

Approved: Robert Tomlinson  
Date April 30, 1999

MINUTES OF THE HOUSE COMMITTEE ON INSURANCE.

The meeting was called to order by Chairperson Bob Tomlinson at 3:30 P.M. on March 18, 1999 in Room 527-S of the Capitol.

All members were present except: Rep. Boston, Empson, Burroughs

Committee staff present: Bill Wolff-Research  
Ken Wilke-Revisor  
Mary Best-Secretary

Conferees appearing before the committee: Linda DeCoursey-Kansas Insurance Department  
Pat Morris-Kansas Association of Insurance Agents  
Lee Wright-Farmers Insurance  
Kevin Davis-American Family Insurance-Written  
Testimony Only  
Bill Sneed-State Farm Insurance-Written Testimony  
Only  
Brad Smoot-American Insurance Association-Written  
Testimony Only  
Rick Friedstrom-Kansas Association of Life  
Underwriters  
Pat Morris-Kansas Association of Insurance Agents  
John C. Peterson-Enterprise & Budget Car Rentals  
Kathy Dameron-Gave Balloon to Linda DeCoursey to  
Present to Committee

Others attending: See Attached Guest List

The meeting was called to order and the first order of business was to work **HB 2066**.

**Rep. Cox moved to take the bill off of the table, Rep. Myers seconded the motion. The Amendment was reviewed. A vote was taken on the motion, the motion passed. A motion was made to pass the bill out favorably as amended by Rep. McCreary, with Rep. Phelps seconding the motion. The Amendment roughly raise penalties higher than current law, but lower than those originally proposed by other legislation. Request for discussion. Rep. Grant presented a substitute motion to pass the bill out with no recommendation, Rep Vining seconded the motion. Vote taken, the negative vote took the vote. Motion failed, committee went back to the original motion. Vote taken to send out without recommendation count was taken. The count was 7-nos, 4 yes, motion failed. Back once more to the original motion, recommendation favorable for passage. Call made for discussion, none, vote was taken 10 ayes, Rep. Grant and Rep. Vining go on record as voting no. Motion passes.** Discussion with Revisor Wilke regarding committee's wishes for the bill to go as an amended bill. This was confirmed as was the fact that the bill would maintain Rep. Huff's signature and that he would carry the bill.

With this bill worked the committee then turned their attention to hear the published bills. The first to be heard was:

**SB 121: Insurance rate filing.**

Linda DeCoursey, Kansas Insurance Department, gave Proponent Testimony, to the committee. A copy of the testimony is (Attachment #1) attached hereto and incorporated into the Minutes by reference. Ms. DeCoursey gave an overview of the bill stating "the bill completes the modernization of our ratemaking process for commercial insurance and begins the process for rates in personal lines insurance." " This bill removes transitional exceptions and completes the change in all commercial lines except workers compensation and mandatory medical malpractice insurance from a prior approval to a file and use rate approval system." They then offered a two-step process to modernize personal lines insurance.

Questions were asked by Rep. Myers, Phelps, Dreher, and McCreary.. Responses were given by Mr. Bill Wempe, Kansas Insurance Department.

Mr. Pat Morris, Kansas Association of Insurance Agents, gave Proponent Testimony, to the committee. A copy of the written testimony is(Attachment #2) attached hereto and incorporated into the Minutes by reference. Mr. Morris related his organization was in strong support of this bill, stating "the deregulation measure is a major legislative accomplishment". They support the commercial lines rate filings and the agreed-upon compromise from the Senate committee's deliberations.

Questions were posed by Rep. Cox.

Mr. Lee Wright, Farmers Insurance, gave Proponent Testimony, to the committee. A copy of the written testimony is (Attachment #3) is attached hereto and incorporated into the minutes by reference.

Written Proponent Testimony only was presented to the committee by Mr. Keith Davis, American Family Insurance, Mr. Brad Smoot, American Insurance Association, and Mr. Bill Sneed, State Farm Insurance. Copies of their testimonies are (Attachments #4, 5, 6) attached hereto and incorporated into the Minutes by reference.

With no further testimony or discussion offered, the Public hearings on this bill are closed.

**Public hearings on SB 152: Insurance, licensing requirements for insurance agents; continuing education.**

Ms. Linda DeCoursey, Kansas Insurance Department, gave Proponent Testimony, to the committee. A copy of the testimony is (Attachment #7) attached hereto and incorporated into the Minutes by reference.

Ms. DeCoursey gave an overview of the bill, which includes the accomplishments the bill would make. The bill, accomplishes three goals "(1) continues our efforts to become fully reciprocal with other states as to licensing and continuing education requirements; (2) streamline further our agent licensing and continuing education requirements; and, (3) license auto rental agencies with respect to their sales of insurance". Ms. DeCoursey stated the agents and brokers would be able to do their study work at home by computer. It also allows brokers t fill their requirements as well. Rental agencies would be more accountable and would be required to staff their businesses with people trained in this field. In regard to Amendments, page 7 of the bill, lines 34, 35 language was added and the Kansas Insurance Department is requesting this language be deleted. A balloon is (Attachments 8 & 9) attached hereto and incorporated into the Minutes by reference. The balloon carries the language for pages 6-9.

Questions were posed by Rep. Cox and Phelps.

