regard to the advisory committee that would be created by the bill, Mr. Brock said the department gets more advice than it can use at present. He informed the committee that the National Association of Insurance Companies established a Statistical Information Advisory Committee which set up a statistical service in Kansas City. Mr. Brock noted that the bill will require the department to call for many more people. The chairman asked Mr. Brock to furnish the committee a copy of the fiscal note for the bill.

Sen. Werts asked Mr. Brock if line 65 is to be interpreted to be market value or cost. Mr. Brock answered market. Sen. Werts feels it needs to be specified as to it it is book or market value.

Jerry Hanna, Kansas Trial Lawyers, testified in support of SB 23. He feels that if there is a problem in the Insurance Department accumulating more information, this bill would help. He feels the bill is a step in the right direction in determining the cause of the problem of affordability and availability of insurance. In regard to Section II, he feels that the investment income dividends and interest should be known by the Insurance Commissioner. Therefore, he recommends an addition to line 150 to reflect income, dividends, and interest to the Insurance Commissioner. Mr. Hanna supports the advisory committee but feels that a provision should be added for annual meetings and some requirement for reporting. He concluded by stating that he feels premiums should be based on Kansas experience. The chairman noted that Kansas premiums based on Kansas experience would involve the risk of insurance companies not doing business in Kansas. Mr. Hanna agreed that there is this threat, however, he is not sure it would be carried out.

L. M. Cornish, Kansas Property and Casualty Insurance Companies, testified in opposition to SB 23. He explained that most of the companies in his group are Kansas companies and are not industry giants. Less than five percent of their business deals with liability, and the information requested by this bill is already furnished under

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.~~xxx~~ on January 22, 1987.

their annual statement. Mr. Cornish said if the committee feels the bill is necessary, he suggests that work be done on the language of the requests which need to be clarified. As to the advisory committee, he said the insurance industry is about as regulated as an industry can be, and this would be simply another expense and regulation which is not needed. Also, the nineteen requests should be limited to nineteen and not allowed to be enlarged. The nineteen will already take a lot of time and expense. Mr. Cornish was in accord with the chairman's statement that removal of Section I would remove his concerns.

Sen. Karr asked what percent of property is covered by these small domestic companies, and Mr. Cornish said it is basically in farm writing, roughly twenty percent. As to casualty, a very small percentage, perhaps one or two percent.

Sen. Gannon stated that it appears that this bill is a continuation of part of the frustration in dealing with this industry. Mr. Cornish stated that he does not feel this bill will relieve this frustration.

Bill Mitchell, Alliance Insurance Company, testified in opposition to SB 23. He said he is concerned about the availability of information. He explained that his company files an annual report and very three years they have a thorough audit by the Insurance Department. The audit lasts as long as ninety days with three people, and Alliance pays for it which is a large expense. Also, they have performance audits where their claim files are checked and complaint audits to see how they handle complaints. So it is obvious that they now provide a tremendous amount of information which is available but not in the form requested by the bill. To do this will involve a large expense for the Insurance Department. This concluded the hearing on SB 23.

The meeting was adjourned.

SENATE COMMITTEE

ON

FINANCIAL INSTITUTIONS AND INSURANCE

OBSERVERS

(Please print)

DATE	NAME	ADDRESS	REPRESENTING
1/22	Richard Mason	Topeka	KTLA
1/22	Jerry Hannah	Topeka	KTLA
1/22	Bob Cuhrt	Topeka	KTHA
1/22	Mary Vincent	Topeka	AGC
1-22	Lee Wright	Mission	FIG
1-22	Dick Brock	Topeka	Kans Ins Dept.
1-22	LARRY MAGILL	TOPEKA	IIAK
1/22	William L. Mitchell	Hutchinson	Alliance
"	L M CORNISH	Topeka	Hoover P/C Ins Cos
"	Richard Harmon	Topeka	" " " " "
"	Jim Oliver	Topeka	PIA of Ks
"	Kevin B. Wickliffe	Lawrence	Senator Mulick
"	Mark A. Beherstein	Emporia	Senator Burke
"	WALTER DARLING	TOPEKA	DIVISION OF BUDGET
	M. Hoover	"	Capitol Journal
	Bruce Graham	Topeka	Ks Motor Carriers Assn.