

Approved: 3-10-98
Date

MINUTES OF THE HOUSE COMMITTEE ON INSURANCE.

The meeting was called to order by Chairperson Dennis Wilson at 1:33 p.m. on February 11, 1998 in Room 527-S of the State Capitol.

All members were present except:

Committee staff present: Bill Wolff, Legislative Research Department
Robert Nugent, Revisor of Statutes
Beth James, Committee Secretary

Conferees appearing before the committee: Lee Wright, Farmers Insurance Group
Michael Sullivan, Farmers Insurance Group
Ken Fain, Farmers Insurance Group
Russ Brown, Farmers Insurance Group
Bill Sneed, State Farm
David Hanson, Kansas Insurance Associations
Bud Gillispie, Kansas Farm Bureau Insurance
Kathy Olsen

Others attending: See attached list

The meeting was called to order at 1:33 p.m. by Chairperson Wilson. The Chairperson announced that the first order of business was the continued hearing on HB2741.

HB2741: **Revised licensing requirements for insurance agents and brokers.**

The proponents of the bill were heard on the preceding day. Today the opponents of HB2741 will be heard. The Chairperson called Lee Wright to the podium. Mr. Wright introduced Michael Sullivan, who is President of Farmers Insurance Company, Inc. (Attachment #1). Mr. Sullivan said he is extremely disappointed and aggrieved that the Department of Insurance is unilaterally proposing changes to the insurance operating environment here in Kansas. He feels he should have been advised of this and given the opportunity to offer some input, in consideration of the number of people that his company serves here in Kansas. Mr. Sullivan questions the statement made by Mr. Kennedy, yesterday, referring to the diverse nature of the Agents and Brokers Advisory Committee. Mr. Sullivan said he was told by Mr. Kennedy on December 1, of last year, just after the meeting at the Department Of Insurance, where they unveiled the legislative agenda for the Department, which included this bill, that the Agents and Brokers Advisory Committee is made up of political supporters of Commissioner Sebelius, from her first election as Insurance Commissioner. He believes it is irresponsible to use this group of people to drive public policy to change the insurance environment here in Kansas.

A question and answer period followed. Mr. Sullivan was asked to explain the current law in regard to ownership of policy expirations and how this bill would change it.

The Chairperson then called Ken Fain to the podium. (Attachment #2). He said that he was going to discuss many of the subjects that were asked of Mr. Sullivan. He then talked about consumer protection.

The Chairperson called Russ Brown to the podium. (Attachment #3). He said that he made a choice to become an agent with Farmers Insurance because of their contract. The passage of this bill would do away with the contract value of his agency. He is also concerned with the disruption to the consumer that this bill would cause. Mr. Brown then answered questions.

The next speaker was Bill Sneed. (Attachment #4). He believes the Department of Insurance has gone beyond regulating and into management. Question followed.

CONTINUATION SHEET
HOUSE COMMITTEE ON INSURANCE, FEBRUARY 11, 1998
ROOM 527 AT 1:30 P.M.

The next speaker was David Hanson. (Attachment #5). He said they have studied this bill and conclude that there is no need for this massive reform. These changes are not in the best interests of the consumers here in Kansas.

The speaker then called Bud Gillispie to the speakers stand. (Attachment #6). He said he wondered what the true intent of this bill was. It appears to him that the major portion of this bill that the industry is taking exception to deals with protecting an agent. He understands and supports the protection of the agents. They work very hard to protect their agents and don't feel the need for the Department Of Insurance to do that for them. The real missing piece in this bill is the protection of the consumers.

The next opponent was Kathy Olsen with the Kansas Bankers Association. She brought with her written testimony from Willis Corroon. (Attachment #7). Mr. Corroon is their insurance consultant.

The Chairperson then pointed out to the Committee written testimony that was received from Enterprise Rent A Car. (Attachment #8).

With no one else wanting to speak on HB2741 the Chairperson closed the hearing on this bill.

Chairperson Wilson asked if everyone had read the minutes that were passed out from February 2. He said he would entertain a motion for the minutes. Representative Campbell made a motion to accept the minutes of February 2, 1998 as written. Representative McCreary seconded the motion. The Committee voted in favor of the motion.

