

MINUTES OF THE Senate Committee on Financial Institutions and Insurance.

The meeting was called to order by Chairperson Dick Bond at 9:00 a.m. on March 6, 1996 in Room 529-S of the Capitol.

All members were present.

Committee staff present: Dr. William Wolff, Legislative Research Department
Fred Carman, Revisor of Statutes
June Kossover, Committee Secretary

Conferees appearing before the committee: Ed Mailen, Kansas Insurance Department
Patrick Morris, Kansas Association of Insurance Agents
Linda DeCoursey, Kansas Insurance Department
Lori Callahan, KaMMCO

Others attending: See attached list

Senator Corbin made a motion to approve the minutes of the meeting of March 5 as submitted. Senator Steffes seconded the motion; the motion carried.

Chairman Bond opened the hearing on **HB 2630**, relating to the revocation or suspension of insurance agents and brokers licenses. Ed Mailen, Kansas Insurance Department, appeared as a sponsor and proponent of this bill, stating that it will clarify that any action against an insurance agent's license also affects the agent's broker's license. (Attachment #1)

Patrick Morris, Kansas Association of Insurance Agents, explained that his organization had requested that the bill be amended in the House to drop language specific to agency licenses. (Attachment #2)

There were no questions and no other conferees; the hearing was closed. Senator Steffes made a motion to pass HB 2630 favorably and to place it on the Consent Calendar. Senator Emert seconded the motion. The motion carried.

The hearing was opened on **HB 2632**, which would eliminate the current requirement for countersignatures on insurance policies. Mr. Mailen, KID, also appeared as a proponent of this bill, stating that the countersignature requirement serves no useful purpose and does nothing to protect Kansas insureds. (Attachment #3) Dr. Wolff explained that the bill also strikes language dealing with facsimile signatures. There were no further questions and no other conferees; the hearing was closed. Senator Emert made a motion to pass HB 2632 favorably and to place it on the Consent Calendar. Senator Corbin seconded the motion; the motion carried.

The chairman opened the hearing on **HB 2647**, relating to licenses and examinations of insurance agents. Mr. Mailen informed the committee that this bill amends three statutes pertaining to the agent continuing education law. (Attachment #4) Senator Bond requested and received clarification regarding procedures when agents fail the examination.

Patrick Morris, KAIA, testified that his organization had requested that the bill be amended when it was heard in the House to reinstate language related to "inactive agent" status. (Attachment #5)

Since there were no questions and no other conferees, the hearing on **HB 2647** was closed. (Senator Emert moved to pass HB 2647 favorably. Senator Lee seconded the motion; the motion carried.)

The hearing was opened on **HB 2981**, which relates to health care provider liability insurance reports. Linda DeCoursey, Kansas Insurance Department, testified as a proponent of this legislation, explaining that the bill would require providers of medical malpractice insurance to report the disposition of any legal action to the Board of Healing Arts only. (Attachment #6)

Lori Callahan, KaMMCO, also appeared as a proponent of this bill and added that all insurance companies are required to submit exactly the same report to the Board of Healing Arts, (Attachment #7)

There were no questions and no other conferees. The hearing on **HB 2981** was closed. Senator Lee made a motion to pass the bill favorably and to place it on the Consent Calendar. Senator Corbin seconded the motion. The motion carried.

The committee adjourned at 9:25 a.m. The next meeting is scheduled for Thursday, March 7.



Kathleen Sebelius
Commissioner of Insurance
Kansas Insurance Department
Agents and Brokers Division

Memorandum

Date: March 5, 1996

To: Senate Financial Institutions & Insurance Subcommittee

FROM: Ed Mailen, Supervisor, Agents and Brokers Division,
Kansas Insurance Department

RE: HB 2630

This legislation is proposed to clarify that an agent's insurance license is the foundation for any other insurance license the agent may hold. Specifically, if an agent's license is suspended or revoked, an existing broker's license also is suspended or revoked. Current law does not make that position clear and has made additional regulatory action necessary in such a case.

*Senate 4141
3/6/96
Attachment #1*

Testimony regarding House Bill 2630
Before the Senate Financial Institutions & Insurance Committee

Presented by Patrick J. Morris, Executive Vice President
Kansas Association of Insurance Agents
March 6, 1996

Thank you, Mr. Chairman and members of the committee for the opportunity to appear today in support of HB 2630. I am Pat Morris, the Executive Vice President of the Kansas Association of Insurance Agents, an association that represents approximately 625 independent agency members across Kansas who employ nearly 3,500 people, most of whom are licensed agents.

When this bill was originally taken up by the House Financial Institutions & Insurance Committee, we had asked that this bill be amended to drop language specific to agency licenses and sole proprietorships. The Insurance Department agreed to the amendment, the bill was passed as amended by the committee and by the full House, and we would encourage the Committee to pass HB 2630. Thank you, and I would be happy to answer your questions.

Senate 4141
3/6/96
Attachment #2



Kathleen Sebelius
Commissioner of Insurance
Kansas Insurance Department
Agents and Brokers Division

Memorandum

Date: March 5, 1996

To: Senate Financial Institutions & Insurance Subcommittee

FROM: Ed Mailen, Supervisor, Agents and Brokers
Division, Kansas Insurance Department

RE: HB 2632

This Bill is intended to eliminate the requirement that insurance policies be countersigned. The proposal is made since we believe that it serves no useful purpose and does nothing to protect Kansas insureds. It appears that this requirement was put in place to ensure that resident agents would share in any commissions earned on Kansas business by nonresident agents. It is today just another obstacle to efficient policy delivery. In addition there is a movement nationally to eliminate countersignature requirements.

