

## MINUTES OF THE HOUSE COMMITTEE ON INSURANCE.

The meeting was called to order by Chairperson Rep. Robert Tomlinson at 3:30 p.m. on January 18, 2001 in Room 527-S of the Capitol.

All members were present except:

- Rep. Garry Boston
- Rep. John Edmunds
- Rep. David Huff
- Rep. Joe Hummerickhouse
- Rep. Gene O'Brien
- Rep. Ralph Ostmeyer
- Rep. Jene Vickery

Committee staff present:

- Bill Wolff, Research
- Ken Wilke, Revisor
- Mary Best, Committee Secretary

Conferees appearing before the committee:

- Linda DeCoursey, Kansas Insurance Department
- David Hanson, Kansas Insurance Associations
- Tom Bell, Western Surety

Others attending: See Attached Guest List

Upon calling the meeting to order the Chairman informed the committee the **HB 2033** would not be heard today due to the fact that several committee members were on a field trip with another committee. The bill will be heard next Tuesday, January 23<sup>rd</sup>. With this business being put aside, Chairman Tomlinson recognized Mr. Tom Bell, Western Surety.

Mr. Bell came before the committee to make a bill presentation on behalf of Western Surety. The amendment being offered to K.S.A. 8-2401 and K.S.A. 8-2402 "would limit the coverage on motor vehicle dealer surety bonds to consumers." A copy of Mr. Bell's testimony is (Attachment #1) attached hereto and incorporated into the Minutes by reference. Upon completion of his testimony the Chairman requested questions from the committee. As there were none, the motion took place to accept the bill presentation. Representative Grant made the motion, Representative Dreher seconded the motion, the committee voted and the motion passes.

Next on the agenda was Ms. Linda DeCoursey, Kansas Insurance Department. Ms. DeCoursey presented Proponent Testimony on **HB 2031**. This bill addresses Risk-Based Capital. A copy of the testimony is (Attachment #2) attached hereto and incorporated into the Minutes by reference. She gave an overview of the bill and explained that the changes would take the bill from 1999 version of the RBC instructions, and change the date of the standard so that the carriers will be using the RBC formula in effect as of December 31, 2000. There were no questions.

Mr. David Hanson was the next conferee to address the bill and committee. Mr. Hansen presented Proponent Testimony to the committee. A copy of the testimony is (Attachment #3) attached hereto and incorporated into the Minutes by reference. Mr. Hanson told the committee that his organization had reviewed the changes and were comfortable with such and felt that they would not have an adverse effect on them. They supported the bill. There were no questions. There was no further testimony presented on the bill.

Ms. Linda DeCoursey, came before the committee again. This time to address **HB 2032**. Ms. DeCoursey presented Proponent Testimony on the bill to the committee. A copy of the testimony is (Attachment #4) attached hereto and incorporated into the Minutes by reference. This bill deals with the removal of "filing of malpractice screening panel opinions. At the present the bill addresses all of the malpractice screening panel opinions and many do not concern or include the Insurance Commissioner. Therefore, to remove this would simplify and reduce paperwork for these panels. There were no questions. As there were no questions and no further testimony discussions were closed.

The committee then worked both bills. The motion was brought forth by Representative Grant to pass out HB 2031 favorably and place it on the consent calendar. The motion was seconded by Representative Dreher. There was no discussion, the vote was taken and the motion passed. The motion was brought forth by Representative Grant to move HB 2032 out favorably marked for passage and placed on consent calendar. Representative Phelps seconded the motion and with no discussion the motion passed.

With no further business to discuss the meeting was adjourned. The time was 3:45 p.m.