The meeting was adjourned at 2:44 p.m. The next meeting will be February 16, 1998.

HOUSE INSURANCE COMMITTEE GUEST LIST

DATE: 2-11-1998

NAME	REPRESENTING
Russ Brown	FARMERS Ins. Group
Michael M. Sullivan	Farmers Ins Group
Ken Faint	FARMERS INS Group
Lee Wright	Farmers Ins. Group
Wanda Lynn Smith	KIMHA
Bud Gillispie	Ks. Farm Bureau Ins.
Kevin Davis	Am. Family
Jim Bowen	Amn Family
Bill Sneed	State Farm
Rich Wilhoore	Allstate Ins.
Sueann Lomb	Kearney law office
Jalynn Copp	KID
Richard DeKoven	Ks Insurance Dept.
Pat Morris	KAIA
Bob Kennedy	KID
David Hanson	Ks Insur Assns
Dave Heidorn	NATI



FARMERS INSURANCE GROUP OF COMPANIES

10850 LOWELL AVENUE
SHAWNEE MISSION, KANSAS 66210-1613
Mailing Address: P.O. BOX 2910
SHAWNEE MISSION, KANSAS 66201-0387

Testimony on HB2741
by Michael M. Sullivan
President - Farmers Insurance Company, Incorporated
February 10, 1998

Mr. Chairman and members of the Committee. My name is Michael Sullivan. I am President of Farmers Insurance Company Incorporated and the Executive Director with Farmers Insurance Group for the State of Kansas. I appreciate this opportunity to appear here today, in opposition to HB2741.

I am disappointed, and aggrieved, that changes of this magnitude, provisions that will completely change the insurance operating environment in the State of Kansas, are being proposed unilaterally by the Department of Insurance. I would have liked to at least been advised that these changes were being contemplated and been able to offer input.

Farmers is the second largest write of Personal Auto insurance in Kansas, the third largest write of Homeowners insurance, and the tenth largest write of Commercial Multi-Peril coverage. In addition, Farmers Insurance Company, Incorporated is the largest insurer domiciled here in the State of Kansas. In all, some 300,000 Kansans rely on our insurance products every day.

These products are distributed through our Farmers Agency Force, an exclusive distribution system made up entirely of independent contractors. Our Agency Force comprises over three hundred small businesses located across Kansas, from Kansas City to Liberal, and Goodland to Independence.

*House Insurance
Attachment #1-1
2-11-98*

This is the one thing all of our customers have in common. Each has purchased a Farmers product, from a Farmers Agent, and is relying on the service provided by that Agent as well as the reputation and financial strength of the Farmers Group.

We believe, and operate daily under the belief, that our Agency Force, our distribution system, is Farmers Insurance. These men and women are the face that the Kansas public puts on Farmers. Without a distribution system there is no company.

At the very core of this issue is the relationship we have with our Agency Force. This relationship is described by our contract, a contract which we believe is the finest in the industry. It is well balanced in that it provides protections for both the Agent and the Company. One of the major features of this contract is the Agents ability to build a guaranteed contract value beginning in just the first few months in business. This contract value is payable whenever the Agent chooses to retire, or to pursue other interests. It is an obligation of the company that is contractually fixed.

This feature, and many others, will be eliminated by passage of HB2741. If the Company cannot be guaranteed ownership of that book of business when the Agent terminates their contract, then the Company cannot guarantee this contract value.

This is not a situation that is unique to Farmers. If HB2741 becomes law, insurance agents throughout the State will re-evaluate their decision to be in the insurance business. Prior to it's effective date many Agents will exercise their

options and exit the business. After the effective date Agents will be forced to shop their book of business for a "best price" offer, regardless of the insuring company or the ability of the buyer to properly service the policyholders. If HB2741 becomes law, the turmoil and disruption to the insurance industry and the insurance consumers of the State of Kansas, will be unprecedented.

Mr. Chairman and members of the committee, I strongly urge you to oppose House Bill 2741.

Thank you Mr. Chairman and I would be happy to answer any questions.



