

Approved: February 9, 1995
Date

MINUTES OF THE HOUSE COMMITTEE ON FINANCIAL INSTITUTIONS AND INSURANCE.

The meeting was called to order by Chairperson Bill Bryant at 3:30 p.m. on February 1, 1995 in Room 527S of the Capitol.

All members were present except: Representative Smith

Committee staff present: Bill Wolff, Legislative Research Department
Bruce Kinzie, Revisor of Statutes
Nikki Feuerborn, Committee Secretary

Conferees appearing before the committee: Jay C. Hinkel, Attorney, Topeka, Kansas
Lisa Baldwin, private citizen
Kathleen Sebelius, Insurance Commissioner
John Smith, Division of Motor Vehicles
Bill Sneed, State Farm
Richard Wilborn, Farmers Alliance Mutual Insurance Company
(written only)

Others attending: See attached list

Representative Joe Humerickhouse requested the introduction of a committee bill which would establish a Kansas Financial Privacy Act to protect bank customers from seizure of their financial records by state government agencies without notice (Attachment 1).

Representative Correll moved that the proposal be introduced into legislation. Motion was seconded by Representative Humerickhouse. Motion carried.

Hearing on HB 2188--Automobile liability insurance verification system

Jay C. Hinkel, Attorney in Topeka, stated that current law in Kansas requires each licensed driver of any vehicle operated on the public thoroughfare to maintain continuous liability insurance (Attachment 2). It is estimated that approximately 8% of the vehicles on the road are not covered by liability insurance. Many of these people take out a short-term liability insurance policy to show proof of insurance to obtain a car tag and either refuse to pay or terminate the insurance very quickly. This bill would attempt to "put teeth" into enforcement of this law by establishing a tracking system which would contain driver and vehicle data, policy issuance and cancellation information. This computer programming concept would require extensive development and testing and have the capability of increased data storage, comparison, and analysis. Development and implementation of the proposed program would be under the auspices of the Department of Insurance by regulation or statute but could be privatized through a bid process. Fees collected on driver's licenses or registrations and vehicle liability insurance policies were a proposed funding source. An alternative bill setting pilot project specifications and funding was suggested as an alternative to long term commitment. New Jersey and Florida have developed similar plans which are having success. Arizona is in the process of developing a tracking system.

Lisa Baldwin, a Kansas resident, reiterated her experience of financial hardship after being involved in a traffic accident with an uninsured driver (Attachment 3).

Kathleen Sebelius, Insurance Commissioner, informed the Committee of the statewide concern over the lack of compliance with the auto liability mandate (Attachment 4). There is variance from county to county regarding verification of such insurance and no confirmation system available to county clerks. When an uninsured driver is involved in a traffic accident, the insured driver pays twice. The insured driver's policy

CONTINUATION SHEET

MINUTES OF THE HOUSE COMMITTEE ON FINANCIAL INSTITUTIONS AND INSURANCE,
Room 527S-Statehouse, at 9:00 a.m. on February 1, 1995.

covers all of the expenses of the incident, and then the insured Kansan incurs a rate increase for filing a claim. Mrs. Sebelius stated that although each insurance company has the capability of verifying information data, the volume of the business is too large to keep in any existing storage. Mrs. Sebelius suggested an interim study to address problems of enforcement mechanisms, penalties, and necessary funding sources. She pledged full cooperation from the Insurance Department in this effort.

John Smith, Public Service Executive of the Division of Vehicles, Department of Revenue, reported that identification of drivers without liability insurance is done through traffic violation reports, insurance companies reporting policy lapses of those who have been required to carry such liability, and verification by insurance companies listed on law enforcement papers (Attachment 5). Department is monitoring 100,000 drivers at this time. An electronic system is being developed for this tracking. Problems include lack of enforcement due to lax court rulings and lack of manpower to enforce current laws and the tracking work.