The next meeting will be January 23<sup>rd</sup> in Room 519-S

HB-2031  
 HB-2032

HOUSE INSURANCE COMMITTEE GUEST LIST

DATE: Jan 18, 2001

NAME	REPRESENTING
Andy Shaw	Kearney Law Office
Melinda Gaul	Budget
David Hanson	Ks Insur Assns
Jeremy Anderson	KS Ins Dept.
BOB HAYES	HCSF
Oliver Mullen	Kathy Damon & Assoc.
Jerry Swartz	KMS
Phil Guthrie	Heart of Philmont
Tom Bell	KHA
Tom Huggins	KS Trial Lawyers
James Van Dover	KAHP
Michael J. Carleton	KECH
LARRY MAGILL	KAIA
Bill SNEED	KMS
Kevin Barone	Helmwear Chrt'd
Sandra McCreary	Ks Ins Dept
Anne Spiess	KAIFA
Shirley Allen	Bottenberg & Assoc

Tom Bell

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AN ACT concerning the vehicle dealers and manufacturers licensing act; relating to vehicle dealer bonds; amending K.S.A. 1999 Supp. 8-2401 and 8-2404 and repealing the entire sections.

*Be it enacted by the Legislature of the State of Kansas*

**Section 1.** K.S.A. 8-2401 is hereby amended to read as follows:

**8-2401. Definitions.** As used in this act, the following words and phrases shall have the meanings:

- (a) "Vehicle dealer" means any person who: (1) For commission, money or other thing of value is engaged in the business of buying, selling or offering or attempting to negotiate a sale of an interest in vehicles; or (2) for commission, money or other thing of value is engaged in the business of buying, selling or offering or attempting to negotiate a sale of an interest in motor vehicles as an auction motor vehicle dealer as defined in (bb); but does not include: (A) Receivers, trustees, administrators, executors, guardians, or other persons appointed by or acting under the judgment or order of any court, or any bank, trustee or lending company or institution which is subject to state or federal regulations as such, with regard to its disposition of repossessed vehicles; (B) public officers while performing their official duties; (C) employees of persons enumerated in provisions (A) and (B), when engaged in the specific performance of their duties as such employees; (D) auctioneers conducting auctions for persons enumerated in provisions (A), (B) or (C); or (E) auctioneers who, while engaged in conducting an auction of tangible personal property for others, offer for sale: (i) Vehicles which have been used primarily in a farm or business operation by the owner offering the vehicle for sale, including all vehicles which qualified for a farm vehicle tag at the time of sale except vehicles owned by a business engaged primarily in the business of leasing or renting passenger cars; (ii) vehicles which meet the statutory definition of antique vehicles; or (iii) vehicles for no more than four principals or households per auction. All sales of vehicles exempted pursuant to provision (E), except truck, truck tractors, pole trailers, trailers and semitrailers as defined by K.S.A. 8-126, and amendments thereto, shall be registered in Kansas prior to the sale.
- (b) "New vehicle dealer" means any vehicle dealer who is a party to an agreement, with a first or second stage manufacturer or distributor, which agreement authorizes the vehicle dealer to sell, exchange or transfer new motor vehicles, trucks, motorcycles, or trailers or parts and accessories made or sold by such first or second stage manufacturer or distributor and obligates the vehicle dealer to fulfill the warranty commitments of such first or second stage manufacturer or distributor.
- (c) "Used vehicle dealer" means any person actively engaged in the business of buying, selling or exchanging used vehicles.