Mr. Rick Friedstrom, Kansas insurance agent, gave Proponent Testimony to the committee. A copy of the written testimony is (Attachment #10) attached hereto and incorporated into the Minutes by reference.

Mr. Pat Morris, Kansas Association of Insurance Agents, gave Proponent Testimony to the committee. A copy of the testimony is (Attachment #11) attached hereto and incorporated into the Minutes by reference. Mr. Morris also stated the bill contains two provisions that would assist the Insurance Department and agents prepare for the future "landscape" of the industry.

House Insurance Committee Minutes 3-18-99 Continued

Questions were asked by Rep. Cox.

Rep. John C. Peterson, Enterprise and Budget Rental Companies, gave Proponent Testimony to the committee. Mr. Peterson presented written testimony only and is (Attachment #12) attached hereto and included into the Minutes by reference.

With no further discussions or testimony on this bill, the public hearings were closed.

With no further business the meeting was adjourned. Time was 4:25 p.m.

The next committee meeting is March 23, 1999.



# HOUSE INSURANCE COMMITTEE GUEST LIST

DATE: March 18, 1999

NAME	REPRESENTING
Bill Sneed	State Farm
Angela Kelly	Ks Insurance Dept
Bob Fiedler	KALU
Stacy Weaver	Ks. Ins. Dept
Margie Keating	Kansas Insurance Dept
Kevin Davis	Am Family Ins.
Pat Morris	KAIA
David Hanson	Ks Insur Assoc
Tom Slattery	AGC of Ks
Bob Trammell	Prudential Insurance
Bob Trammell	ERAC
Mindy Dodd	ERAC
Joe Collins	BUDGET Post & Car
John Peterson	Ks Governmental Consulting





**Kathleen Sebelius**  
Commissioner of Insurance  
**Kansas Insurance Department**

To: House Insurance Committee  
From: Linda DeCoursey  
Director, Gov. & Pub. Affairs  
Re: S. B. 121 (Modernization of commercial insurance)  
Date: March 18, 1999

Thank you for the opportunity to discuss Senate Bill 121. This bill completes the modernization of our ratemaking process for commercial insurance and begins the process for rates in personal lines insurance. Two legislative sessions ago we started the process of changing the process of commercial insurance rate approvals from a pre-approved process to what is called "file and use," i.e. basically a commercial insurer would file with us the rates they will use in Kansas, subject to the Department disapproving any rate it found to be excessive, inadequate or unfairly discriminatory. In that legislation we retained some residual control over a couple of lines of insurance and required a waiting period of 30 days before a company could use the rate they had filed with us.

Senate Bill 121 removes those transitional exceptions and completes the change in all commercial lines except workers compensation and mandatory medical malpractice insurance from a prior approval to a file and use rate approval system. [Section 2(b)] In addition, we propose a similar, two-step process of modernizing personal lines insurance by starting the move to file and use, with a 30-day waiting period. [Section 3(c)] Rates for policies in the assigned risk plans would continue to be subject to prior approval of rates. [Section 2(b)]

Senate Bill 121 also exempts certain unique commercial coverages from prior approval or file and use rate regulation. [Section 2(h)] These coverages are used by very large insureds, are often custom written by an insurer for a specific set of risks for that insured, and are used by insureds that really do not need this level of government protection.

Finally, the bill provides an exemption from rate filing and approval requirements for "large risks." These are commercial insurance policies that generate a premium larger than \$50,000 a year for aggregate property and casualty risks. Again, this is a product used by very large insureds who do not need as high a level of ratemaking protections as other insureds.

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*House Comm on Ins.*  
*Attachment #1*  
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*March 18, 1999*

*1-1*  
*7-2*

The bill also requires the Department to study the laws of other states to determine how most other states approve the insurance forms used by insurers. The Department has proposed to move the approval of all forms from prior approval to a file and use system. Some concerns have been raised about that change. The Department will make a report to the Legislature in 2000 as to the results of that study and our recommendation for changes, if any.



## Testimony on Senate Bill 121

Presented by Patrick J. Morris

Kansas Association of Insurance Agents

March 18, 1999 - House Insurance Committee

Thank you Mister Chairman and members of the committee for the opportunity to appear at today's hearing concerning Senate Bill 121. I am Pat Morris, the Executive Vice President of the Kansas Association of Insurance Agents. Our association represents over 600 independent agency members across Kansas whose agencies employ nearly 3,500 people, most of whom are licensed agents.

Mr. Chairman, the KAIA comes before your committee today to express our strong support for the negotiated compromise that makes up the Senate-passed version of this bill. When we testified on this measure before the Senate Financial Institutions & Insurance Committee, we were forced to appear as an opponent to 1/3 of the bill. However, thanks to the urging of the chairman of the Senate committee, an agreement was reached at the last possible minute with the Insurance Department and the AIA as to the final language of the bill.

Mr. Chairman, our association has been in constant discussions with the other proponents of this bill since it was first introduced, and we believe that the ball has been moved a long way from where we began two and four years ago. This rate deregulation measure is a major legislative accomplishment that continues the progress that Kansas has been steadily making over the past three years in this area.