Bill Sneed, spoke as an opponent of the bill for State Farm Insurance (Attachment 6). This bill would impose staggering requirements on insurance companies which would result in additional costs for insureds. There are only a small percentage of motorists who do not purchase liability insurance (6 to 8%) and the total cost of the tracking system would not be offset. Another objection is that it requires the companies to turn over proprietary information to the "vendor" who wins the contract with the state. The legal and complying motorists would be required to pay for a tracking system through increased fees. Mr. Sneed listed several reasons dealing with form development and completion which would add volumes of red tape and excessive work loads regarding data processing to insurance companies.

Enforcement would still be the key issue as this bill only collects data and counts numbers. Even if a law were enacted ensuring that every uninsured car is confiscated by the State, there would still be uninsured drivers from other states who pass through Kansas, thus Kansans still need uninsured motorist coverage.

Richard Wilborn, Farmer's Alliance Mutual Insurance Company, McPherson, submitted written testimony on **HB 2188** (Attachment 7).

The meeting adjourned at 4:50 p.m. The next meeting is scheduled for February 6, 1995.

DATE: February 1, 1995
TO: Representative Bill Bryant, Chairman
Financial Institutions and Insurance Committee
FROM: Representative Joe Humerickhouse

The Federal Financial Privacy Act does not apply to state Governmental Agencies. Therefore, in Kansas customers of financial institutions cannot challenge a state agency's access to their financial records, nor do they have any way of knowing that personal records are being turned over to a state government agency. To date, in Kansas, customers have no legal protection regarding records kept by the financial institution, nor can they limit state government access to their accounts.

I would like to request the committee introduce a Kansas Financial Privacy Act which would protect bank customers from seizure of their financial records by state government agencies-without notice. Our neighboring states Missouri, Nebraska, and Oklahoma already have this type of law to assure the financial privacy of their citizens.

Agencies of the Federal Government are already subject to the Right to Financial Privacy Act of 1978, which was enacted to give customers of financial institutions a reasonable amount of privacy from federal government scrutiny. The Federal Act establishes specific procedures for federal government authorities that seek information about a customer's financial records. It also imposes limitations and duties on financial institutions prior to the release of information. It generally requires that: 1) the customer receive a written notice of the agency's intent to obtain financial records, 2) an explanation of the purpose for which the records are sought, and 3) a statement describing what can be done if the customer does not wish such records or information to be made available.

House File D

Attachment 1

2-1-95

TESTIMONY BEFORE KANSAS HOUSE COMMITTEE ON INSURANCE
AND REGARDING HOUSE BILL NO. 2188 FINANCIAL INSTITUTIONS

Mr. Chairman and Members of the Committee:

Kansas shares with its sister states the problem of uninsured motorists who travel its streets and highways with impunity. Current Kansas laws at K.S.A. 8-1604 and K.S.A. 40-3104, require each licensed driver of any vehicle operated on the public thoroughfares to maintain continuous liability coverage at a minimum rate set by the legislature. This is the keystone to the no-fault insurance system. Driving without liability insurance is a Class B misdemeanor, punishable by up to six months in the county jail and a \$1,000.00 fine. Yet these laws are rendered ineffectual by the current inability of the State, its law enforcement agencies and its judiciary to receive reliable information upon which they can act for our protection.

Kansas is not alone in this dilemma. Other states have commissioned census data to be collected on their driving populations and have uncovered disturbing data. New Jersey, Louisiana and Virginia count their uninsured drivers in double digits. North Dakota, Maryland, Michigan, New York and New Jersey have set up victim reparation funds similar in theory to the violent crime victim reparation fund here in Kansas. States with these funds have been so quickly overrun with claims that they have been required to both limit access to their respective funds and to cap individual payouts, irrespective of the victim's loss, in order to maintain fund integrity. Other states, such as Florida, New York, Arizona and Oregon, have simply recognized the problem when it is presented in terms of personal human loss and misery, without the need for technical supporting data. The response of the several states has been varied. Some have ignored the problem, simply passing it on to another legislative term. There have been states that experienced some significant failures, and at least one to success.