House Ins. Comm.  
January 19, 2001  
ATTACHMENT #1



- (d) "Vehicle salesperson" means any person who is employed as a salesperson by a vehicle dealer to sell vehicles.
- (e) "Board" means the vehicle dealer review board created by this act.
- (f) "Director" means the director of vehicles, or a designee of the director.
- (g) "Division" means the division of vehicles of the department of revenue.
- (h) "Vehicle" means every device in, upon or by which any person or property is or may be transported or drawn upon a public highway, and is required to be registered under the provisions of article 1 of chapter 8 of Kansas Statutes Annotated except that such term shall not include motorized bicycles, and such term shall not include manufactured homes or mobile homes. As used herein, the terms "manufactured home" and "mobile home" shall have the meanings ascribed to them by K.S.A. 58-4202, and amendments thereto.
- (i) "Motor vehicle" means any vehicle other than a motorized bicycle, which is self-propelled and is required to be registered under the provisions of article 1 of chapter 8 of Kansas Statutes Annotated.
- (j) "Licensor" means the director or division or both.
- (k) "First stage manufacturer" means any person who manufactures, assembles and sells new vehicles to new vehicle dealers for resale in this state.
- (l) "Second stage manufacturer" means any person who assembles, installs or permanently affixes body, cab or special unit equipment to a chassis supplied by a first stage manufacturer, distributor or other supplier and sells the resulting new vehicles to new vehicle dealers for resale in this state.
- (m) "First stage converter" means any person who is engaged in the business of affixing to a chassis supplied by a first stage manufacturer, distributor or other supplier, specially constructed body units to result in motor vehicles used as, but not limited to, buses, wreckers, cement trucks and trash compactors.
- (n) "Second stage converter" means any person who is engaged in the business of adding to, subtracting from or modifying previously assembled or manufactured vehicles and sells the resulting converted vehicles at retail or wholesale.
- (o) "Distributor" means any person who sells or distributes for resale new vehicles to new vehicle dealers in this state or who maintains distributor representatives in this state.
- (p) "Wholesaler" means any person who purchases vehicles for the purpose of resale to a vehicle dealer.
- (q) "Factory branch" means any branch office maintained in this state by a first or second stage manufacturer for the sale of new vehicles to distributors, or for the sale of new vehicles to new vehicle dealers, or for directing or supervising, in whole or in part, its representatives in this state.
- (r) "Distributor branch" means any branch office similar to subsection (q) maintained by a distributor for the same purposes as a factory branch.
- (s) "Factory representative" means a representative employed by a first or second stage manufacturer or factory branch for the purpose of making or promoting the sale of its new vehicles to new vehicle dealers, or for supervising or contacting its new vehicle dealers or prospective new vehicle dealers with respect to the promotion and sale of such vehicles and parts or accessories for the same.
- (t) "Distributor representative" means any representative similar to subsection (s) employed by a distributor or distributor branch for the same purpose as a factory representative.
- (u) "Person" means any natural person, partnership, firm, corporation or association.

(v) "New motor vehicle" means any motor vehicle which has never been titled or registered and has not been substantially driven or operated.

(w) "Franchise agreement" means any contract or franchise or any other terminology used to describe the contractual relationship between first or second stage manufacturers, distributors and vehicle dealers, by which:

(1) A right is granted one party to engage in the business of offering, selling or otherwise distributing goods or services under a marketing plan or system prescribed in substantial part by the other party, and in which there is a community of interest in the marketing of goods or services at wholesale or retail, by lease, agreement or otherwise; and

(2) the operation of the grantee's business pursuant to such agreement is substantially associated with the grantor's trademark, service mark, trade name, logotype, advertising or other commercial symbol designating the grantor or an affiliate of the grantor.

(x) "Broker" means any person who, for a fee, commission, money, other thing of value, valuable consideration or benefit, either directly or indirectly, arranges or offers to arrange a transaction involving the sale of a vehicle, or is engaged in the business of: (1) Selling or buying vehicles for other persons as an agent, middleman or negotiator; or (2) bringing buyers and sellers of vehicles together, but such term shall not include any person registered as a salvage vehicle pool or any person engaged in a business in which the acts described in this subsection are only incidentally performed or which are performed or authorized within the requirements or scope of any other category of license, or not prohibited, in the manner authorized by the vehicle dealers' and manufacturers' licensing act.

(y) "Salvage vehicle dealer" means any person engaged in the business of buying[,] selling or exchanging used vehicles and primarily engaged in the business of the distribution at wholesale or retail of used motor vehicle parts and includes establishments primarily engaged in dismantling motor vehicles for the purpose of selling parts.

(z) "Lending agency" means any person, desiring to be licensed under this act and engaged in the business of financing or lending money to any person to be used in the purchase or financing of a vehicle.

(aa) "Established place of business" means a building or structure, other than a building or structure all or part of which is occupied or used as a residence, owned either in fee or leased and designated as an office or place to receive mail and keep records and conduct the routine of business. To qualify as an established place of business, there shall be located therein an operable telephone which shall be listed with the telephone company under the name of the licensed business, except that a vehicle dealer who derives at least 50% of such person's income from operating a farm as a resident thereof, the established place of business may be the farm residence of such vehicle dealer and the operable telephone may be located in such residence when such dealer engages only in vehicles and equipment not required to have vehicle registration to travel on a highway.

