

MINUTES OF THE HOUSE INSURANCE COMMITTEE

The meeting was called to order by Chairperson Patricia Barbieri-Lightner at 3:30 p.m. on February 24, 2004 in Room 527-S of the Capitol.

All members were present except:

Representative Bob Grant- absent  
Representative Broderick Henderson- absent  
Representative Cindy Neighbor- absent  
Representative David Huff- absent  
Representative Eber Phelps- absent  
Representative H. Jan Scoggins-Waite- absent  
Representative Joe Humerickhouse- absent  
Representative Nancy Kirk- absent  
Representative Ray Cox- absent  
Representative Stephanie Sharp- absent

Committee staff present:

Bill Wolff Legislative Research Department  
Ken Wilke, Revisor of Statutes  
Renaë Hansen, Secretary

Conferees appearing before the committee:

Bob Tomlinson, Insurance Department  
Carmen Alldritt, Director of Vehicles Revenue  
Eileen King, Riley County Treasurer  
Bill Sneed, State Farm

Others attending:

Twenty Six including but not limited to attached list.

Hearing on:

**HB 2852: Insurance: electronic verification of proof of auto insurance.**

Proponents:

Carmen Alldritt, Director of Vehicles Revenue, is in favor of making the current voluntary electronic verification of proof of auto insurance mandatory, as it would make the transactions in the county treasurers offices speed along, and would be good to law enforcement officials to have that information also.

Eileen King, Riley County Treasurer, Kansas County Treasurers Association, (Attachment #1), believes it is essential to make this mandatory for insurance companies to comply with the voluntary electronic verification option that was made available. Having electronic verification available to the treasurers office allows them to be able to speed along the process of re-registering ones vehicles.

Questions were posed by: Representatives Mary Kauffman and Patricia Barbieri-Lightner.

Bob Tomlinson, Insurance Department, (Attachment #2). The Insurance Department stands firmly in favor of **HB 2852.** Only 37% of the Insurance companies have complied with the voluntary electronic verification option. Until it is mandated, some of the Insurance companies have said they will never comply.

Questions were posed by: Representative Mary Kauffman

CONTINUATION SHEET

MINUTES OF THE HOUSE INSURANCE COMMITTEE at 3:30 p.m. on February 24, 2004 in Room 527-S of the Capitol.

Opponents:

Bill Sneed, State Farm, (Attachment #3), testified that State Farm was concerned that if the legislature moves forward in some kind of mandatory program, that what we have in place now does not have to be changed. They are asking for wording that would say something to the affect, any program in effect prior to the affective date of this act will be deemed in compliance. Absent that they have no other position on the bill.

Questions were posed by: Representatives Mike Burgess, Mary Kaufman, and Mario Goico.

The hearing was closed on **HB 2852**.

Meeting Adjourned.

# HOUSE INSURANCE COMMITTEE GUEST LIST

DATE: February 24, 2004

NAME	REPRESENTING
Natalie Haag	Security Benefit
Carmen Alvaritt	KDOR
Bill Sneed	PSW
LARRY MABILL	KAIA
Eileen King	RCHA - Riley C. Treas
Bob Tomlinson	KID
Amy Wells	KID
Sandora	KID
Janis Amstutz	KS Grant Consulty
Steve Montgomery	United Healthcare



TREASURER'S OFFICE

R. Eileen King, CFM, CFE  
County Treasurer

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**TO:** House Insurance Committee  
**FROM:** Eileen King, Riley County Treasurer  
**DATE:** February 24, 2004  
**RE:** House Bill 2852

Chairwoman and members of the committee, I am representing the Kansas County Treasurer's Association. We are in support of House Bill 2852.

Several years ago there was a bill passed that required customers to show proof of insurance to the County Treasurer's office in order to register or renew their vehicles. This resulted in many upset customers that didn't have the insurance cards on all of their vehicles. Most Treasurers' offices allow the customers to call their insurance company and have them fax a copy of the insurance card to us. This way the customer didn't have to return home and get the additional information. Many times the insurance offices were busy and they weren't able to get the fax sent for 15 or 20 minutes. This caused a longer processing time for each transaction.

