

Approved February 13, 1991
Date

MINUTES OF THE HOUSE COMMITTEE ON INSURANCE

The meeting was called to order by REPRESENTATIVE TURNQUIST at
Chairperson

3:40 a.m./p.m. on Tuesday, February 12, 1991 in room 531-N of the Capitol.

All members were present except:

Representative Cribbs - Excused Representative Sawyer - Excused
Representative Helgerson - Excused Representative Neufeld - Excused

Committee staff present:

Mr. Chris Courtwright - Research
Ms. Emalene Correll - Research
Mr. Bill Edds - Revisor
Ms. Nikki Feuerborn - Committee Secretary

Conferees appearing before the committee:

Mr. Ron Todd
Mr. Larry McGill
Mr. Jim Oliver

Others attending: See attached list.

Representative Sprague moved that the minutes for the February 7, 1991, meeting be approved. Motion seconded by Representative Welshimer. Motion carried.

Mr. Ron Todd, Insurance Commissioner, testified as a proponent of HB 2145. This bill concerns the change in educational requirements of insurance brokers. The 15 hours required for licensure or relicensure in the state would be changed from 15 credit hours of business or accounting classes to 15 credit hours of business or life/health insurance courses provided through an accredited college, university, or community college; or an equivalent professional designation. Attachment 1.

The committee questioned the term "professional designation" and also if the bill actually meant that brokers allowing their licenses to lapse would be required to take an additional 15 hours of business or life/health insurance courses. It was determined that 15 hours of business or life/health insurance courses would be required for all brokers applying for a license or relicensure.

Mr. Larry McGill, representing Independent Insurance Agents of Kansas, expressed support of HB 2145. This bill would now require brokers to have the same amount of education as insurance agents.

Mr. Jim Oliver, representing Professional Independent Agents, expressed support of the term professional designation.

Representative Ensminger moved we finalize and accept HB 2145 with the amendment "as determined by the Commissioner of Insurance" after professional designation on Lines 20 and 32. Representative Cornfield seconded the motion. Motion carried.

Representative Sprague moved we pass HB 2145 from the House Insurance Committee for finalization. Representative Wells seconded the motion. Motion carried.

Mr. Ron Todd, Insurance Commissioner, testified on behalf of HB 2147, an act relating to insurance; concerning billing procedures for agent certification fees. Attachment 2. Mr. Larry McGill supported the Commissioner's statements.

CONTINUATION SHEET

MINUTES OF THE HOUSE COMMITTEE ON INSURANCE

room 531 N Statehouse, at 3:30 ~~xxxx~~ p.m. on Tuesday, February 12, 1991

Representative Sprague moved HB 2147 be recommended favorably for passage and placed on the Consent Calendar. Representative Campbell seconded the motion. Motion carried.

Mr. Ron Todd, Insurance Commissioner, testified on behalf of HB 2148, which concerns the waiver of examinations for certain applicants for agents' licenses. See Attachment 3.

Representative Welshimer moved HB 2148 be recommended favorably for passage and placed on the Consent Calendar. Representative Cozine seconded the motion. Motion carried.

The meeting adjourned at 4:20 p.m.

Testimony By
Ron Todd, Commissioner of Insurance
Before the House Insurance Committee
on House Bill No. 2145
February 12, 1991

House Bill No. 2145 was introduced at the request of the Insurance Department and amends the minimum education requirements applicable to insurance brokers. As a reminder to some and as a matter of information to others, the primary difference between an insurance agent and an insurance broker under Kansas law is that an insurance agent is a legal representative of the insurance company or companies he or she is certified to represent and, generally speaking, an insurance agent is only authorized to do business with companies for whom they have been certified. On the other hand, an insurance broker is a legal representative of the insurance consumer and under the authority of a broker's license is authorized to negotiate contracts with any insurance company authorized to do business in Kansas with respect to the kinds of insurance for which a broker's license is held.

From the inception of brokers licensing statutes in Kansas, brokers, because they represent their customers, have been subject to more stringent requirements than agents and that is still true. Today, agents are subject to a continuing education requirement which requires property/casualty agents to complete 12 hours of approved continuing education courses every 2 years. Life/health agents are subject to the same requirement and an agent licensed for both property/casualty and life/health must complete 24 hours every 2 years. Brokers are subject to the same requirements. However, in addition to the continuing education requirements, brokers are also subject to a minimum education or post-licensure requirement. This is the requirement addressed by House Bill No. 2145.