(bb) "Auction motor vehicle dealer" means any person who for commission, money or other thing of value is engaged in an auction of motor vehicles except that the sales of such motor vehicles shall involve only motor vehicles owned by licensed motor vehicle dealers and sold to licensed motor vehicle dealers, except that any auction motor vehicle dealer, registered as such and lawfully operating prior to June 30, 1980, shall be deemed to be and have been properly licensed under this act from and after July 1, 1980. For the purposes of this subsection, an auction is a private sale of motor vehicles where any and all licensed motor vehicle dealers who

choose to do so are permitted to attend and offer bids and the private sale of such motor vehicles is to the highest bidder.

(cc) "Licensee" means any person issued a valid license pursuant to this act.

(dd) "Dealer" means a vehicle dealer as defined by this act, unless the context otherwise requires.

(ee) "Insurance company" means any person desiring to be licensed under this act and engaged in the business of writing or servicing insurance related to vehicles.

(ff) "Supplemental place of business" means a business location other than that of the established place of business of the dealer which may be operated by the dealer on a continuous year-round basis and, for new vehicle dealers, is within the defined area of responsibility in their franchise agreement, and for all other dealers is within the same city or county where the established place of business of the dealer is operated.

(gg) "Salvage yard" means the place owned or leased and regularly occupied by a person, firm or corporation licensed under the provisions of this act for the principal purpose of engaging in the business of a salvage vehicle dealer. Salvage yard shall include the location where the:

(1) Products for sale are displayed and offered for sale;

(2) books and records required for the conduct of the business are maintained;

(3) records are kept in the normal daily business activity; and

(4) records are made available for inspection.

(hh) "Salvage vehicle pool" means any person who as an agent for a third party is primarily engaged in the business of storing, displaying and offering for sale salvage vehicles.

(ii) "Major component part" means any vehicle part including the front clip, rear clip, doors, frame, chassis, engine, transmission, transaxle, cab, bed and box bearing the public vehicle identification number or engine number, if manufactured prior to 1981; or any vehicle part bearing a derivative of such number.

(jj) "Recreational motor vehicle" means a recreational vehicle as defined by subsection (f) of K.S.A. 75-1212, and amendments thereto.

(kk) "*Consumer*" means a natural person who is a retail buyer of a motor vehicle.

Section 2. K.S.A. 8-2404 is hereby amended to read as follows:

8-2404. (a) No vehicle dealer shall engage in business in this state without obtaining a license as required by this act. Any vehicle dealer holding a valid license and acting as a vehicle salesperson shall not be required to secure a salesperson's license.

(b) No first stage manufacturer, second stage manufacturer, factory branch, factory representative, distributor branch or distributor representative shall engage in business in this state without a license as required by this act, regardless of whether or not an office or other place of business is maintained in this state for the purpose of conducting such business.

(c) An application for a license shall be made to the director and shall contain the information provided for by this section, together with such other information as may be deemed reasonable and pertinent, and shall be accompanied by the required fee. The director may require in the application, or otherwise, information relating to the applicant's solvency, financial standing, or other pertinent matter commensurate with the safeguarding of the public interest in the locality in which the applicant proposes to engage in business, all of which may be considered by the director in determining the fitness of the applicant to engage in business as set forth in this section. The director may require the applicant for licensing to appear at such time and place as may be designated by the director for examination to enable the director to determine the

accuracy of the facts contained in the written application, either for initial licensure or renewal thereof. Every application under this section shall be verified by the applicant.

(d) All licenses shall be granted or refused within 30 days after application is received by the director. All licenses, except licenses issued to salespersons, shall expire, unless previously suspended or revoked, on December 31 of the calendar year for which they are granted, except that where a complaint respecting the cancellation, termination or nonrenewal of a sales agreement is in the process of being heard, no replacement application shall be considered until a final order is issued by the director. Applications for renewals, except for renewals of licenses issued to salespersons, received by the director after February 15 shall be considered as new applications. All salespersons' licenses issued on or after January 1, 1987, shall expire on June 30, 1988, and thereafter shall expire, unless previously suspended or revoked, on June 30 of the calendar year for which they are granted. Applications for renewals of salespersons' licenses received by the director after July 15 shall be considered as new applications. All licenses for supplemental places of business existing or issued on or after January 1, 1994, shall expire on December 31, 1994, unless previously expired, suspended or revoked, and shall thereafter expire on December 31 of the calendar year for which they are granted, unless previously suspended or revoked.

