

Approved 2/12/90 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 WEDNESDAY, FEBRUARY 7, 1990 in room 529-S of the Capitol.

All members were present ~~except~~

Committee staff present:

Bill Edds, Revisors Office  
Bill Wolff, Research Department  
Louise Bobo, Committee Secretary

Conferees appearing before the committee:

Ron Todd, Assistant Commissioner of Insurance  
L. M. Cornish, Kansas Life Association  
Lee Wright, Farmers Insurance Group

Chairman Bond called the meeting to order at 9:15 a.m.

SB 547 - Life insurance: adverse underwriting decisions.

Ron Todd, Assistant Commissioner of Insurance, explained to the committee that this bill corrects two unintended results of a bill passed out of this committee last year. Mr. Todd further explained that the purpose of the original bill was to assist an applicant for insurance in being able to get any premium back in the event his application was denied. He stated that one change in the new proposal would allow a company not to return a premium to the consumer if the company would include a counter offer to insure under some other circumstance. Mr. Todd explained that the Insurance Department felt that this change would benefit the consumer. The second change requested by the Insurance Department would, according to Mr. Todd, have the most effect on property and casualty clients. It concerns erroneous information on an application for insurance and states that there would be no reason to return the premium and the application to obtain corrections if the misstatement or correction were already evident to the insurer.

Considerable discussion ensued with committee members concerned about some of the language in the bill, especially whether a policyholder would be covered under the original policy or under the counter-offer during the ten days the insured has to decide whether to accept the counter-offer. Chairman Bond requested Staff to get together with the Insurance Commissioner and attempt to "clean-up" the language so that it can more readily be understood. He announced the hearing on SB 547 closed until further notice.

SB 514 - Regulation of managing general agents.

Ron Todd continued his appearance before the committee by explaining to them that this bill is a model act recently adopted and recommended by the National Association of Insurance Commissioners. According to this bill, managing general agents would be required to (1) have written contracts, (2) account for all funds on a regular basis, (3) allow the Commissioner to examine the records, and (4) permit penalties to be imposed in case of infractions. Mr. Todd explained that his Department had no objection to an amendment proposed by L.M. Cornish which would more clearly define that this bill has no application to a corporation which is the attorney-in-fact for a reciprocal insurance company.

Discussion followed with committee members concerned with the language in Section 8 allowing the commissioner to adopt "reasonable" rules and regulations. Committee also inquired as to why the delay in implementing this bill. Mr. Todd explained that this bill would apply to managing general agents already in place rather than new ones and that it would be impractical to try to accomplish the changes in a shorter period of time.

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 WEDNESDAY, FEBRUARY 7, 1990.

Chairman Bond recognized L.M. Cornish, Kansas Life Association, who informed the committee that his organization would support the bill with an amendment. (Attachment 1)

Lee Wright, Farmers Insurance Group, also informed the committee that his company would support the bill with the amendment.

Senator Reilly made a motion to accept the amendment, proposed by Mr. Cornish, which would exempt an attorney-in-fact for a reciprocal insurance company from being included in the intent of this bill. Senator Salisbury seconded the motion. The motion passed.

Senator Salisbury made a motion to strike the word "reasonable" from Section 8, Line 3, of the bill and to insert "deemed to be necessary" following the word regulations in Section 8, Line 4. Senator Reilly seconded the motion. The motion passed.

Senator Reilly made a motion to pass SB 514, as amended, out of committee favorably. Senator Salisbury seconded the motion. The motion passed.

The meeting adjourned at 9:55 a.m.



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JEFFREY W. ROCKETT  
STUART MESSER

RALPH F. GLENN  
(1988)

January 24, 1990

Senator Richard Bond  
Chairman  
Senate Financial Institutions  
and Insurance Committee  
Statehouse  
Topeka, KS 66612

RE: SB 514

Dear Dick:

Senate Bill 514 is a bill suggested by the Kansas Insurance Commissioner and concerns the regulation of Managing General Agents. The language as presently in the bill would encompass the attorneys-in-fact of reciprocal insurance companies. This is not the intention of the bill, as the sponsor will testify.

Armed Forces Insurance Company of Fort Leavenworth is a reciprocal exchange, and should this bill be passed, its attorney-in-fact, which carries on all of its business, could not negotiate reinsurance.

We suggest the following amendment to SB 514 be inserted between lines 6 and 7 on page 2:

"(4) Attorneys-in-fact of reciprocal exchanges or inter-insurance exchanges as described in KSA 40-1602."

It is my understanding that the Insurance Department approves this amendment.

Cordially yours,

*Rud*  
L. M. CORNISH

LMC:sh

cc: Assistant Commissioner Ronald Todd

*Attachment 1  
F I + I  
2/7/90*