The only data available from Kansas state agencies claim an uninsured motorist rating in Kansas of only 6 to 8 percent of drivers. This figure is echoed by the insurance industry as the reason why no action is necessary. This data is not comprehensive, and therefore not reliable, and the adoption

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of it by the insurance industry is disingenuous. Reliance on this data induces a false complacency with the flawed enforcement procedures followed at present. The state collects its information from law enforcement officer contacts with the driving public. In other words, it reflects only those persons who were requested to display an insurance coverage card and failed to provide one, either at the scene or subsequently.

This data does not account for and cannot reflect those persons who initially obtain liability coverage, and once in possession of the obligatory coverage description card, refuse to pay the periodic premium necessary to maintain the coverage in force. Our conversations, in confidence, with individual agents indicate that for those drivers purchasing liability insurance on a short premium cycle, the cancellation rates run up much higher than the state figures would indicate. Individual agents are painfully aware of this problem, as they are each called upon to make up the unearned advanced commission on the canceled policies.

Putting teeth into enforcement of the current criminal statutes which require vehicle liability insurance will, by deterrent effect alone, reduce the financial burden of personal injury and property damage suffered by victims of these crimes. Increased adherence to the law will make possible compensation to those victims in the general public who might otherwise have suffered a senseless financial ruin which our current laws are written to prevent.

It will be argued by some that these victims suffer because they do not purchase enough insurance coverage for themselves. This argument only concedes the problem and justifies the shift of financial risk from the illegal driver to the lawful driver. In the current environment of non-enforcement, a law abiding good driver can only insure against injury from the criminally irresponsible by taking on the significant additional financial burden of increasing his own liability premiums. If the uninsured driver provides his or her own liability insurance, or is removed from the road, the premiums currently paid by responsible drivers will come down.

The State currently tracks driver's licenses and registrations, but the tracking of liability insurance in force requires a great deal more data collection, storage, comparison and analysis. While the State is the sole issuer of licenses and registrations, insurance policies can be issued in Kansas by any one of approximately 200 companies authorized to do business here. Driver and vehicle data, policy issuance and cancellation information from all potential sources must be tracked consistently, comprehensively and as continuously as is possible, consistent with human data collection processes. The

compliance of all insurers, no matter how slight or vast their business volumes must be obtained. Integrity of business records must be secured and the manipulation of this data must be certifiably accurate. Effective handling of this task calls for a unique computer programming concept coupled with extensive and rigorous development and testing. These rigors are justified, for the benefits to be gained by the residents of Kansas in this process are great.

State implementation of such a program, by Department of Insurance regulations or by statute, would clearly be necessary to obtain total compliance by all insurers. Although one potential method of funding would be a small user fee attached to driver's licenses or registrations, a small charge on vehicle liability insurance policies might be more appropriate. The slight charge necessary to fund the compliance program should be quickly returned to the insurance consumer as the underwriting history for the program develops and premiums drop.

The most successful development and implementation method seems to have been through an outside clearinghouse or entity. A private sector business is able to apply research and programming expertise in an intense, concerted effort, free from state budgetary constraints. An outside entity would also be subject to annual review, and provide cost control through the competitive bid process. A pilot project could be used, avoiding a long term commitment, yet allowing continued program implementation when successful.

We suggest that the committee investigate this issue, adopt House Bill No. 2188, or draft and recommend an alternative bill setting pilot project specifications, short term funding of the same, and establishing criteria for project review.

Testimony
Before the House Committee on Financial
Institutions and Insurance

My name is Lisa Baldwin. I have been a resident of the state of Kansas for the past twenty years, and currently reside in the city of Carbondale. I am here today because I have experienced first hand the financial hardship that can be caused when vehicles are allowed to travel Kansas roads and highways without adequate liability protection.

In January of 1987, I was involved in a traffic accident in which the driver at fault was uninsured. I was taken by ambulance to Stormont Vail Regional Medical Center for treatment. My vehicle was completely destroyed. I spent the next several months undergoing physical therapy. My leave of absence from work became so extensive that my employment was terminated. The driver at fault failed to compensate me for the loss of my vehicle, my wages or any of the medical expenses I incurred as a result of his actions.