*House Comm on Ins.  
Attachment #2  
March 18, 1999*



We support the movement of commercial lines rate filings to a true “file and use” system, and the conversion of personal lines to a “file and wait” system. These are significant changes in the area of rate deregulation, and changes we vigorously support. We also support the agreed-upon compromise from the Senate committee’s deliberations ---that there be no changes to the “prior approval” status to insurance forms, that the Insurance Department conduct a study on other states’ laws and rate and form filing prior to the 2000 Legislature, and that the a “large risk” category be created that is exempt from rate filing requirements if it meets the criterion established:

- total insured property values of \$5 million or greater; or
- annual gross revenues of \$10 million or more; or
- premiums of \$50,000 or more for property insurance; or
- premiums of \$50,000 or more for general liability insurance; or
- \$100,000 or more in premiums for multiple lines policies

Mr. Chairman, our association believes that this bill is reasonable and takes measured, deliberate steps in the right direction. It is a major rate deregulation measure that enjoys the support of the Insurance Department, insurance companies, and the agent forces. We urge your support for Senate Bill 121, and I will be happy to answer any questions that you may have.



**FARMERS**

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[www.farmersinsurance.com](http://www.farmersinsurance.com)

Senate Bill 121

Testimony by Lee Wright

March 18, 1999

Thank you Mr. Chairman and members of the committee. My name is Lee Wright and I am representing the Farmers Insurance Group of Companies. Thank you for this opportunity to appear today in support of SB 121.

We are the second largest insurer of automobiles in Kansas and the third largest insurer of homeowners. We welcome the Kansas Insurance Department's decision to recommend a file and use rating procedure for our personal lines business.

The flexibility of competitive pricing in a file and use system enables insurers to grow and expand their services to meet the rapidly increasing needs of the insurance buying public.

In addition, insurers should be more willing to write insurance because they become less fearful of their future ability to implement price changes, up or down, in accordance with changing experience.

We would appreciate the Committee's support of Senate Bill 121 and respectfully request it be found favorable for passage.

Thank you, that concludes my remarks. I would be happy to answer questions.

*House Comm on Ins.  
Attachment # 3  
March 18, 1999*

American Family Insurance Group  
1300 SW Arrowhead Road  
PO Box 4384  
Topeka, Kansas 66604-0384  
Phone (785) 273-5120



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**Kevin R. Davis**  
Government Affairs Counsel

March 18, 1999

To: Representative Tomlinson and  
The House Insurance Committee

From: Kevin R. Davis

RE: Senate Bill 121

American Family Insurance Group is in support of the continuing efforts of the Kansas Insurance Department to further deregulate insurance products. We have been pleased with the efforts of the Department in recent years to streamline the review and approval process of rates and forms. This bill continues that effort.

We recognize that deregulation may cause some concern and uncertainty about how it will actually work. However, the incremental implementation of this deregulation effort allows the Department to evaluate the changes and address any problems. This type of legislation will help Kansas to be a more attractive environment for insurance companies to do business. It will also allow a more flexibility so that companies can be more competitive and responsive to the market. We support the passage of this bill as the next step in deregulation.

*Steve Commers Ins.*  
*Attachment #4*  
*March 18, 1999*



# BRAD SMOOT

ATTORNEY AT LAW

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**Testimony of Brad Smoot  
before the House Insurance Committee  
on Senate Bill 121  
March 18, 1999**

Mr. Chairman and members of the committee, my name is Brad Smoot, Legislative Counsel for the American Insurance Association. The American Insurance Association is a trade association representing more than 300 property and casualty insurers, most of whom do business in Kansas. AIA member companies provide workers compensation, auto, homeowners and business liability insurance.

I am here today to voice our members' strong support for Senate Bill 121. The members of this committee, the legislature and Commissioner Sebelius are to be applauded for the leadership and commitment to moving Kansas insurance regulation forward with the rest of the nation. As you are well aware, the proposal before you is another incremental step in the multi-year effort to modernize Kansas's insurance regulation – and indeed to make Kansas an attractive market for insurance carriers to do business and locate. AIA is extremely pleased to include among our members Universal Underwriters Insurance Company, now the largest domestic property and casualty carrier in the state. Based on the commitment to modernization made by the legislature's interim committee on the insurance industry and the Commissioner's reform agenda, Universal made the decision to redomesticate to Kansas.

After the proven success of the 1997 commercial lines reforms, the legislature charged the Commissioner with developing a package of additional reforms. In keeping with that commitment, before you is a proposal which contains four essential reforms to allow Kansas to keep pace in a dynamic and ever changing global insurance climate. Although insurance is regulated at the state level, one cannot ignore the changes occurring across the nation and even around the world. As carriers look for a market in which to commit capital and resources, they will look first to the regulatory climate of that jurisdiction. The evolution of the Kansas market has been remarkable. However, as would be expected, as Kansas was moving forward so were other states. For Kansas to continue to keep pace, it is essential to not rest on past success. If the legislature were to stop now, it would send the wrong message to insurance community. The proposal before you is modest in keeping with the spirit of Kansas' conservatism. However, it will send the message that your commitment is real.

SB 121 addresses additional commercial rate deregulation, personal lines rate deregulation and would enact a large commercial rate and separate form-filing exemption. The proposals were first discussed in Kansas more than 2 years ago. Each of these proposals has been tested elsewhere in the country and proven to be beneficial for

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not only the carriers and agents, but most importantly the individual consumers and commercial policyholders.

