

Approved March 24, 1988
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 March 23, 1988 in room 529-S of the Capitol.

All members were present except:

Committee staff present:

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

Conferees appearing before the committee:

Sen. Jim Allen
Lt. Bill Jacobs, Kansas Highway Patrol
John W. Smith, Kansas Department of Revenue
L. M. Cornish, Kansas Assn. of Property and Casualty Companies
Ron Todd, Kansas Insurance Department

The minutes of March 22 were approved.

The hearing began on HB 2633 dealing with motor vehicle liability insurance. Sen. Jim Allen appeared to give an editorial comment on liability insurance. He said there is a problem in the area of cancellation of liability insurance. There are many drivers who purchase six month policies, pay only one month's premium, and drive without insurance. They have insurance cards, however, the card does not indicate this. The Motor Vehicle Department is no longer notified of this situation by the companies. It has been said that only 4 or 5 percent of the drivers are driving without insurance, but Sen. Allen feels that the percentage is higher. This information needs to be recorded even though it involves extra paper work. He feels that in this day of computer technology, this can be done and that there is a need to have immediate information at the scene of an accident as to if a person has insurance in force.

Lt. Bill Jacobs of the Kansas Highway Patrol was next to testify in support of the bill. (See Attachment I.) Lt. Jacobs confirmed for the Chairman that the \$25 reinstatement fee has not been changed with this bill. Sen. Gannon asked what percentage of drivers are driving without insurance. Lt. Jacobs said the educated guess is 5 percent, but there is no accurate way to determine this, and he feels it is a bigger percent. Sen. Gannon asked Lt. Jacobs if there is some way to stop this. Lt. Jacobs said he feels there is no way to stop it because of loopholes in the law. One solution could be to make the penalty so great that it is more expensive than the insurance premiums.

John W. Smith of the Kansas Department of Revenue gave further testimony on HB 2633. He told the committee that his department is tracking every bad driver in the state to make sure that he has insurance even though a person does have thirty days to furnish proof of insurance. Insurance companies of all who are caught without insurance are required to keep on file that they have insurance. His department also spot checks thirty to forty thousand drivers a year from the property tax list.

L. M. Cornish, Kansas Assn. of Property and Casualty Companies, said that he had heard from Farm Bureau in regard to this bill. They feel they will have a difficult time getting this completed by the effective date of July 1, 1988, and are asking for an effective date of January 1, 1989. The Chairman said he has a Farm Bureau card, and the card now shows the effective and expiration dates. This concluded the hearing.

Sen. Werts made a motion to change the effective date to January 1, 1989,

Questions notified in advance of the hearing should be submitted to the individuals appearing before the committee for editing or corrections.

CONTINUATION SHEET

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room 529-S, Statehouse, at 9:00 a.m. ~~p.m.~~ on March 23, 1988.

Sen. Reilly seconded, and the motion failed on a tie. Sen. Werts called for a division, and the motion carried.

Sen. Werts made a motion to recommend HB 2633 favorable for passage as amended, Sen. Warren seconded, and the motion carried.

The hearing began on HB 2723 concerning insurance company examination fees which was introduced at the request of the Insurance Commissioner. Ron Todd of the Kansas Insurance Department testified in support of the bill. He said it deals with the examination procedures of domestic insurance companies that do business here mainly although there are occasionally foreign companies. This bill improves the effectiveness of examinations. At present the Department does not have a procedure to call on actuarial expertise when it is needed. The companies pay for the cost of independent actuaries, but the Department does not have specific authority to require this. As to lines 55-59, the Department also needs the use of a computer expert. The new language further on has a maximum of \$25,000 that could be assessed on any one company, but Mr. Todd said he does not think the Department will need that much. Also, there is a provision that they can assess a fee on a company which would allow them to have money on hand for computer equipment to make the examinations shorter and more accurate because the companies use computers.