At the time of my accident eight years ago, I contacted what I believed to be the proper agencies with hopes of preventing others from suffering the same fate. Unfortunately, time and time again I have heard similar stories repeated. These stories are not isolated instances, but are common occurrences involving friends, family members, and co-workers. A copy of a letter from a co-worker is attached to my testimony, and represents simply the most recent such occurrence within my circle of acquaintances.

Although traffic accidents may be inevitable, Kansas laws demand that any person operating a motor vehicle in the state of Kansas do so with adequate liability insurance to protect others from financial harm. Unfortunately there was no means of ensuring compliance with this law eight years ago nor is there any apparent means of doing so today. I urge you to take action to do so.

Lisa Baldwin
Attachment 3
2-1-95

January 4, 1995

Kansas State of Revenue Department
Attn. Driver Control Division
P. O. Box 1221
Topeka, KS 66612-2021

Dear Sir/Madam:

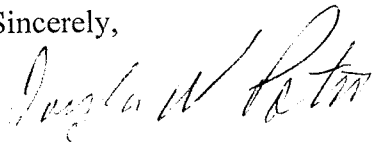
On December 21, 1994 I was involved in an accident with an uninsured motorist, Mr. Joseph M. Dozier. After obtaining the accident report, I discovered that Mr. Dozier was also driving on a suspended license, expired tags and did show the Investigating Officer proof of insurance.

I contacted the insurance company Mr. Dozier provided to the officer and was told that the policy had expired on October 2, 1994. The result of this accident, which totaled my vehicle, has placed a financial burden on my family by having to replace the vehicle at my own expense.

This letter along with a copy of the accident report is being sent to you as an official complaint against Mr. Dozier for operating a vehicle without the appropriate insurance required by the State of Kansas.

Please feel free to contact me at the address or phone number listed below if you have any questions or need additional information.

Sincerely,



Douglas W. Potter
2050 Central Park
Topeka, KS 66604
(913) 233-4526

Kansas Insurance Department

Kathleen Sebelius, Commissioner

420 SW 9th

Topeka, Kansas 66612-1678 (913) 296-3071

TO: House Committee on Financial Institutions and Insurance
FROM: Kathleen Sebelius Insurance Commissioner
DATE: February 1, 1995
RE: HB 2188 (Automobile liability insurance verification system)

One of the top concerns of policyholders and agents throughout this state is the high number of uninsured motorists in Kansas. I heard as much about this issue, in all parts of the state, as any other insurance concern.

Although the Legislature mandated no-fault auto coverage in 1974, too many Kansans merely ignore the mandatory insurance law. Sale of auto insurance in monthly or bi-monthly premiums make insurance more affordable to Kansans who can't afford a six-month or yearly premium at one time, but this practice has made it possible for some Kansans to purchase coverage, show proof of insurance to obtain a car tag, and drop the coverage within a short time.

The proof of insurance requirement varies from county to county. While some county clerks require written verification, others accept verbal confirmation of insurance coverage. There is no system of confirmation available to county clerks.

While Kansans enjoy relatively low auto insurance rates, compared to other states, the portion of the policy related to uninsured/underinsured coverage is quite high. When an uninsured driver is involved in a traffic accident, the insured driver pays twice. The insured

House D.D.
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driver's policy covers all of the expenses of the incident, and then the insured Kansan incurs a rate increase for filing a claim.

While insurance companies can verify who has canceled coverage, that information is not gathered or cross-checked with data involving vehicle ownership. Data collection is complicated by car ownership changes as well as insurance lapses. To give an idea of the volume of insurance, 45% of all property and casualty premiums in 1993 were auto premiums.

Approximately 300 companies write auto policies and sell approximately \$800 million worth of insurance each year in Kansas.

Finally, there is a problem with enforcement mechanisms, once data is collected. Who will provide the resources to patrol the uninsured motorist? What penalties are appropriate? If it is a law enforcement responsibility, are we willing to provide the resources necessary to enforce the law?