(e) License fees for each calendar year, or any part thereof shall be as follows:

- (1) For new vehicle dealers, \$50;
- (2) for distributors, \$50;
- (3) for wholesalers, \$50;
- (4) for distributor branches, \$50;
- (5) for used vehicle dealers, \$50;
- (6) for first and second stage manufacturers, \$200 plus \$50 for each factory branch in this state;
- (7) for factory representatives, \$25;
- (8) for distributor representatives, \$25;
- (9) for brokers, \$50;
- (10) for lending agencies, \$25;
- (11) for first and second stage converters, \$25;
- (12) for salvage vehicle dealers, \$50;
- (13) for auction motor vehicle dealers, \$50;
- (14) for vehicle salesperson, \$15; and
- (15) for insurance companies, \$50.

Any salvage vehicle dealer who is also licensed as a used vehicle dealer shall be required to pay only one \$50 fee for both licenses. Any new vehicle dealer who is also licensed as a used vehicle dealer shall be required to pay only one \$50 fee for both licenses.

(f) Dealers may establish approved supplemental places of business within the same county of their licensure or, with respect to new vehicle dealers, within their area of responsibility as defined in their franchise agreement. Those doing so shall be required to pay a supplemental license fee of \$10. In addition to any other requirements, new vehicle dealers seeking to establish supplemental places of business shall also comply with the provisions of K.S.A. 8-2430 through 8-2432, and amendments thereto. A new vehicle dealer establishing a supplemental place of business in a county other than such dealer's county of licensure but within such dealer's area of responsibility as defined in such dealer's franchise agreement shall be licensed only to do business as a new motor vehicle dealer in new motor vehicles at such supplemental place of business. Original inspections by the division of a proposed established place of business shall be



made at no charge except that a \$5 fee shall be charged by the division for each additional inspection the division must make of such premises in order to approve the same.

(g) The license of all persons licensed under the provisions of this act shall state the address of the established place of business, office, branch or supplemental place of business and must be conspicuously displayed therein. The director shall endorse a change of address on a license without charge if: (1) The change of address of an established place of business, office, branch or supplemental place of business is within the same county; or (2) the change of address of a supplemental place of business, with respect to a new vehicle dealer, is within such dealer's area of responsibility as defined in their franchise agreement. A change of address of the established place of business, office or branch to a different county shall require a new license and payment of the required fees but such new license and fees shall not be required for a change of address of a supplemental place of business, with respect to a new vehicle dealer, to a different county but within the dealer's area of responsibility as defined in their franchise agreement.

(h) Every salesperson, factory representative or distributor representative shall carry on their person a certification that the person holds a valid state license. The certification shall name the person's employer and shall be displayed upon request. An original copy of the state license for a vehicle salesperson shall be mailed or otherwise delivered by the division to the employer of the salesperson for public display in the employer's established place of business. When a salesperson ceases to be employed as such, the former employer shall mail or otherwise return the original copy of the employee's state license to the division. A salesperson, factory representative or distributor representative who terminates employment with one employer may file an application with the director to transfer the person's state license in the name of another employer. The application shall be accompanied by a \$2 transfer fee. A salesperson, factory representative or distributor representative who terminates employment, and does not transfer the state license, shall mail or otherwise return the certification that the person holds a valid state license to the division.