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Testimony on HB2741
by Ken Fain
District Manager Farmers Insurance Group
February 10, 1998

Mr. Chairman and members of the Committee. My name is Ken Fain. I am a District Sales Manager for Farmers Insurance Group. I appreciate this opportunity to appear here today, in opposition to House Bill 2741.

I have been a District Manager for nine years. My primary responsibility is the recruitment and training of individuals to become professional career agents. My office also provides support and resources to help ensure the success of those Agents.

Integral to the recruitment portion of my job is our agent contract. To recruit, I must be able to "sell" prospective agents on the benefits and career potential of becoming an agent under this contract.

Our agent contract is a good one. I believe it offers one of the best entrepreneurial opportunities for an individual in America today. If HB 2741 becomes law, I will not be able to continue to do what is expected of me contractually. In short, I can't sell prospective agent candidates a contract that incorporates the Insurance Departments proposed changes.

Another disturbing portion of this bill is the provision in Sec. 10 (b) allowing an agent whose contract has been terminated with a company to place that business with another company.

*HOUSE INSURANCE
Attachment #2-1
2-11-98*

Exclusive agents such as those contracting with Farmers Insurance Group, State Farm, or American Family represent that one company. The policies are owned by the company and not the agent.

When a customer purchases an insurance policy through an exclusive agent, very often a key ingredient in that customer's choice is the reputation the company itself has for customer service and financial strength.

If I purchased a policy through an exclusive agent based on the favorable reputation of a specific insurance company, I would be alarmed to find that agent could transfer my insurance business to another company because his or her contract had been terminated.

Finally, Mr. Chairman I do not understand why the company I represent nor our agency force was not consulted or allowed to participate in the recommendations and drafting of this sweeping legislative proposal.

Thank you Mr. Chairman and I would be happy to answer any questions.



FARMERS INSURANCE GROUP OF COMPANIES

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Testimony on HB2741
by Russ Brown
Insurance Agent for Farmers Insurance Group
February 10, 1998

Mr. Chairman and members of the Committee. My name is Russ Brown and I have been an insurance agent for the Farmers Insurance Group of Companies for 3 1/2 years. I appreciate this opportunity to appear here in opposition to House Bill 2741.

When I made the choice to become a Farmers Insurance Group Agent, much of my decision was based on their contract which I consider to be one of the best in the industry.

As you have already seen most of what I signed on for in my contract will be eliminated should this House Bill be passed.

Of particular concern to my professional career and all I have worked for is the real possibility this bill would do away with the contract value of my agency.

Unlike the independent agents that own the policies they write, exclusive agents build their agencies at Farmers through the contract value of the policies written by the agent and owned by the company. My contract with Farmers specifically spells out how I will be compensated for my agency whenever I choose to retire. If companies writing through exclusive agents cannot maintain ownership of the policies as contemplated in HB 2741, then what will become of my contract value.

Another concern I have is the potential to lose a significant privilege allowed me as a premier agent who has met stringent eligibility requirements at Farmers. If HB2741 passes, I will no longer be able to exercise my right to policy assignments from the company under this program. This significantly impacts my ability to grow my business.

Mr. Chairman, I strongly urge your committee to oppose passage of HB2741. Thank you and I would be happy to answer questions.

MEMORANDUM

TO: Representative Dennis Wilson, Chair
House Insurance Committee

FROM: William W. Sneed
The State Farm Insurance Companies

DATE: February 10, 1998

RE: HB 2741

Mr. Chairman, members of the committee, my name is Bill Sneed and I appear today on behalf of the State Farm Insurance Companies. State Farm is one of the largest insurance companies doing business in the state of Kansas. We appreciate this opportunity to present testimony in opposition to this bill.

HB 2741 purports to be a complete rewrite of the insurance agent statutes. This voluminous bill substantially amends 39 current statutes, repeals 37 statutes, and creates 36 more. In many places throughout the bill, the laws of other states have been grafted into or in place of existing Kansas law. This sweeping legislation changes dramatically laws regarding insurance agents, some of which have been in place for more than 65 years.