In other jurisdictions, consumers have seen the benefits of regulatory reform with more companies entering the market, producing greater availability, lowering prices and increasing product innovation. Interstate data comparisons reveal that there generally are more companies and less market concentration in states with more open regulatory environments for commercial insurance. Without regulatory delays, new coverages can be brought to the market more quickly. We have no reason to believe the experience in Kansas would be any different. When the government controls prices, product options dry up. Why should the government control the price of an auto insurance policy, or a homeowner's policy, or business owners insurance when the government does not control the price of an auto, a home or the products the business sells? The record is clear. It is time to allow Kansans to enjoy the benefits of competition. Increasing competition now through greater regulatory freedom will help prevent Kansas from returning to the "hard markets" of the early 80's – a time when it was difficult to find insurers willing to write some policies.

Currently, thirty-five jurisdictions have less restrictive commercial rate regulation. Twenty-nine jurisdictions have less restrictive regulation for personal lines – homeowners and private passenger auto. Twenty states provide greater flexibility in regulation of insurance policy forms. Kansas is surrounded by states whose citizens enjoy such benefits. These include Colorado, Wyoming, Oklahoma, Missouri, Texas and Illinois.

Recently, two states neighboring Kansas have taken steps to modernize their systems. The Arkansas House Insurance Committee favorably recommended a proposal which would eliminate rate filing requirements for virtually all commercial lines and at the same time enact a large commercial exemption for filing forms. The House Insurance Committee in Oklahoma recommended favorably a proposal which would move commercial lines to a system of file and use similar to that contained in the Kansas proposal, in addition, they recommended an exemption from rate filing for commercial risks with an aggregate premium over \$10,000. Both of these proposals had the full endorsement of the state agents association, business community and insurance departments. Clearly, the country is moving ahead, Kansas cannot afford to be left behind as an island surrounded by states that have reformed their systems.

Additionally, proposals more ambitious than SB 121 are also pending in Nebraska and Missouri. Although Missouri already enjoys considerably more rate freedom than Kansas, next week the legislature will consider a proposal to enact a large commercial form exemption and to exempt rate filings for commercial policyholders above an aggregate premium of \$25,000. Again, each of these proposals enjoys the broad-based support of the agent and business communities.

Nationally, AIA is working with a broad based ad-hoc industry coalition which includes the national agents association, as well as, other insurers and trade associations to develop a common model. The working proposal before the group contains thresholds similar to SB121. The agents association has voiced no objection to this draft.

Although the Kansas proposal is a significant step forward, it is still modest and conservative when put in context of developments and trends across the country.

Specifically, Senate Bill 121 would:

- Move all commercial lines, but for workers' compensation, medical malpractice and assigned risk plans to a system of file and use. What this means is insurers would be allowed to use a new rate the day it is filed with the Department. Currently, rates must be on file for a waiting period of 30-days. Without going into greater detail, attached is a one-page document which highlights the compelling reasons for such rate freedom.
- Second, the proposal would begin to reform personal lines markets. To date, the legislature has not addressed the needs of the personal lines – homeowners and private passenger auto. The bill would take the first incremental step, similar to what Kansas did with Commercial lines in 1997. Personal lines rates would move from a system of strict prior approval to a system of file and use with a 30-day waiting period. If the rate was not disapproved within the waiting period, it would be deemed approved and allowed to be used in the market.
- Third, the proposal would enact a large commercial rate exemption. Rates for those commercial policyholders who have at least \$25,000 in property or general liability insurance premium, or a multi-lines policy with at least \$50,000 in premium would be exempt from the rate filing requirements. Based on a survey of AIA members' books of business in Kansas, AIA estimates less than 5% of the commercial policyholders would be eligible. Again, a very modest first step for Kansas, but highly significant nonetheless. In addition to the impending action on proposals in the neighboring states of Arkansas and Oklahoma, since December four additional states have adopted such proposals including Pennsylvania, Arizona, Georgia and New Hampshire. At least a dozen proposals are under consideration across the country this year.
- Finally, the proposal would create an exemption for policy forms for large commercial risks. Also attached is a fact sheet which details the advantages of form freedom for sophisticated commercial buyers. Again, the Kansas proposal is modest. The Kansas proposal is closely patterned after Texas law which has been on the books for four years and enjoyed a record of success. In fact, the Texas law was so successful, just two years after enactment, the legislature returned to cut the threshold limits in half which is the proposal before you today. As with reforms in other states,



the Texas law was enacted and improved with the support of the Texas agents and business community.

The “one size fits all” approach to regulation may be appropriate for homeowners or small businesses, but such regulation ignores the interests of large business enterprises, which do not want or need various regulatory “protections” such as rate controls and form requirements.

One point discussed in the attachments does merit special attention. Under each of the separate proposals, the Insurance Commissioner retains existing regulatory authority to regulate rates for excessive, inadequate or unfairly discriminatory practices. Forms and rates would still be subject to public policy considerations and the law of the state. All rates and forms would be available and subject to review by the Commissioner. In fact, the law specifically provides authority for the Commissioner to return rates and forms to closer regulation should they become non-competitive. The impact on the Department is that deregulation allows the Commissioner to focus scarce resources on the essential consumer protection functions – unfair claims settlement practices, effective solvency regulation, rehabilitation or liquidation of troubled companies, market conduct exams and consumer complaints.