The Chairman questioned Mr. Todd regarding appropriate and adequate software needed by the Department. It was determined that the NAIC has adopted a procedure for all states and has some software for them to use. There are maintenance fees for this and, in addition, other software and computers to be used for examinations are needed. Sen. Gannon said it would be easier to make the companies pay. Mr. Todd agreed but added that this bill is the least objectionable to the companies, and a fund smooths out the charges. Sen. Gannon said he does not like the new language. The Chairman explained that after much study of it, he had determined that the new language includes two proposals, but they could be easily read as one. The first one has no limitation and authorizes an outside consultant fee. The second sets a fee and says that the additional cost could be put in for equipment. Sen. Werts said the language is confusing as to if it refers to what is being paid to someone or what a company being examined is to be paid. Mr. Todd said the insurance company is assessed the full cost of the examination which includes the salary of the examiners. With regard to line 22, "any person", Sen. Werts asked if it means a person in the Department. He thinks it is saying how much the Department is paying their employee instead of telling the insurance company what to pay. The Chairman added that the bill is allowing a national organization to set caps, and he is not sure this is constitutional. Sen. Werts said there is no rationale for using this formula in a statute for determining how much to charge for software. Mr. Todd said the only rationale is that the Department had to go to the legislature to get the authority to assess a fee for computer fees. With regard to how much money is needed for annual leave, Sen. Werts said a dollar amount should be put in for the fee instead of an amount needed for annual leave pay. Mr. Todd said this is a relatively easy way to do it. The Chairman added that it does give a clear picture of how these annual fees are to be used even though it may not seem like it should be in the statutes. Sen. Kerr said other fees are described than annual leave that make up the total cost of employing a person. Mr. Todd responded that the new language is a benchmark that the fee is needed for annual leave, and also it puts a cap on it. This concluded the hearing.

Sen. Gannon said that the bill needs some thought. Sen. Werts said the Commissioner should give some thought to alternative language. The Chairman reminded the committee that bills must be out of committee by next Tuesday and that he had hoped they would all be out by Monday.

Attention was turned to HB 2128 which had been previously heard and which deals with credit life insurance, increasing the maximum allowed to be sold

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from \$25,000 to \$50,000. A similar bill, SB 133, is in a conference committee at present. The Chairman would like to get the bill out and on the Calendar, and what is done with it depends on what is done with SB 133.

Sen. Werts made a motion to amend HB 2128 by striking the House floor amendment requiring a separate sheet of paper for notification in Section 2, page 7, Sen. Reilly seconded, and the motion carried.

Staff said the bill needs technical amendments to update it to take care of the change from \$25,000 to \$50,000. Sen. Burke made a motion to make the needed technical amendments to update it, Sen. Karr seconded, and the motion carried.

Sen. Harder made a motion to recommend HB 2128 favorable as amended, Sen. Burke seconded, and the motion carried.

The meeting was adjourned.

SENATE COMMITTEE

ON

FINANCIAL INSTITUTIONS AND INSURANCE

OBSERVERS
(Please print)

DATE	NAME	ADDRESS	REPRESENTING
3/23	Rev. Todd	Topeka	Ins. Co.
	Heintz	Topeka	INS. DEPT.
	Quinn	Topeka	Supreme Court
	M. Hoover	"	Cap. Journal
	W. W. Smith	Topeka	K DOR
	Lt. Bill Jacobs	TOPEKA	KHP
	Richard E. Wilborn	McAlev	Alliance Ins Co's.
	William L. Match	Hutchinson	" " "
	LM CORNISH	Topeka	K's Assoc of P/C
	James Hill	Topeka	SECURITY BENEFIT
	LARRY MAGILL	"	I. I. A. K.
	Lee WRIGHT	Overland Park	Farmers Ins. Group

SUMMARY OF TESTIMONY

Before the Senate Financial Institutions and Insurance Committee

March 23, 1988

Presented by the Kansas Highway Patrol

(Lieutenant Bill Jacobs)

Appeared in Support of House Bill 2633

The Kansas Highway Patrol supports House Bill 2633. The bill is a result of an Ad Hoc Committee meeting several times in late 1987 to recommend changes to the current laws that require mandatory vehicle liability coverage.

The bill has four major changes that the Patrol feels will help streamline the process of enforcement by all concerned.

The bill would require that the effective and expiration dates of the insurance policy be placed on the identification card or certificate when used as proof of insurance. This would certainly not eliminate a card or certificate being used when a policy has been terminated, but it will serve to limit the time that a fraudulent card or certificate could be used.

The bill would also eliminate the office of the arresting officer from the process of dismissing a charge of "no insurance" when an individual produces evidence of insurance after the fact of being charged. It would require that the accused furnish the evidence to the proper court. The bill also places time restraints on the prosecutors to file charges if the evidence so indicates, and on the court to dismiss if valid.

The bill directs the Department of Revenue to return any insurance verification form that indicates an individual does not have insurance to an officer that suspicions evidence produced is fictitious and the officer initiates a verification form.

The bill also establishes a minimum fine for failing to have liability insurance as required. This should serve as a deterrent to those that are tempted to operate vehicles without the required insurance.

Attachment I