I would urge the Committee to give careful consideration to an interim-study of this issue. That would give the legislature an opportunity to look at programs in other states which have had some success, to make a recommendation on data collection and enforcement efforts, and to identify resources at the State and local levels to pay for this program. Currently, these costs are shifted to the thousands of insured drivers in Kansas, who deeply resent the lack of law enforcement. The Insurance Department has identified this issue as a major concern and we are ready to cooperate with any recommendations of the Legislature.

STATE OF KANSAS

Betty McBride, Director
Robert B. Docking State Office Building
915 S.W. Harrison St.
Topeka, Kansas 66626-0001



(913) 296-3601
FAX (913) 296-3852

Department of Revenue
Division of Vehicles

To: Honorable William Bryant, Chairman
House Committee on Financial Institutions and Insurance

From: John Smith, Public Service Executive
Division of Vehicles

Date: February 1, 1995

Mr. Chairman, members of the committee,

My name is John Smith. I am the Public Service Executive for the Driver License and Driver Control Bureaus in the Division of Vehicles. I appear before you on behalf of the Kansas Department of Revenue regarding House Bill 2188.

The Division of Vehicles has two primary methods to administer the compulsory automobile liability laws of the State of Kansas to ensure that vehicles are insured as required.

Pursuant to K.S.A. 40-3118(d) Drivers who are convicted of serious traffic violations or who have been identified by other means to be uninsured are required to file evidence of insurance with the division for a period of three years. The insurance company is required to notify the division whenever the policy lapses for whatever reason.

During calendar year 1994 the division required approximately 35,000 drivers to maintain filings of insurance. At the present time the division is monitoring approximately 100,000 drivers to ensure that they maintain continuous liability insurance.

This method does require considerable paper but appears to be effective since it concentrates on the bad driver who is most likely to avoid carrying insurance. However,

John Smith
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the division is developing a program to permit the filing of insurance by insurance companies by electronic means which will greatly eliminate the paper processing.

The second method used to identify uninsured motorists is to verify insurance listed on law enforcement reports with the named insurance company.

Pursuant to K.S.A. 8-1604 and K.S.A. 40-3104, a motorist is required to furnish proof of liability insurance by means of a policy of insurance or insurance identification card to a law enforcement officer on request. The request is mandatory when there is an accident and optional on other traffic stops.

When the motorist produces evidence of insurance, the officer completes a verification form and sends it to the division. The division then sends the form to the insurance company for verification. If the company cannot verify coverage it notifies the division which then initiates suspension of driver license and vehicle registration for the owner of the vehicle.

If the motorist cannot provide evidence of insurance, the officer issues a traffic citation for no insurance. The motorist has 20 days to appear in court and provide the evidence of insurance. If the evidence of insurance is furnished to the court, the court then completes the verification form with the insurance information which is then sent to the division for verification with the named insurance company. If the company denies coverage it notifies the division which then initiates suspension actions against the vehicle owner.

In calendar year 1994, the division verified over 90,000 vehicles with insurance companies using this system. Of this number, companies denied coverage on over 6,000 vehicles. However, some of these motorists were insured but had provided out-dated information to the law enforcement officer or the court.

The division estimates that the uninsured vehicle rate in the State of Kansas is five to six percent of the total vehicles registered.

This is brief overview of our current method of administering the Kansas financial responsibility laws. I would stand for your questions.

MEMORANDUM

TO: The Honorable William F. Bryant, Chairman
House Financial Institutions and Insurance Committee

FROM: William W. Sneed
Legislative Counsel
The State Farm Insurance Companies

DATE: February 1, 1995

RE: H.B. 2188

Mr. Chairman, Members of the Committee: My name is Bill Sneed and I represent The State Farm Insurance Companies. Please accept this memorandum on behalf of my client regarding H.B. 2188, which would create an automobile verification system. Although we acknowledge the fine intention of such a proposal, i.e., an attempt to diminish or eliminate uninsured motor vehicles, please be advised that after reviewing the bill it is our position that the proposal would impose a staggering requirement upon insurance companies, thus resulting in substantial additional costs upon individuals who buy automobile insurance in Kansas. Additionally, it is our belief that any benefits generated from this proposed legislation would be, at best, remote. This position is based not only on our review of this proposal, but also on the history of our experience with various proposals similar to this in various states in the country.

