

Approved \_\_\_\_\_

2/16/89  
Date

MINUTES OF THE SENATE COMMITTEE ON FINANCIAL INSTITUTIONS AND INSURANCE

The meeting was called to order by SENATOR RICHARD L. BOND at  
Chairperson

9:00 a.m./p.m. on TUESDAY, FEBRUARY 14, 1989 in room 529-S of the Capitol.

All members ~~were~~ present ~~except~~ Senators Bond, Salisbury, Anderson, Karr, Kerr, McClure, Moran, Reilly, Strick and Yost.

Committee staff present:

Bill Wolff, Legislative Research  
Bill Edds, Revisor's Office  
Louise Bobo, Committee Secretary

Conferees appearing before the committee:

There were none.

Chairman Bond called the meeting to order at 9:14 a.m.

Bill Edds, Revisor's Office, was asked to explain to the committee the ballooned version of SB 110. Mr. Edds explained that this balloon version of the bill adopted some items the committee had already adopted as well as some other points the committee had not adopted. On line 23 and 24 of the bill, the amount of time allowed the insurance company to pay a claim was changed from 15 business days to 30 calendar days. The term, "final determination" was changed to "reaching an agreement with the claimant". On line 28, the interest rate was changed from 18% per annum to 1% per day. On line 30, the word "penalty" was changed to "interest payable as" and the phrase "with respect" was added following the word "separately". Section 3 of SB 110 was deleted entirely. (attachment 1)

Lengthy discussion by the committee followed the explanation of the ballooned version of the bill. A committee member inquired what was meant by the figure "100%". Staff replied that on the 100th day following settlement of the claim, the interest on any unpaid claim would reach 100%. Staff added that it was intended to apply on a simple interest basis. A committee member remarked that he/she was still confused about when one would start counting the days of an unpaid claim. Another committee member answered that the determination of time began when the agent determined the amount of the damages and either gave the claimant a check or authorized the work to be done. Staff stated that the original intent of the bill addressed the lack of timely payment by an insurance company once an agreement had been reached. Ron Todd, Assistant Commissioner of Insurance, added that SB 110 had been conceived to encourage prompt payment of claims. Dick Scott, State Farm Insurance, spoke to the committee briefly and stated that although the proposed legislation is directed at insurance companies, in many cases, the company is not at fault but that slow payment can be caused by a claims attorney who delays payment or by the body shop commissioned to do the repair work or by the individual himself. A committee member asked if it would be possible to amend the bill to apply only if slow payment of claims was the fault of the insurance company. A committee member inquired as to the number of complaints received by the Insurance Department regarding slow payment of claims. Dick Brock, Kansas Insurance Department, stated that, in 1988, 12% of their claims related to slow payment of claims; however, their survey did not break down the reasons for the delay. It was suggested by a committee member that perhaps there was no real need for this bill--that it would just create problems. Mr. Brock remarked that the original intent of the bill had been to address only those cases where everything had been done but the claimant had not received his money from the insurance company.

Chairman Bond inquired of the committee their wishes concerning SB 110. It was decided that Staff should prepare another version of the bill wording the language so that the agreement would envision a repair situation and address the fact that payment had to be made upon completion of repairs and, if not, then that is when the interest would begin. Chairman Bond requested Staff to work on another balloon of the bill incorporating the foregoing suggestions and, hopefully, have the bill ready by Wednesday, February 15.

CONTINUATION SHEET

MINUTES OF THE SENATE COMMITTEE ON FINANCIAL INSTITUTIONS AND INSURANCE,  
room 529 S Statehouse, at 9:00 a.m./~~p.m.~~ on TUESDAY, FEBRUARY 14, 1989.

Chairman Bond requested approval of the minutes of February 8 and February 9. Senator Reilly made the motion to approve the minutes with Senator Strick adding the second. The motion carried.

The meeting adjourned at 9:55 a.m.

SENATE COMMITTEE

ON

FINANCIAL INSTITUTIONS AND INSURANCE

OBSERVERS  
(Please print)

Tues. Feb. 14

DATE	NAME	ADDRESS	REPRESENTING
	Row Todd	Topeka	Ins. Dept.
	Dick Brock	"	" "
	Mike Bassett	Columbia, Mo.	State Farm Ins.
	Dick Scott	O.P. KS	" " "
	LARRY MAGILL	TOPEKA	IIAK
	Brod Inroot	Topeka	Bank TV
	Mike Edie	Lawrence	INTERN - Sew. Dwe Kerr
	John Peterson	Tyngden	IV F. road Cys

SENATE BILL No. 110

By Committee on Financial Institutions and Insurance

1-30

15 AN ACT relating to insurance; concerning the payment of claims ~~or~~  
16 ~~judgments~~ providing for accrual of interest on amounts owing  
17 under certain circumstances.

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

19 Section 1. Except as otherwise provided by K.S.A. 40-447 and  
20 40-3110, and amendments thereto, each insurance company, fraternal  
21 benefit society and any reciprocal or interinsurance exchange licensed  
22 to transact the business of insurance in this state which fails or refuses  
23 to pay any amount due under any contract of insurance within ~~15~~  
24 ~~business~~ days after ~~final determination of~~ the amount payable ~~or~~  
25 ~~which fails to pay any judgment against any entity to which this act~~  
26 ~~applies within 45 days after final judgment and there being no appeal~~  
27 ~~pending and no supersedeas bond filed~~ shall pay interest at the rate  
28 of ~~18% per annum~~ on the amount due.

30 calendar

reading an agreement with the claimant on

29 Sec. 2. For purposes of this act, if a claimant agrees to accept  
30 other than a lump sum payment, the ~~penalty~~ provided by section  
31 1 shall apply separately to each payment.

1% per day

for each day such amount remains unpaid after  
the day the agreement was made, but in no event  
shall the rate payable hereunder exceed 100%

32 Sec. 3. ~~Nothing in this act shall be construed to allow any in-~~  
33 ~~surance company, fraternal benefit society, reciprocal or interinsur-~~  
34 ~~ance exchange to withhold payment of money for a period longer~~  
35 ~~than reasonably necessary to transmit such payment.~~

interest payable as

with respect

36 ~~Sec. 4.~~ This act shall take effect and be in force from and after  
37 its publication in the statute book.

38

*Attachment 1  
Sen. Fin Institut & Ins  
2/14/89*