In conclusion, quite simply, you are faced with a critical decision, to continue the commitment made by this legislature to modernize and reform the insurance regulatory system or pause while Kansas falls farther behind the nation. To us the decision is clear, our members would like the opportunity to bring to Kansans the inherit benefits of competition. As you can tell from my comments, once states take the step toward deregulation they do not go back, in fact they continue to tear down the walls and artificial barriers to true competition. We encourage your favorable consideration.

Thank you for the opportunity to appear today. I would be happy to respond to questions now or at the conclusion of the testimony, as well as provide copies of any of the legislative proposals I have discussed.

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## MEMORANDUM

TO: The Honorable Bob Tomlinson, Chairman  
House Insurance Committee

FROM: Bill Sneed, Legislative Counsel  
The State Farm Insurance Companies

DATE: March 18, 1999

RE: S.B. 121

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Mr. Chairman, Members of the Committee: My name is Bill Sneed and I represent the State Farm Insurance Companies. We appreciate the opportunity to voice our support of S.B. 121.

As you are aware, S.B. 121 will provide the expansion of file and use within the State of Kansas. We believe that this expansion provides the Kansas Insurance Department much more flexibility so that they in turn can adapt to the changing insurance markets.

Again, we respectfully request your favorable consideration of this bill, and if you have any questions, please feel free to contact me.

Respectfully submitted,



William W. Sneed



**Kathleen Sebelius**  
Commissioner of Insurance  
**Kansas Insurance Department**

To: House Insurance Committee  
From: Linda DeCoursey  
Director, Gov. & Pub. Affairs  
Re: S. B. 152 (Agents' licensing bill)  
Date: March 18, 1999

Thank you for the opportunity to discuss Senate Bill 152. This bill accomplishes three goals for the Department: (1) continues our efforts to become fully reciprocal with other states as to licensing and continuing education requirements; (2) streamline further our agent licensing and continuing education requirements; and, (3) license auto rental agencies with respect to their sales of insurance.

**Reciprocity**

Senate Bill 152 makes our licensing law fully reciprocal with agent licensing and continuing education (CE) laws of other states. These changes in the law will allow a nonresident agent to become licensed or maintain CE compliance in Kansas with a minimum of paperwork and expense. If the agent is in compliance with his or her home state's CE requirements, we will accept with full credit in Kansas for compliance with our requirements. [Section 4(a)] If a nonresident agent is in good standing in his or her home state, we will issue a resident license to them when they move to Kansas without requiring they go through the complete testing and licensing process required of all new agents. The only requirement is they pass the Kansas Laws portion of the agent exam.

**Streamlining**

Senate Bill further streamlines our licensing and CE laws. We reduce some of the work needed to verify minimum education required for a license [Section 1(a)(1)]; allow use of computer interactive or Internet CE, with appropriate safeguards [Section 2(a)(s) and 2(f)(7)]; allow brokers to fulfill post-licensing education requirements by earned designations, as well as college courses [Section 9]; make licensing of agents and brokers consistent by extending the errors and omissions liability insurance requirement to agents [Sections 3 and 10]; and converted the requirement for companies to certify appointment or termination of individual agents throughout the year to an annual reporting process [Sections 4 through 6].

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*Attachment # 7*  
*March 18, 1999 7-1*  
*HS*



Auto Rental Agencies

Senate Bill 152 resolves the issue of whether auto rental agencies are subject to regulation of the Department for insurance products they sell in connection with auto rentals and leases by requiring licensing of the auto rental agency, training of counter personnel and distribution of educational materials about these products to customers. [Section 3]

I would urge adoption of Senate Bill 152, as amended by the Senate.

1 and indicate the number of C.E.C.'s that will be recognized for the sub-  
 2 ject. Each approved subject or course shall be assigned by the commis-  
 3 sioner or commissioner's designee to one or both of the following classes:

4 (A) Property and casualty or

5 (B) life insurance (including annuity and variable contracts) and ac-  
 6 cident and health insurance.

7 (4) A course or subject shall have a value of at least one C.E.C.

8 (5) A provider seeking approval of a course for continuing education  
 9 credit shall provide for the issuance of a certificate of attendance to each  
 10 person who attends a course offered by it. The certificate shall be signed  
 11 by either the course instructor or the provider's authorized representa-  
 12 tive. Providers shall also maintain a list of all persons who attend courses  
 13 offered by them for continuing education credit for the remainder of the  
 14 biennium in which the courses are offered and the entire biennium im-  
 15 mediately following.

16 *The commissioner shall accept, without substantive review, courses*  
 17 *submitted by a provider which have been approved by the insurance*  
 18 *supervisory authority of any state or territory accredited by the national*  
 19 *association of insurance commissioners. The commissioner may disap-*  
 20 *prove individual instructors or providers who have been the subject of*  
 21 *disciplinary proceedings or who have otherwise failed to comply with any*  
 22 *state's laws or regulations.*

23 (6) The commissioner may grant approval to specific programs of  
 24 study that have appropriate merit, such as programs with broad national  
 25 or regional recognition, notwithstanding the lack of a request for certifi-  
 26 cation. The fee prescribed by subsection (f)(2)(H) of this section shall not  
 27 apply to approvals granted hereunder.