State Farm Mutual Automobile Insurance Company and State Farm Fire and Casualty Company insure approximately 512,864 automobiles in Kansas. There are approximately 2,000,000 vehicles in Kansas. This proposal requires the nearly 240 companies authorized to write automobile insurance coverage to weekly provide eight separate items of information on every licensed driver

W. F. Bryant
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and nine separate items of information on each motor vehicle in "machine readable" form for vehicles registered in or persons who reside in Kansas. Similar proposals (although none which request such extensive information) have incurred substantial expense and have not worked in several states. Regardless of the good intentions of this type of proposal, we believe the Kansas legislature should learn from the mistakes made by other states.

Beyond the cost, we do have several other objections. Our first and strongest objection to this legislation is that it requires the companies to turn over proprietary information to the "vendor" who wins the contract with the state. State Farm does not release the names of its policyholders nor the expiration date of its policies to anyone. This information is as important to us as the formula for "Classic Coke" is to Coca-Cola. The bill includes no real protection for the confidentiality of this information, and we would strongly oppose all efforts to require us to turn over this information.

Unlike some proposals enacted in other states, which require insurers to provide information only relating to policies that go out of force, this proposal calls for staggering amounts of information on a weekly basis, which will require large capacity computers to maintain. It is our estimate that we need at least one year to make programming changes to our system to change our method of reporting for this "trial" period.

Additionally, this proposal goes, in our opinion, too far and asks for too much information. Not only will we incur expenses to comply, our policyholders will be required to pick up the expenses of setting up the vendor's system. Today Kansas policyholders who purchase uninsured motorist coverage pay approximately \$2.00 for minimum limit uninsured motorist coverage. This bill will substantially increase these costs, even though Kansas has a relatively small

number of uninsured vehicles. It is our belief that it would be a disservice to policyholders to require companies to spend more in administrative expense than they do to provide an important coverage for their entire book of business. Again, although the intentions are good, it is our opinion that this would be looked on by our policyholders as government forcing inefficiency upon the private sector. This bill does nothing to keep uninsured drivers off the road; it simply collects data and counts numbers. To that end, perhaps if the Kansas legislature wants to know how many uninsured drivers are on the road, a much less expensive and simpler method would be to do a random survey of licensed drivers in the State of Kansas. If the State of Kansas is interested in getting uninsured drivers off the roads, then it should dedicate additional resources to law enforcement to enforce the compulsory Act. It should be recognized, however, that there is no way the legislature can pass a law to insure every single automobile. Even if a law were enacted ensuring that every uninsured car is confiscated by the State, there would be still be uninsured drivers from other states who pass through Kansas. Thus, Kansas drivers will still need uninsured motorist coverage.

Inasmuch as we have discussed our belief of the dynamic effect this will have on our policyholders, perhaps it would be helpful to describe the number of transactions State Farm handles with its policyholders. First, as stated above, we insure approximately 512,864 automobiles in Kansas. In 1994, there were 13,904 cancellations for non-payment and 90,759 cancellations in total. This included cancellations at the request of the insured and underwriting terminations. Cancellations come about because people sell their vehicles, move to another state, go to another company, or choose to allow the insurance to lapse. We also processed 6,950 suspensions for persons who stopped driving their vehicles. Also in 1994, we issued 255,464 new policies in Kansas. This included persons moving to Kansas, as well as additional cars or cars coming from other companies.

This comes out to about 4,913 new policies every week. Perhaps an even more dramatic example is that my client processed over 110,015 changes of address for our insureds last year.

Since human beings are handling this process, my client can't promise that every piece of information will be totally accurate. For example, when an insured moves to Kansas we may have the license number from a valid driver's license in the state he or she moved from. We believe it would be an intrusion on our policyholder to require us to go back to the policyholder and ask for a new driver's license number after the policyholder has changed to a Kansas driver's license. In addition, we do not always have every license number for every licensed driver in the household. In fact, we do not believe this proposed legislation should be changed to require that type of information for each licensed operator in the household. Kansas law requires cars to be insured, not drivers. The "licensed operator" requirement substantially increases our obligations and costs. It, at a minimum, doubles the number of records required by the bill.