State Farm is not aware of flaws so inherent in the current agency statutes that they demand we abandon them entirely in favor of a new statutory scheme. We have heard nothing from our agents or the Kansas Insurance Department which would indicate the need for a complete rewrite of the agent statutes.

*House Insurance
Attachment #4-1
2-11-98*

If a problem of such magnitude exists, why was State Farm nor any other insurance company, to our knowledge, informed of or consulted on the issue? If a problem exists with the current statutory scheme, we stand ready to assist our agents or the Kansas Insurance Department in addressing it. In this case, we were not aware of a problem and did not have the opportunity to offer input on the suggested solution.

We stand before you now to oppose the Kansas Insurance Department's drastic solution to a set of problems we did not know existed, if they exist at all.

Throughout State Farm's 75-year history, we have adhered to the principal that our customers, agents and employees are best served by a regulatory system which allows us to make decisions in the best interests of our policyholders. In the past, we have opposed governmental interference in our contractual relationships with State Farm agents. HB 2741 imposes a considerable degree of interference with the agent-company relationship.

For example, Section 10 of the bill does several things. First, it applies the current restrictions on termination of independent insurance agents to "captive" agents, such as State Farm agents, who place insurance with only one company. Second, it prohibits termination of an agency relationship by a property and casualty insurer after the relationship has been in effect for a period of three years. Such relationships may only be terminated after completion of a complicated rehabilitation plan, which must at a minimum continue over the course of one year.

Section 10 also prohibits agent termination based on three reasons: 1) adverse loss experience for a single year; 2) geographic location of the auto or homeowners business; or 3) performance of legal obligations.

Unilateral company-initiated terminations at State Farm are rare. We do not break the agent-company partnership based on an agent's profitability problems or failure to sell a certain volume of policies. Terminations only take place in the instance of clear wrongdoing on the part of the agent. Further, HB 2741 offers little additional protection to the overwhelming majority of State Farm agents who operate their agencies ethically and in the best interests of our policyholders.

The bottom line is that our agents are fully protected by their contracts. State Farm values its reputation for providing top quality service and has every motivation to attract and retain the very best agents available. Further, State Farm agent agreements provide ample procedural and substantive protections against wrongful termination. These agreements provide notice of a proposed termination, a review process, and fair compensation if the termination occurs. Insurance agents are business people. They are not forced to contract with a company which does not provide some sort of termination protection.

A second example of interference with the agent-company relationship in Section 10 of the bill is that it allows an agent whose contract has been terminated to place the business written under the terminated contract with another insurance company. This provision is a direct attack on the State Farm marketing system and the two-way commitment we have made with our agents. This commitment is based on a partnership and an agreement that State Farm agents sell only State Farm insurance products and that the company will only sell its products through State Farm agents. This provision will destroy the commitment that we believe is key to the success of our marketing partnership with our agents. In addition, as a mutual insurer with an exclusive agency

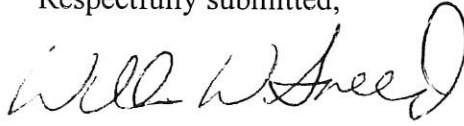
the company will only sell its products through State Farm agents. This provision will destroy the commitment that we believe is key to the success of our marketing partnership with our agents. In addition, as a mutual insurer with an exclusive agency system, allowing such transfers of business to another company is in essence the taking of our property since my client owns the business.

A third problem with the provisions of Section 10 is that it applies to agent contracts currently in force. [(Section 10(n), page 10)] This provision directly violates the Contracts Clause of the federal and state constitutions. The Contracts Clause prohibits the passage of a law impairing the obligations of an existing contract. The provisions of Section 10 relating to termination of agents present a serious and material alteration to existing agent contracts. Passage of this provision as it applies to existing contracts would be patently unconstitutional.

We have provided just a few examples, albeit important ones, of the severe and misguided provisions contained in HB 2741. There are certainly many other items like these addressed in the bill. Unfortunately, a byproduct of this sort of legislation is a negative impact on State Farm policyholders. The level of interference in management decisions imposed by HB 2741 will dramatically impair State Farm's ability to control costs and protect consumers from unsound insurance practices.