28 (7) The C.E.C. value assigned to any course, program of study or  
 29 subject, other than a correspondence course, *computer based training,*  
 30 *interactive internet study training* or other course pursued by independ-  
 31 ent study, shall in no way be contingent upon passage or satisfactory  
 32 completion of any examination given in connection with such course,  
 33 program of study or subject. *The commissioner shall establish criteria for*  
 34 *determining acceptability of any method used for on line verification of*  
 35 *the completion of each stage of any computer based or interactive internet*  
 36 *study training. Completion of any computer based training or interactive*  
 37 *internet study training shall be verified on line in accordance with a*  
 38 *method approved by the commissioner.*

39 (g) The commissioner shall provide, upon request, a list of all ap-  
 40 proved continuing education courses currently available to the public.

41 (h) An individual agent who studies an insurance subject indepen-  
 42 ntly, other than an agent's examination, approved by the commissioner  
 43 or commissioner's designee, and who passes an independently monitored

1 examination, shall receive credit for the C.E.C.'s assigned by the com-  
 2 missioner or commissioner's designee as recognition for the approved  
 3 subject. No other credit shall be given for independent study.

4 (i) The commissioner may waive the continuing education require-  
 5 ments imposed by this act for nonresident agents who provide evidence  
 6 of compliance with continuing education requirements imposed by their  
 7 state of domicile.

8 Sec. 3. K.S.A. 1998 Supp. 40-241 is hereby amended to read as fol-  
 9 lows: 40-241. Any applicant or prospective applicant for an agent's license,  
 10 if an individual, shall be given an examination by the commissioner or the  
 11 commissioner's designee to determine whether such applicant possesses  
 12 the competence and knowledge of the kinds of insurance and transactions  
 13 under the license applied for, or to be applied for, of the duties and  
 14 responsibilities of such a license and of the pertinent provisions of the  
 15 laws of this state. The applicant shall be tested on each class or subclass-  
 16 sification of insurance which may be written. An examination fee pre-  
 17 scribed in rules and regulations adopted by the commissioner shall be  
 18 paid by the applicant and shall be required for each class of insurance for  
 19 each attempt to pass the examination. Such examination fee shall be in  
 20 addition to the certification fee required under K.S.A. 40-252, and  
 21 amendments thereto. There shall be four classes of insurance for the  
 22 purposes of this act:

- 23 (1) Life;
- 24 (2) accident and health;
- 25 (3) casualty and allied lines; and
- 26 (4) property and allied lines.

27 ~~A limited An insurance representative license may be issued as a sub-~~  
 28 ~~classification of casualty and allied lines to any auto rental agency or~~  
 29 ~~employee of that agency. An auto rental agency may offer or sell insurance~~  
 30 ~~only in connection with and incidental to the rental of motor vehicles,~~  
 31 ~~whether at the rental office, at the point of delivery of a vehicle, or by~~  
 32 ~~preselection of coverage in a master, corporate or group rental agreement,~~  
 33 ~~in any of the following general categories: (1) Personal accident insurance~~  
 34 ~~covering risks of travel, (2) motor vehicle liability insurance, with or~~  
 35 ~~without the sale of uninsured, underinsured motorist coverage, (3)~~  
 36 ~~personal effects insurance providing coverage to renters and other occu-~~  
 37 ~~pants of the motor vehicle, (4) roadside assistance and emergency sickness~~  
 38 ~~protection programs, and (5) any other travel or auto-related coverage~~  
 39 ~~an auto rental company may offer in connection with and incidental to~~  
 40 ~~rental of motor vehicles. No insurance may be issued by a limited insur-~~  
 41 ~~ance representative an auto rental agency unless the rental period of~~  
 42 ~~the rental agreement does not exceed 90 consecutive days and brochures~~  
 43 ~~and other written material clearly and correctly explaining insurance cov-~~

House Comm on the  
 Attachment 8  
 March 18, 1999

[delete]

1 erages offered by the agency are available for prospective renters and  
2 clear and complete disclosures are provided to prospective renters that  
3 such coverage may be duplicative of other insurance owned by the renter,  
4 that purchase of insurance coverage is not a condition for renting a motor  
5 vehicle and describing the process for filing a claim.

6 Auto rental agencies employing ~~limited insurance~~ representatives shall  
7 conduct a training program for each representative, providing instruction  
8 on the kinds of insurance coverage offered by the agency.

9 No ~~auto rental agent or auto rental~~ [rental] agency shall offer or solicit  
10 any insurance other than the coverages described in this section without  
11 ~~a limited an insurance representative license~~ [license]. No auto rental  
12 agent employee or auto rental agency shall advertise or otherwise hold  
13 themselves out as licensed insurers, insurance agents or insurance brokers.