This law would also require us to completely revise our application form to ask for additional information which can arguably have no use to the insurers. Thus, it is our concern that such a requirement may be considered inefficient and a waste of policyholder resources. The bill anticipates that the State of Kansas will have unprecedented knowledge as to the movement of its citizens. It requires elaborate programming changes, and as we stated earlier, these changes do not seem to demonstrate a real benefit.

In an attempt to determine how much this would cost for the assessment, we reviewed other states that have tried to do something like this. It is my understanding that states have run into considerable problems trying to link up with insurance companies to try and monitor their entire book of business. For one thing, the names on policies may not exactly match the names on car

registrations. A vehicle identification number has seventeen letters and digits, which may not always be correctly entered into the State's or the insurance company's data base. A driver's license has between nine and twelve numbers or letters, depending on the state. This number is not as important as a VIN to an insurance company, and the insurance company records may not always be accurate due to transpositions.

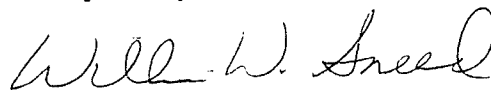
The insurance industry is assessed by the State of New York for its system, which gets much less information (only the policies which have gone out of force within the first 180 days of the inception of the policy). The New York assessment upon the industry was 11.5 million dollars and 11.1 million over the last two fiscal years. They received reports on a much less frequent basis and do not ask for the entire book of business. While New York is much larger than Kansas, New York does not receive the 4,000,000 records this bill would require on a weekly basis. Notwithstanding this program, New York still has a substantially higher uninsured motorist population, and compared to the estimates of the Kansas uninsured motorist population (5-8 percent), it demonstrates that even with an information gathering system there has been no real curtailment of the uninsured population and New York's figures are nowhere close to the Kansas figures which do not impose such a cumbersome process.

We process thousands of changes to our policyholder data base every month. We contend it is simply not reasonable to expect a vendor to duplicate our computer systems in order to accept this information and to try to compare it with the State's information. To handle this on a weekly basis will be a substantial challenge. We are confident the vendor will be backed up for months trying to process this type of information.

If the people of Kansas feel it is important to track down the 5-8 percent of drivers who are uninsured, a better method of enforcement would be to require insurers to report the policy that lapses, after a grace period, in the first 180 days since the inception date of the policy. This will still turn up some drivers who have moved away from Kansas and some drivers who have changed companies, but it will not incur the enormous expenses to the insurance policyholders proposed by this bill. Additionally, laws should be changed and monies should be appropriated to law enforcement personnel so that once this information is gathered steps will be taken by the State to effectively remove the uninsured automobile from the roads.

As stated at the beginning of this memo, we certainly commend the proponents of the bill for attempting to remove uninsured drivers from the Kansas roads. Unfortunately, there will always be individuals trying to escape the system and who do not purchase insurance for a variety of reasons. That being the case, it is most likely that there will always be an uninsured motorist population in a given state. Based upon the figures that we have available, we believe Kansas has a small uninsured population. In addition, the relatively low premium prices that Kansas enjoys assists in more people buying insurance. Implementing a system like this will simply add cost to the insurance product and in many instances may force more uninsured motorists instead of curtailing the uninsured population. Thus, we respectfully request that H.B. 2188 be acted on unfavorably.

Respectfully submitted,



William W. Sneed



FARMERS ALLIANCE MUTUAL INSURANCE COMPANY

P.O. BOX 1401

McPHERSON, KANSAS 67460-1401

(316) 241-2200

House Bill 2188

I am Richard E. Wilborn, Vice President, Government Affairs with the Alliance Insurance Companies, in McPherson, Kansas. We are a regional insurer that provides automobile insurance coverage in the eleven west central states. We insure approximately 50,000 automobiles in the state of Kansas.