Again, we challenge the drafters of this bill to provide the reasons behind it and the justification for such a sweeping "fix" to a heretofore unknown problem. We ask that if there is indeed a problem, or problems, under the current agent statutes, that we be allowed to participate in finding a solution. State Farm does not believe that the

Respectfully submitted,

A handwritten signature in black ink, appearing to read "William W. Sneed". The signature is written in a cursive style with a large, prominent loop at the end of the last name.

William W. Sneed

David A. Hanson
Kansas Insurance Associations
Topeka, Kansas
(785) 232-0545

TESTIMONY ON HB 2741

TO: House Insurance Committee

RE: House Bill 2741

Mr. Chairman and Members of the Committee:

Thank you for this opportunity to present testimony on behalf of the Kansas Association of Property and Casualty Insurance Companies and the Kansas Life Insurance Association, whose members are domestic insurance companies in Kansas.

While we appreciate the efforts of the Insurance Department and the Commissioner's Agents and Brokers Advisory Council to rewrite, reform and standardize agent licensing, we must respectfully oppose House Bill 2741. Our main concern is the potential adverse effect on the insurance industry and consumers in Kansas. The length of the bill alone is somewhat of a challenge, but trying to analyze all of the new provisions borrowed from other states, all of the Kansas law to be repealed and all of the other modifications to our existing law, as well as additional amendments already being proposed, obviously presents a significant challenge. We believe that a need for such massive reform has not been shown. In fact, we are concerned that several of the proposed changes are likely to produce adverse results.

This past summer, the Task Force on the Kansas Insurance Industry met and studied the insurance environment in Kansas, producing a report of their conclusions and recommendations, which was presented to this Committee several weeks ago by Senator Steffes, who chaired the Task Force, and by Commissioner Sebelius, the vice-chair of the Task Force. We commend the Task Force members, including Representative Kirk and other legislators, as well as industry representatives for both insurance companies and agents, for their hard work. One of the areas the Task Force dealt with was recognizing and supporting the evolutionary changes under way within the industry and the marketplace and to discourage regulation that would cause unnecessary or unreasonable interference. Among its final conclusions and recommendations, the Task Force recommended the formation of an informal insurance advisory board to work on economic development of the insurance industry and provide an on-going effort to recommend ways to strengthen and develop the industry. The Task Force also suggested that the Commissioner pursue dialogue with the industry and consumer groups "in order to accelerate general deregulation and the movement toward open competition."

Unfortunately, there has not been much opportunity for dialogue on these proposed changes and we do not believe they will lead to general deregulation, nor movement

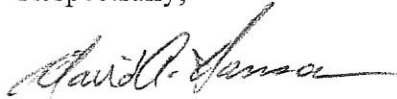
*House Insurance
Attachment #5-1
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toward open competition. When unnecessary restrictions are placed on our companies' ability to market our products and engage in open competition, such as the further restriction of a company's ability to terminate an agency contract and requiring extensive rehabilitation, then companies will be discouraged from coming to Kansas or doing business here. Clearly, if it becomes more difficult to end a bad relationship, companies are likely to become more cautious and selective in entering any new agency relationships or in continuing any questionable relationships that might result in the additional restrictions and rehabilitation requirements provided in this bill. This is especially a concern for companies using captive agents, where the agent would be able to move policyholders, even those with long standing membership in the company, to some other company. It is not clear from the bill whether the insured consumer has any choice in such a move, since the bill states that the producer shall have until policy renewal, but not more than a year, "to place the business ... with another insurance company." These types of unilateral protections are simply not warranted and not in the best interests of our consumers.

In light of these concerns and the numerous other concerns that have been raised, we must strongly oppose this bill and would respectfully ask that it not be passed.

Thank you for your consideration.

Respectfully,



DAVID A. HANSON

Position Paper

HOUSE BILL 2741

Bud Gillispie
Assistant Sales Manager
Kansas Farm Bureau Services, inc.