14 The commissioner of insurance shall adopt rules and regulations with  
15 respect to the scope, subclassification, type and conduct of such exami-  
16 nation. Examinations shall be given to applicants at least twice a month  
17 in Topeka, Kansas, and at least quarterly in other convenient locations in  
18 the state of Kansas. The commissioner shall publish or arrange for the  
19 publication of information and material which applicants can use to pre-  
20 pare for such examination. One or more rating organizations, advisory  
21 organizations or other associations may be designated by the commis-  
22 sioner to assist in, or assume responsibility for, distribution of the study  
23 manuals to applicants and other interested parties. Persons purchasing  
24 the study manual shall be charged a reasonable fee established or ap-  
25 proved by the commissioner. In the event the publication and distribution  
26 of the study material or the development and conduct of examinations is  
27 delegated to private firms, organizations or associations and the state in-  
28 curs no expense or obligation, the provisions of K.S.A. 75-3738 to 75-  
29 3744, inclusive, and amendments thereto, shall not apply. If the commis-  
30 sioner of insurance finds that the individual applicant is trustworthy,  
31 competent and has satisfactorily completed the examination, the com-  
32 missioner shall forthwith issue to the applicant a license as an insurance  
33 agent but the issuance of such license shall confer no authority to transact  
34 business in this state until the agent has been certified by a company  
35 pursuant to K.S.A. 40-241i, and amendments thereto and submitted proof  
36 that the agent ~~has obtained~~ the errors and omissions policy required by  
37 this section. If such applicant fails to satisfactorily complete the exami-  
38 nation, the examination may be retaken following a waiting period of not  
39 less than seven days from the date of the last attempt. If the applicant  
40 again fails to satisfactorily complete the examination, it may be retaken  
41 following another waiting period of not less than seven days from the date  
42 of the most recent attempt. Thereafter, the examination may be retaken  
43 following a waiting period of not less than six months from the date of

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1 the most recent attempt, except that following a waiting period of two  
 2 years from the date of the applicant's last examination attempt an appli-  
 3 cant will be treated as a new applicant and new examination and waiting  
 4 periods shall apply. The certification fee shall not be returned for any  
 5 reason. The commissioner of insurance shall keep a permanent record of  
 6 all agents' licenses issued and the insurance companies that the respective  
 7 agents were certified to represent under such licenses for a period of 10  
 8 years. While licensed every agent shall maintain in force an errors and  
 9 omissions policy covering the individual agent in an amount of not less  
 10 than \$100,000 total liability limit per occurrence, subject to not less than  
 11 \$100,000 annual aggregate for all claims made during the policy period;  
 12 or, covering the agent under blanket liability policy or policies, which  
 13 policy or policies can include other coverage on an excess basis over  
 14 \$100,000 primary, insuring other insurance agents or brokers in an  
 15 amount of not less than \$500,000 total liability limit per occurrence sub-  
 16 ject to not less than \$500,000 annual aggregate for all claims made during  
 17 the policy period. Such policy shall be issued by an authorized insurance  
 18 company or as authorized by K.S.A. 40-246b or 40-246c, and amendments  
 19 thereto, for errors and omissions of the agent. Self-retention shall be per-  
 20 mitted on liability policies covering the agent.

21 Sec. 4. K.S.A. 40-241c is hereby amended to read as follows: 40-  
 22 241c. The commissioner of insurance, under appropriate rules and reg-  
 23 ulations, shall waive examinations when the applicant establishes that:

24 (a) The applicant has been engaged in an active career as an insurance  
 25 agent in a specified class or classes of insurance in some other state,  
 26 territory or the District of Columbia district accredited by the national  
 27 association of insurance commissioners and that the license held in such  
 28 other state, territory or the District of Columbia: (1) Was based upon a  
 29 written examination; (2) that the state, territory or District of Columbia  
 30 from which the applicant comes has standards equal to those maintained  
 31 in Kansas; (3) that the applicant's license has never been suspended or  
 32 revoked; and (4) the applicant shall file has filed a certificate from such  
 33 licensing authority which shall provide the class or classes of insurance  
 34 which the agent was authorized to write the insurance supervisory official  
 35 for that state, territory or district certifying the agency is authorized to  
 36 transact insurance business in those lines of insurance in which the agent  
 37 seeks licensure, is in good standing in that jurisdiction and such further  
 38 information as the commissioner may require; or

39 (b) the applicant seeks a license as travel insurance agent to persons  
 40 selling transportation tickets of common carriers, who shall act as such  
 41 agent only as to transportation ticket policies, or health or accident in-  
 42 surance, or baggage insurance on personal effects in connection with such  
 43 transportation tickets of common carriers; or

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1 the most recent attempt, except that following a waiting period of two  
 2 years from the date of the applicant's last examination attempt an appli-  
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 27 ~~association of insurance commissioners and that the license held in such~~  
 28 ~~other state, territory or the District of Columbia :~~ (1) Was based upon a  
 29 written examination; (2) that the state, territory or District of Columbia  
 30 from which the applicant comes has standards equal to those maintained  
 31 in Kansas; (3) that the applicant's license has never been suspended or  
 32 revoked; and (4) the applicant shall file ~~has filed~~ a certificate from such  
 33 licensing authority which shall provide the class or classes of insurance  
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 40 selling transportation tickets of common carriers, who shall act as such  
 agent only as to transportation ticket policies, or health or accident in-  
 41 surance, or baggage insurance on personal effects in connection with such  
 42 transportation tickets of common carriers; or

TESTIMONY  
HOUSE INSURANCE COMMITTEE  
REP. BOB TOMLINSON, Chairman  
March 18, 1999

Mr. Chairman, Members of the Committee, thank you for the opportunity to speak with you today regarding Senate Bill 152.

My name is Rick Friedstrom and I am a full-time insurance agent located in Topeka. I appear before you this afternoon as Chairman of the State Law and Legislative Committee of the Kansas Association of Life Underwriters. We are an Association of insurance agents with a membership of 1,560.

I stand before you, representing KALU, in full support of Senate Bill 152.