None of the states in which we operate have a tracking system detailed in House Bill 2188. Therefore, we do not have the hands-on experience to predict the human resource and capital expense required to implement and maintain this type of electronic tracking system. Our Information Services staff estimates considerable cost would be involved to develop and maintain this type of system.

Over the last several years, many states have passed compulsory auto insurance laws in attempt to reduce the number of uninsured drivers in the state. Compulsory auto insurance laws require every driver to carry automobile liability insurance or a bond. Theoretically, this should eliminate the uninsured motorist problem. In practice, such laws do not compel all persons to purchase insurance or a bond and do not provide all accident victims with a source of recovery against the negligent driver. A number of persons remain uninsured because they simply cannot afford protection, or because they do not want to pay for something which they consider unnecessary. It has been difficult, if not impossible, to enforce this type of law, especially when drivers; (1) have no license or registration; (2) are newly arrived residents

TRUST YOUR FUTURE TO A PROVEN PAST.

ALLIANCE COMPANIES

Farmers Alliance Mutual Insurance Co.

Alliance Insurance Co., Inc.

Alliance Indemnity Co.

Blakely Crop Hail, Inc.

North Central Crop Insurance, Inc.

Gene F. D. D.
Attachment 7
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whose automobiles are still registered in another state; (3) are out of state residents; or (4) have allowed their insurance to lapse.

There are a large number of enforcement techniques to check the status of a motorist.

Under self-certification regulation, drivers are required to certify that they are insured with certain companies and in many cases, list the policy number of that company when applying for vehicle registrations. Many times the insureds then allow the insurance to lapse.

Proof required at initial registration; some states require proof of insurance, usually in the form of an insurance ID card or an automobile insurance policy for new registration.

Proof required at all registrations; other states require proof of insurance, again usually in the form of ID cards, for both new and renewal registrations. In some cases, insurance companies are required to produce two ID cards for each vehicle. Insureds then give one ID card to the Department of Motor Vehicles when registering their automobiles.

Proof of vehicle registration; other states have vehicle safety inspection programs where a vehicle ID card or other proof of insurance is necessary in order to have the vehicle inspected.

Police enforcement; other states rely on the police to check for insurance when an automobile is involved in a traffic violation or accident.

Cancellation reports; finally, a number of states require companies to report insurance cancellations to the Department of Motor Vehicles. These change from reporting cancellations for new policies only, or for policies cancelled for certain specific reasons, or for all cancelled policies. However, even in those states that require all cancellations to be reported, there are wide variation among states in following up on cancellations. Some states staff in excess of 100 full-time employees to follow up on cancellation notices. This does not take into account the additional insurance company personnel required to handle the notifications. Other states do little, if anything, with cancellation notices. According to the All Industry Research Advisory Council, there is little variance in the percent of uninsured motorist when compared to the type of enforcement.

The automobile insuring system is very transaction intensive. There are all kinds of premium payment plans ranging from monthly to annual pay. There are all kinds of circumstances whereby the insured triggers a coverage transaction. According to the Kansas Motor Vehicle Department there is between 5 and 8% of the vehicles on the Kansas highways that are uninsured. If it were possible to eliminate all insured vehicles in the state of Kansas, it would not eliminate all uninsured motorist claims. And more importantly, it would not change or eliminate underinsured motorist claims. As stated before, it is almost impossible to enforce the law when drivers have no licenses or registration, or newly arrived residents, or are out of state residents.

With approximately 500 insurance companies offering automobile insurance coverage in the state of Kansas, and with each company having different electronic data processing systems, it would be very expensive to implement and maintain an electric tracking system. In addition, the cost would be passed on to the insured motoring public. It is our opinion the cost will outweigh the benefits.

Thank you for your sincere concern and your interest in attempting to lessen the uninsured vehicle percentage in the state of Kansas. However, because of the cost to the State of Kansas, the insurance industry, which is initially borne by the insuring public, we feel there is no justification for implementing a cumbersome and expensive tracking system.

Sincerely yours,

Richard E. Wilborn, CPCU
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