For

The Farm Bureau Mutual Insurance Company, Inc.
KFB Insurance Company, Inc.
Kansas Farm Bureau Life Insurance Company, Inc.
Farm Bureau Mutual Insurance Agency, Inc.
FB Services Insurance Agency, Inc.

February 11, 1998

*House Insurance
Attachment #6-1
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The insurance companies summarized on the cover page, all under the banner of the Kansas Farm Bureau, oppose this bill.

(1) First, let me state that we are fully aware that on page 8, lines 21 through 25, the bill states that any company requiring a membership is excepted from the definition of "Insurance Company." At first look, this may appear to remove our companies from the restrictive nature of this bill. One must understand however, that a membership is not required for all forms of insurance in our organization and is not required for any lines of insurance under the Kansas Farm Bureau Life Insurance Company or for business placed through our two brokerage operations.

(2) Generally, it appears it is the intent of this bill to discontinue the company certification of agents which has historically occurred within the Kansas Insurance Department. While this may be a cost reduction effort, I believe this will result in lesser protection for the insuring public in Kansas.

At the present time, and historically, if the Kansas Insurance Department receives a complaint from a policyholder about the performance of an agent, they have been able to check their certification records and determine the insuring company. This allowed them to, in addition to taking the matter up with the offending agent, notify the company of the complaint. This action would allow us, as the insuring company, to investigate the complaint, determine the true nature of that complaint and try to resolve the matter with the policyholder. The material garnered from that investigation is then placed in a "due diligence" file on that agent. By accumulating that data, we can then view the "track record" of that agent and determine if he or she is providing adequate service to his or her clients and to the insuring public of the State of Kansas.

Discontinuance of this practice will result in the Kansas Insurance Department notifying the agent of the complaint and leaving us, as the insuring company, out of the circle. This then will result in less complete data in the "due diligence" record of our agents. It would appear to me that it is in the interests of the people of the State of Kansas to have the insuring company involved in trying to assure that the interests of those people are protected.

I find it most interesting that the Kansas Insurance Department no longer takes an interest in what companies are being represented by agents licensed by that entity. It seems the Insurance Department will be giving up a great deal of control over agents. It was just a few years ago that we had representatives of "fly-by-night" life insurance companies traversing Kansas, selling life insurance that was

questionable and that would create service problems for the people who purchased such coverage from those agents. If that were to happen under the proposed scenario, the Kansas Insurance Department would have no way of knowing who those people are.

In the case of our companies, we have "exclusive agents." Our contract requires such exclusivity and prohibits our agents from placing business with any carrier other than those companies we have authorized them to write with and through the approved system of placing that business. This change will make that exclusivity, which the bill recognizes with the definition of "exclusive insurance producers" on page 8, line 27, far more difficult to enforce.

(3) Under section 10 (K.S.A. 40-2,107) beginning on page 8, line 30, the statute is being amended to include "exclusive insurance producers," in the statute providing for 180 days notice of termination of said producer's contract. This provision is totally unacceptable to our companies.

This provision severely limits our ability to manage our business of providing insurance service to the public. We work very hard at equitable and fair treatment of our agents. Our primary concern, however, must remain the best interests of our policyholders and the insuring public. If an agent is not doing the job of providing proper service to clients and either refuses to do so or continues to fail in that regard, it is essential that we have the ability to terminate that agent and have a more capable or willing agent provide that service. Sometimes an agent who has been under contract for many years will get comfortable with his/her renewal commissions and "semi-retire," thus failing to provide the needed service to the insuring public. It is essential to the interests of the policyholders and to us as the insuring company to provide the best possible service to the client. This bill would severely restrict that effort.

(4) This section also provides that the agent, after termination of his/her contract, has "until the policy renewal date, but not more than one year, to place the business written under such terminated contract with another insurance company." This provision is also unacceptable to our companies. By contract, the agent does not own that business. Our contracts provide that all property and casualty business reverts back to the companies upon the termination of an agent's contract. That business is then, generally, reassigned to another agent for service

of those policies. Allowing such activity on the part of a terminated agent would severely damage the service level to the insuring public.