This proposed legislation represents a wonderful cooperative effort between the Kansas Insurance Department, the Kansas Association of Insurance Agents, and KALU. This positive interaction between the regulator and the regulated in constructing this proposed legislation reflects how good legislation can be crafted by the various entities involved in the Kansas insurance industry. The effort in preparing this proposed legislation make this Bill good for the State of Kansas, the Kansas insurance agent, and most importantly, the Kansas insurance consumer.

The workplace of the insurance agent has changed in recent years. Establishing, cultivating, and maintaining relationships with our family and business clients remains paramount to the success of our business. This is good for the company we represent, our client, and the agent. Twenty-five years ago our client lived, worked, and retired in Kansas, or at least, in a contiguous state. Today, our typical client will probably live, work, and retire in multiple state. To maintain these important relationships the agent is required to be licensed in all necessary and appropriate states. We are aware of more and more agents and brokers who maintain insurance licenses in a significant number of states in order to meet the requirements of their clients.

On behalf of KALU, I wish to comment on several elements we feel are important in this proposed legislation:

- a. it streamlines the licensing process,

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- b. it expands available sources for agent continuing education through the use of enhanced computer technology,
- c. it requires every licensed agent to be covered under an Errors and Omission policy of no less than \$100,000 per occurrence,
- d. it places under Kansas law the continuing education reciprocity agreement passed by the National Association of Insurance Commissioners in March 1998, and
- e. for brokers, it broadens the definition of professional designations, such as Chartered Life Underwriters (CLU), Certified Financial Planner(CFP), and Chartered Financial Consultant(ChFC) in determining equivalent continuing education by the Commission of Insurance for post license continuing education requirements.

We of the Kansas Association of Life Underwriters feel that Senate Bill 152 is good legislation and warrants passage.

Thank you.

Richard K. Friedstrom, CLU  
1414 Ashworth Place  
Topeka, Kansas 66604  
1.785.228-5233



## Testimony on Senate Bill 152

Presented by Patrick J. Morris

Kansas Association of Insurance Agents

March 18, 1999 - House Insurance Committee

Thank you Mister Chairman and members of the committee for the opportunity to appear in support of Senate Bill 152 at today's hearing. I am Pat Morris, the Executive Vice President of the Kansas Association of Insurance Agents. Our association represents over 600 independent agency members across Kansas whose agencies employ nearly 3,500 people, most of whom are licensed agents.

It is with a great deal of satisfaction that our association is pleased to stand up and testify in support of Senate Bill 152. This bill is the product of negotiation and compromise, and represents the best of what might happen when the regulator and the regulated come together to help both work better, more efficiently, and in the best interests of both insurance consumers and those employed by the insurance industry.

The first iteration of this bill was introduced last year in the House Insurance Committee, and proved to be too complex and unworkable to elicit much support. Following last year's session, our association dispatched agent representatives to work with the Commissioner's Agent and Broker Council and also issued a personal invitation to Commissioner Sebelius to meet regarding this year's proposal. I am pleased to report that not only did she accept our invitation, but agreed to work on crafting a passable bill that we could both stand up today and support fully. Senate Bill 152 is a result of that process, and much credit is owed to the Commissioner and the Department for their work on this measure.

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This bill, which has already been explained in detail by the Department, does a number of things to assist the Department in administering agent and broker licensing. Among these are streamlining company certification fees, allowing the Agents and Brokers Division more flexibility and efficiency in administering licenses, and making agent licensing fully reciprocal. It also contains two provisions that will assist the Department and the agents that they regulate prepare for the future landscape of the insurance industry.

First, the bill allows the Commissioner of Insurance the flexibility to allow computer-based training and "interactive Internet study training" for agents to meet their continuing education requirements. We believe that this is a huge step in the right direction given the technological strides that have occurred in the past few years; and we believe that it will help agents stay current, as well as relieve the increasing cost and time pressure associated with traditional classroom continuing education classes.

The second provision that we think is essential is the requirement that agents maintain an Errors & Omissions policy in order to write business. Given the highly competitive and sophisticated nature of today's market, it seems like a sensible requirement to require that an agent have financial protection --- especially since the stock and trade of an agent is advising others on risk management and financial protection.

Mr. Chairman, our association believes that this bill --- born out of the spirit of working together --- is in the best interests of Kansas insurance agents, those at the Department charged with their licensing, and the insurance consumers of Kansas. It is forward-looking and necessary, and we would urge your support for its passage. Thank you and I will attempt to answer any questions that you may have.

Testimony of John Peterson  
Enterprise and Budget Car Rental Companies

House Committee on Insurance

March 18, 1999  
Senate Bill 152

Representative Tomlinson and Members of the Committee:

I am pleased to appear before you on behalf of Enterprise Car Rental Company and Budget Car Rental.

Senate Bill 152 would give the Insurance Commissioner licensing jurisdiction over rental car agencies when they offer insurance related products incidental to the rental of a car. This represents a reasonable compromise and we support this change.

As originally drafted SB 152 was ambiguous as to whether, in addition to the agency being licensed, individual counter employees would be licensed, and whether that would be an alternative to or in addition to the company being licensed. The Senate amendments, worked out among the parties, clarify that the company will be the licensee and its license will be responsible for the conduct of any of its employees.

We would appreciate your support for SB 152.

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