(i) If the director has reasonable cause to doubt the financial responsibility or the compliance by the applicant or licensee with the provisions of this act, the director may require the applicant or licensee to furnish and maintain a bond in such form, amount and with such sureties as the director approves, but such amount shall be not less than \$5,000 nor more than \$20,000, conditioned upon the applicant or licensee complying with the provisions of the statutes applicable to the licensee and as indemnity for any loss sustained by ~~any person~~ a consumer by reason of any act by the licensee constituting grounds for suspension or revocation of the license. Every applicant or licensee who is or applies to be a used vehicle dealer or a new vehicle dealer shall furnish and maintain a bond in such form, amount and with such sureties as the director approves, in the amount of \$15,000, conditioned upon the applicant or licensee complying with the provisions of the statutes applicable to the licensee and as indemnity for any loss sustained by ~~any person~~ a consumer by reason of any act by the licensee in violation of any act which constitutes grounds for suspension or revocation of the license. To comply with this subsection, every bond shall be a corporate surety bond issued by a company authorized to do business in the state of Kansas and shall be executed in the name of the state of Kansas for the benefit of any aggrieved ~~party~~ consumer. The aggregate liability of the surety for all breaches of the conditions of the bond in no event shall exceed the amount of such bond. The surety on the bond shall have the right to cancel the bond by giving 30 days' notice to the director, and thereafter the surety shall be relieved of liability for any breach of condition occurring after the effective date of cancellation. Bonding requirements shall not apply to first or second stage manufacturers, factory

branches, factory representatives or salespersons. Upon determination by the director that a judgment from a Kansas court of competent jurisdiction is a final judgment and that the judgment resulted from an act in violation of this act or would constitute grounds for suspension, revocation, refusal to renew a license or administrative fine pursuant to K.S.A. 8-2411, and amendments thereto, the proceeds of the bond on deposit or in lieu of bond provided by subsection (j), shall be paid. The determination by the director under this subsection is hereby specifically exempted from the Kansas administrative procedure act (K.S.A. 77-501 through 77-549, and amendments thereto,) and the act for judicial review and civil enforcement of agency actions (K.S.A. 77-601 through 77-627, and amendments thereto). Any proceeding to enforce payment against a surety following a determination by the director shall be prosecuted by the judgment creditor named in the final judgment sought to be enforced. Upon a finding by the court in such enforcement proceeding that a surety has wrongfully failed or refused to pay, the court shall award reasonable attorney fees to the judgment creditor.

(j) An applicant or licensee may elect to satisfy the bonding requirements of subsection (i) by depositing with the state treasurer cash, negotiable bonds of the United States or of the state of Kansas or negotiable certificates of deposit of any bank organized under the laws of the United States or of the state of Kansas. When negotiable bonds or negotiable certificates of deposit have been deposited with the state treasurer to satisfy the bonding requirements of subsection (i), such negotiable bonds or negotiable certificates of deposit shall remain on deposit with the state treasurer for a period of not less than two years after the date of delivery of the certificate of title to the motor vehicle which was the subject of the last motor vehicle sales transaction in which the licensee engaged prior to termination of the licensee's license. In the event a licensee elects to deposit a surety bond in lieu of the negotiable bonds or negotiable certificates of deposit previously deposited with the state treasurer, the state treasurer shall not release the negotiable bonds or negotiable certificates of deposits until at least two years after the date of delivery of the certificate of title to the motor vehicle which was the subject of the last motor vehicle sales transaction in which the licensee engaged prior to the date of the deposit of the surety bond. The cash deposit or market value of any such securities shall be equal to or greater than the amount of the bond required for the bonded area and any interest on those funds shall accrue to the benefit of the depositor.

(k) No license shall be issued by the director to any person to act as a new or used dealer, wholesaler, broker, salvage vehicle dealer, auction motor vehicle dealer, second stage manufacturer, first stage converter, second stage converter or distributor unless the applicant for the vehicle dealer's license maintains an established place of business which has been inspected and approved by the division. First stage manufacturers, factory branches, factory representatives, distributor branches, distributor representatives and lending agencies are not required to maintain an established place of business to be issued a license.

(l) Dealers required under the provisions of this act to maintain an established place of business shall own or have leased and use sufficient lot space to display vehicles at least equal in number to the number of dealer license plates the dealer has had assigned.

(m) A sign with durable lettering at least 10 inches in height and easily visible from the street identifying the established place of business shall be displayed by every vehicle dealer. Notwithstanding the other provisions of this subsection, the height of lettering of the required sign may be less than 10 inches as necessary to comply with local zoning regulations.

(n) If the established or supplemental place of business or lot is zoned, approval must be secured from the proper zoning authority and proof that the use complies with the applicable zoning law, ordinance or resolution must be furnished to the director by the applicant for licensing.