*Senate 7141
3/6/96
Attachment #3*



Kathleen Sebelius
Commissioner of Insurance
Kansas Insurance Department
Agents and Brokers Division

Memorandum

Date: March 5, 1996
To: Senate Financial Institutions & Insurance Subcommittee
FROM: Ed Mailen, Supervisor, Agents and Brokers
Division, Kansas Insurance Department
RE: HB 2647

This proposed legislation makes several technical corrections to the agent continuing education law, and establishes a \$100 registration fee for continuing education providers. The technical corrections are intended to clarify several areas in the current law or to remove redundant language. The establishment of the provider registration fee is based upon the belief that the continuing education program cost should be borne by the industry and current revenues are insufficient to cover costs. This fee would help to eliminate that situation without being burdensome and without making extensive changes in the funding or without requiring additional staff. In addition this Bill modifies KSA 40-241, the agent examination statute, to allow an applicant to be treated as a new applicant after a waiting period of two years has expired. Such treatment should reduce the penalty to an applicant who fails our exam several times, works in another field for at least two years and then decides to reapply for an agent's license. Under current law an applicant who fails the exam three or more times must wait at least six months between all subsequent exam attempts. This Bill also provides that the excess lines license will become a renewable license rather than requiring that we issue a new license each year.

Testimony regarding House Bill 2647
Before the Senate Financial Institutions & Insurance Committee

Presented by Patrick J. Morris, Executive Vice President
Kansas Association of Insurance Agents
March 6, 1996

Thank you, Mr. Chairman and members of the committee for the opportunity to appear today in support of HB 2647. I am Pat Morris, the Executive Vice President of the Kansas Association of Insurance Agents, an association that represents approximately 625 independent agency members across Kansas who employ nearly 3,500 people, most of whom are licensed agents.

When this bill was originally taken up by the House Financial Institutions & Insurance Committee, we had asked that this bill be amended to reinsert language in the statute related to "inactive agent" status. The Insurance Department agreed to the amendment, the bill was passed as amended by the committee and by the full House, and we would encourage the Committee to pass HB 2647. Thank you, and I would be happy to answer your questions.

Senate 7141
3/6/96
Attachment #5



Kathleen Sebelius
Commissioner of Insurance
Kansas Insurance Department

MEMORANDUM

TO: Senate Committee on Financial Institutions and Insurance

FROM: Linda De Coursey, Coordinator
Government and Public Affairs

RE: H.B. 2981 (Professional Liability Reports)

DATE: March 6, 1996

The Kansas Department of Insurance supports H.B. 2981 which would lessen a paperwork burden on our agency. The current statute, K.S.A. 40-1126, requires insurers who sell professional liability policies to medical providers to report to the Insurance Department the final disposition of any legal action involving the insured under the policy. This information is then transmitted by the Insurance Department to the State Board of Healing Arts.

The Insurance Department does not need this data. The bill simplifies the process by requiring that the reports be sent directly to the Board of Healing Arts by the insurance company. The Kansas Department of Insurance would still be authorized to get this information if needed from insurers. The bill does provide that insurance companies who fail to report to the Board of Healing Arts would be liable to action by the Insurance Department under the provisions of the Kansas Insurance Code.

The Kansas Insurance Department respectfully asks the Committee to approve H.B. 2981.

*Senate 7/41
3/6/96
Attachment #6*

KaMMCO

KANSAS MEDICAL MUTUAL INSURANCE COMPANY

TO: Senate Financial Institutions and Insurance Committee

FROM: Lori Callahan, General Counsel

RE: H.B. 2981

DATE: March 6, 1996

The Kansas Medical Mutual Insurance Company (KaMMCO) is a Kansas domestic physician-owned professional liability insurance company formed by the Kansas Medical Society. KaMMCO is the largest insurer of physicians in Kansas.

KaMMCO supports H.B. 2981.

Under current law, all medical malpractice insurance companies in the state of Kansas must send a report of the closure of all actions for damages to the Commissioner of Insurance. The Commissioner of Insurance is then statutorily required to provide the information to the State Board of Healing Arts. In 1995, the Health Care Stabilization Fund was separated from the Kansas Department of Insurance. The Health Care Stabilization Fund is the statutorily created excess coverage entity for all health care providers in the state of Kansas. In 1995, when the Fund was separated from the Insurance Department, the issue of where closure reports should be sent was not addressed in the statutory changes. As a result, an agreement was entered into between the Insurance Department and KaMMCO that closure reports would be sent directly to the Health Care Stabilization Fund. The Health Care Stabilization Fund does not need these reports since they are already aware of the closure of such cases. Accordingly, the Health Care Stabilization Fund has been sending these reports to the Kansas Insurance Department. The Kansas Insurance Department also has no need for these reports, thus, they send them on to the State Board of Healing Arts as is required by statute. It has recently been discussed by KaMMCO, the Health Care Stabilization Fund, the Insurance Department, and the Board of Healing Arts, that sending the reports directly from KaMMCO, and all other medical malpractice carriers in the state, to the State Board of Healing Arts would be much more efficient. That is the purpose of H.B. 2981. It merely replaces the Insurance Department as the reporting entity with the Board of Healing Arts, the only state agency which needs to receive notification of the closure of these matters.

This bill passed out of the House on the consent calendar. KaMMCO would ask the committee to vote this bill favorable for passage.

Endorsed by the Kansas Medical Society

*Senate 7141
3/6/96
Attachment #7*