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The purpose of the amendments proposed by House Bill No. 2145 are really two-fold. First, they are designed to remove obsolete or redundant provisions. In this category is the elimination of the "grandfather" provisions as indicated by the language that has been stricken in lines 21 through 25 and lines 33 through 37. As you will note, the grandfather date has long since expired so these provisions are no longer of any effect. Also in the category of housekeeping amendments is the removal of the word "accounting" in lines 18 and 30. Since business courses meet the statutory requirement and since accounting courses are business courses, the designation of accounting courses as separate qualifying courses is redundant.

The second type of amendments found in House Bill No. 2145 are those of a substantive nature and these consist of the addition of courses that may be used to complete the post-licensure education requirement. Specifically, the bill suggests in lines 18 and 30 that life/health or property/casualty college level courses or an equivalent professional designation should be as acceptable as business courses. Also in the substantive category, we include the change shown in lines 18-19 and again in line 31 where the law would be changed so that courses "provided through" an accredited college, university or community college would qualify in lieu of only courses "taught by" such institutions.

The remaining amendments are editorial in nature and have no practical effect on the statutory requirement.

We believe the changes proposed by House Bill No. 2145 are constructive amendments that would facilitate compliance with the post-licensure education requirements applicable to insurance brokers without lessening the value of the requirement.

Testimony By
Ron Todd, Commissioner of Insurance
Before the House Insurance Committee
on House Bill No. 2147
February 12, 1991

House Bill No. 2147 would require the Commissioner of Insurance to establish a billing system for the collection of required certification fees when an insurer authorizes or continues an authorization of an agent to represent them. Insurance agents transacting insurance business in Kansas are required to hold an insurance agent's license which denotes the fact that such agent has met the qualifications for a license including successful completion of the prescribed written examination. However, the license only documents a person's qualifications and does not itself confer any authority to transact the business of insurance. This is done through a certification process whereby the insurer or insurers the licensee is going to represent certifies that he or she is their agent. House Bill No. 2147 deals with the certification process.

The current statute requires the fee to accompany the request for certification. This often entails the repeated processing of a series of relatively small payments by both the state and insurers. However, even more troublesome is the fact that, particularly when multiple agents are involved, it is not unusual for the amount accompanying the request for certification be in error. When this occurs, the certifications are not only delayed but the processing time and resources are multiplied. It is estimated that at least 10% of the certification submissions are in error. House Bill No. 2147 provides a means of addressing these inefficiencies while at the same time assuring the prompt collection of the correct fees.

Pursuant to K.S.A. 40-241j, we, effectively, already bill for the renewal certification fees because we automatically recertify the agents our

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records show are certified for each company as of the close of business on April 30 each year. Therefore, when we notify the respective insurers of the agents who have been recertified, we also bill them the certification fees pertaining to those agents. Therefore, in terms of the fiscal effect, of the \$3 million collected in various agents fees in FY 1990, \$2.6 million were renewal certification or license fees which this bill would not affect. The remaining \$400,000 is certification fees and is spread throughout the year. The billing system established would be designed to acquire this revenue and deposit it in the state general fund in a timely fashion.

Testimony By
Ron Todd, Commissioner of Insurance
Before the House Insurance Committee
on House Bill No. 2148
February 12, 1991

The laws relating to the agents qualifying examination describe several situations where the Commissioner is required to waive the examination when such situations exist. One of these relates to licensed agents who have been previously licensed and certified but whose "... license and certification have been permitted to lapse for not more than two years ...".

We have encountered situations where applicants for an agent's license have qualified and successfully completed the examination either for their initial license or for an additional class of insurance but have either not been certified because of a clerical error on the part of the insurance company they represent or the certification has been inadvertently terminated. If the lack of certification exists for less than a two year period, the Department has applied the above waiver provision. However, in instances where the error is not discovered for more than two years, there is no existing remedy. These situations have not been frequent but when they occur, the agent is placed in an untenable situation even though they have done everything required and expected of them.

House Bill No. 2148 would address these rare but, to the agent involved, quite significant situations by requiring the Commissioner to waive the examination when they occur.

*Attachment 3
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