(o) An established or supplemental place of business, otherwise meeting the requirements of this act may be used by a dealer to conduct more than one business, provided that suitable space and facilities exist therein to properly conduct the business of a vehicle dealer.

(p) If a supplemental place of business is not operated on a continuous, year-round basis, the dealer shall give the department 15 days' notice as to the dates on which the dealer will be engaged in business at the supplemental place of business.

(q) Any vehicle dealer selling, exchanging or transferring or causing to be sold, exchanged or transferred new vehicles in this state must satisfactorily demonstrate to the director that such vehicle dealer has a bona fide franchise agreement with the first or second stage manufacturer or distributor of the vehicle, to sell, exchange or transfer the same or to cause to be sold, exchanged or transferred.

No person may engage in the business of buying, selling or exchanging new motor vehicles, either directly or indirectly, unless such person holds a license issued by the director for the make or makes of new motor vehicles being bought, sold or exchanged, or unless a person engaged in such activities is not required to be licensed or acts as an employee of a licensee and such acts are only incidentally performed. For the purposes of this section, engaged in the business of buying, selling or exchanging new motor vehicles, either directly or indirectly, includes: (1) Displaying new motor vehicles on a lot or showroom; (2) advertising new motor vehicles, unless the person's business primarily includes the business of broadcasting, printing, publishing or advertising for others in their own names; or (3) regularly or actively soliciting or referring buyers for new motor vehicles.

(r) No person may engage in the business of buying, selling or exchanging used motor vehicles, either directly or indirectly, unless such person holds a license issued by the director for used motor vehicles being bought, sold or exchanged, or unless a person engaged in such activities is not required to be licensed or acts as an employee of a licensee and such acts are only incidentally performed. For the purposes of this section, engaged in the business of buying, selling or exchanging used motor vehicles, either directly or indirectly, includes: (1) Displaying used motor vehicles on a lot or showroom; (2) advertising used motor vehicles, unless the person's business primarily includes the business of broadcasting, printing, publishing or advertising for others in their own names; or (3) regularly or actively soliciting buyers for used motor vehicles.

(s) The director of vehicles shall publish a suitable Kansas vehicle salesperson's manual. Before a vehicle salesperson's license is issued, the applicant for an original license or renewal thereof shall be required to pass a written examination based upon information in the manual.

(t) No new license shall be issued nor any license renewed to any person to act as a salvage vehicle dealer until the division has received evidence of compliance with the junkyard and salvage control act as set forth in K.S.A. 68-2201 *et seq.*, and amendments thereto.

(u) On and after the effective date of this act, no person shall act as a broker in the advertising, buying or selling of any new or used motor vehicle. Nothing herein shall be construed to prohibit a person duly licensed under the requirements of this act from acting as a broker in buying or selling a recreational vehicle as defined by subsection (f) of K.S.A. 75-1212, and amendments thereto, when the recreational vehicle subject to sale or purchase is a used recreational vehicle which has been previously titled and independently owned by another person for a period of 45

days or more, or is a new or used recreational vehicle repossessed by a creditor holding security in such vehicle.

(v) Nothing herein shall be construed to prohibit a person not otherwise required to be licensed under this act from selling such person's own vehicle as an isolated and occasional sale.

**Section 2.** K.S.A. 8-2401 and K.S.A. 8-2404 are hereby repealed.

**Section 3.** This act shall take effect and be in force from and after its publication in the statute book.





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

TO: House Committee on Insurance  
FROM: Linda J. De Coursey, Director of Government Affairs  
RE: H.B. 2031 (Risk Based Capital)  
DATE: January 18, 2001

Mr. Chairman and members of the Insurance Committee:

I am appearing in support of House Bill 2031, which was introduced at the request of the Kansas Department of Insurance. This bill makes a change to the law dealing with the filing of financial reports by insurance companies with the Department.

Risk based capital ("RBC") is the method used by the Insurance Department to evaluate the financial solvency of insurance carriers doing business in this state. Companies must file financial reports with the Department using RBC instructions and formulas developed by the National Association of Insurance Commissioners ("NAIC"). These instructions are amended each year by the NAIC to reflect changes in accounting procedures.