(5) Section 10 also provides for a program of "rehabilitation" of a producer prior to proceeding with termination of the contract. This provision is an unnecessary and unwelcome intrusion of government into the affairs of our companies. We routinely attempt such "rehabilitation" on an ongoing basis to assist agents with proper sales and service to the insuring public. Such activity is in the best interests of all concerned and is not requiring of government interference.

New section 44 provides for an increase in continuing education hours required for an agent to keep his/her license from 12 hours to 15 hours. It is my belief that the current 12 hours is sufficient and that if the objective is not being accomplished in 12 hours of instruction, 15 hours is not going to help. I believe the only persons to benefit from this change will be those persons who are providers of continuing education courses and charging for those services.

Flawed Legislation:

It is my view this bill is flawed. I believe it to be poorly written and extremely ambiguous in some areas. Such ambiguity will make this bad law.

On page 2, line 33, there is a reference to "fees as provided in section 26." Section 26 contains no fees. Those fees are actually contained in section 61.

On page 1, line 36, there is a reference to "certified." That is the only reference to an agent being certified in the bill and I believe the intent in the bill is to discontinue the certification process. These inconsistencies make this bill very difficult to read and understand and would make the law most difficult to comply with.

Our organization opposes this legislation and requests that it be defeated in committee.

WILLIS CORROON

February 11, 1998

Chairman
Kansas House Insurance Committee

Mr. Chairman:

Please accept this letter as our position on HB2741.

We agree with many of the changes put forth in the bill, especially bringing Kansas into a uniform licensing structure with other states. We also agree with the establishment of modified rules to facilitate placing "surplus lines" of insurance.

However, the part of the bill beginning with new Sec. 64 on page 61 introduces what we believe to be cumbersome, expensive and totally unnecessary regulation.

Sec. 64 introduces a completely new category of licensed consultants. We have operated as both consultants and producer/agent for over 40 years. Our clientele are primarily small businesses and corporations. We have never had a disagreement over fees charged since they are disclosed up front. Further, HB2641 page 64 line 42 through line 6 on page 65 would prohibit the consultant from receiving commission or compensation for placing of any insurance products agreed upon as the result of the engagement as a consultant.

Consultant fees are charged to do the research necessary (Actuarial, Tax, Legal, Accounting) to, in most cases, "tailor-make" the insurance products. The ongoing costs of putting the plans in place and delivering the services necessary are compensated by insurance commissions.

We feel the new Sec. 64 and its related Sec. 65 through 74 are an added burden to practitioners and an unnecessary, expensive addition to the Kansas Insurance Department, without providing any worthwhile or measurable value to the consumers.

Respectfully,

WILLIS CORROON CORPORATION OF KANSAS

H. J. "Mike" Lavigne, Jr., CLU, ChFC

HJL/cj

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House Insurance
Attachment # 7
2-11-98



7815 Floyd
Overland Park, KS 66204-0318
913-383-1515

February 10, 1998

Dennis Wilson, Chairman
House Committee on Insurance
Kansas State House
Topeka, KS 66212

Re: HB2741

Dear Mr. Wilson:

This letter represents our testimony as it relates to the aforementioned bill.

The following words need to be added in new sec. 45, (d) line 26 after the words "rental office", **at the point of the rental transaction or...**

The reason those words need to be added is because we, as do many rent-a-car companies, often deliver cars to customers and the transaction, therefore, is completed away from the office.

Secondly, we would submit that new sec. 46, (b) lines 26 through 42 pertaining to the "requirements of section 10" do not apply to auto rental agents. We would prefer wording similar to the following inserted under new sec. 45 (a) through (c):

The Commissioner may issue to a rental company that has complied with the requirements of this section, a limited license authorizing the limited licensee to offer or sell insurance in connection with the rental of vehicles.

Any limited license issued under this section shall also authorize any employee of the limited licensee to act individually on behalf, and under the supervision, of the limited licensee with respect to the kinds of coverage specified in this section.

At the appropriate time, if conversation were required on this matter I would be happy to meet with the committee in person on behalf of the industry.

Very Truly Yours,

Bruce Kruenegel
Vice President / General Manager

cc: John Peterson

House Insurance
Attachment #8
2-11-98