Our current law (K.S.A. 2000 Supp. 40-2c01) requires companies to use the 1999 version of the RBC instructions. The bill would reflect a change in the date of the standard so that carriers use the RBC formulas in effect as of December 31, 2000.

I respectfully ask that this committee approve H.B. 2031 favorably for passage.

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Topeka, Kansas 66612-1678

785 296-3071  
Fax 785 296-2283  
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*House Inv. Comm.*  
*1-18-01*  
*ATTACHMENT #2*  
**Consumer Assistance Hotline**  
1 800 432-2484 (Toll Free)

# KANSAS INSURANCE ASSOCIATIONS

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## Kansas Association of Property & Casualty Insurance Cos.

### Member Companies:

Armed Forces Insurance Exchange  
Ft. Leavenworth

Bremen Farmers Mutual Ins. Co.  
Bremen

Columbia Mutual Ins. Group  
Salina

Farm Bureau Mutual Ins. Co.  
Manhattan

Farmers Alliance Mutual Ins. Co.  
McPherson

Farmers Mutual Ins. Co.  
Ellinwood

Federated Rural Electric Insurance  
Exchange  
Lenexa

Kansas Mutual Ins. Co.  
Topeka

Marysville Mutual Ins. Co.  
Marysville

MutualAid Exchange  
Overland Park

Upland Mutual Ins., Inc.  
Chapman

## House Insurance Committee Testimony on House Bill 2031 Presented by David A. Hanson

January 18, 2001

Mr. Chairman and Members of the Committee:

Thank you for this opportunity to present information 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.

The risk based capital provisions referenced in House Bill 2031 were developed by the NAIC for adoption and use by the states as a standardized method of monitoring the solvency of insurers and the need for corrective action. We had requested the reference date in the statutory definition of "RBC instructions" to make sure that the adopted instructions and formula were limited to those that we had had an opportunity to review, rather than potential future revisions, which could adversely affect our companies' risk-based capital and the resulting action or control levels. While we believe our companies' remain in good standing under the previously adopted NAIC instructions and formula, we also believe any significant changes in those instructions and formula by the NAIC should be carefully considered before adopting them in Kansas.

Our companies have been reviewing the proposed changes and we do not believe there will be any substantial adverse effect from the latest revisions referred to in House Bill 2031. Thank you for your consideration.

Respectfully,



DAVID A. HANSON

## Kansas Life Insurance Association

### Member Companies:

The American Home Life Ins. Co.  
Topeka

American Investors Life Ins. Co.  
Topeka

Blue Cross & Blue Shield of  
Kansas  
Topeka

Employers Reinsurance Corp.  
Overland Park

First Life America Corporation  
Topeka

Kansas Farm Bureau Life Ins. Co.  
Manhattan

Preferred Health Systems, Inc.  
Wichita

The Pyramid Life Insurance Co.  
Shawnee Mission

Security Benefit Life Ins. Co.  
Topeka

House Ins Comm  
1-18-01  
ATTACHMENT #3



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

TO: House Committee on Insurance  
FROM: Linda J. De Coursey, Director of Government Affairs  
RE: H.B. 2032 (Malpractice screening panel reports)  
DATE: January 18, 2001

Mr. Chairman and members of the Insurance Committee:

I am appearing in support of House Bill 2032, which was introduced at the request of the Kansas Department of Insurance. This bill makes changes in two statutes (K.S.A. 60-3505 and K.S.A. 65-4904) dealing with the filing of malpractice screening panel opinions.

Currently, professional malpractice screening panels convene if a professional malpractice liability action is filed in a district court and one of the parties to the action requests that a screening panel be convened. For instance, we recently received opinions under K.S.A. 60-3505 on attorneys and architects; and under K.S.A. 65-4904, we recently received opinions regarding medical doctors and dentists. The Commissioner has no jurisdiction over these professionals under review by the screening panels. Even if the screening panel would be convened concerning a licensed insurance agent, insurance agents are already required to notify the insurance department of the existence of liability insurance coverage, and the reports are of no practical use to the Department. Therefore, Kansas Insurance Department really has no need to receive the malpractice screening panel opinions. We view this as simply a paperwork reduction measure.

I respectfully ask that this committee approve H.B. 2032 favorably for passage.

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*ATTACHMENT #4*

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