A couple of years ago this requirement was amended to allow for electronic transmission of this information from the insurance company to the Division of Vehicles. This has helped a lot for those companies that participate. When the customer comes in and the information is already there, we can complete the process within a couple of minutes. If the insurance isn't there, then we must revert back to getting the information faxed to us. We had hoped for voluntary compliance, but there seems to be some

House Insurance  
Date: 2/24/04  
Attachment # 1

companies that are “dragging their feet.” In Riley County, approximately 25 % of the renewals have the insurance information in the computer. With the passage of this bill it would require all insurance companies to provide the information for the benefit of their customers. This would result in expediting the renewal process with the most current information that is possible for the majority of our customers. It would also help the workflow at the insurance agent’s office, since they wouldn’t have to fax the information to the Treasurer’s offices.

Our association would appreciate your support for HB 2852. I would be glad to stand for any questions.



# K a n s a s I n s u r a n c e D e p a r t m e n t

**Sandy Praeger** COMMISSIONER OF INSURANCE

TESTIMONY  
ON  
HB 2852

HOUSE COMMITTEE ON INSURANCE  
February 24, 2004

Madam Chair and Members of the Committee:

My name is Bob Tomlinson. I am Assistant Commissioner of Insurance at the Kansas Insurance Department. I appear before you today to offer testimony in support of House Bill 2852. This bill seeks to allow the Kansas Insurance Commissioner to require certain insurers to provide access to automobile liability policy information in an electronic format.

Five years ago, the state of Kansas mandated that motorists provide proof of automobile liability insurance at the time of annual vehicle registration renewal. Four years ago, county treasurers asked for, and received, a mandate from the Kansas Legislature to set up and process their registration renewals electronically. The Kansas Division of Vehicles agreed to that system and received rule and regulation authority for implementation. However, the Kansas Insurance Department did not receive rule and regulation authority to mandate that insurance companies provide access to their automobile liability policy information in an electronic format.

House Insurance  
Date: 2/24/04  
Attachment # 2

As a result, the system currently in place in Kansas allows insurance companies to voluntarily offer electronic access to automobile insurance records. A company is under no obligation to do so. More than a dozen other states have already mandated all automobile insurance companies selling policies in their state to provide electronic access to their records.

In October the Kansas Insurance Department conducted a statistically significant random sampling of insurance companies. The results are attached to my written testimony. We found 37% of automobile insurance companies doing business in Kansas are complying voluntarily by providing electronic access. Among those companies not providing electronic access in Kansas, the reason most gave for not complying was that they were simply not required to do so.

We believe it is time to take the next logical step and require electronic access to automobile insurance information in Kansas. It will benefit our county treasurers and our Kansas drivers. We would only be requiring the insurers to provide a service in Kansas that they are already providing in many other states.

Thank you for your attention, and I am happy to stand for questions.

**MEMORANDUM**

To: Bob Tomlinson

From: Jim Newins

Subject: Companies Reporting Personal Auto Data  
To the Department of Motor Vehicles

Date: October 27, 2003

Per your request, I surveyed 18 randomly selected insurance companies writing personal auto insurance. Of the 18 companies I called, I received responses from 16. The two companies I could not obtain responses from were GEICO Casualty Company and Pennsylvania General Insurance Company. The method I used to determine which companies to select is that I set up a spreadsheet every year as to which companies are writing personal auto insurance based on data obtained from the NAIC. I sort this data based on premium volume written. I have a calculator that will produce random numbers, so the random number that the calculator generated equated to the company's premium volume ranking.

Of the 16 companies that responded to the survey, six are participating and 10 are not. Also, it is important to note that if a company is participating, and is part of a group of companies, the remaining companies the group participate in the program. For example, a Hartford and a Travelers company were selected for the survey and both participate in reporting their data, so the remaining companies of the group that write personal auto insurance will also submit the data to the Department of Motor Vehicles.

The conclusion I can draw for a number companies that are not participating, is that they likely will not commit the resources, unless it is mandated.

I trust that the information provided has adequately responded to your request. If you have any additional questions or comments, please let me know.



Company Rank Based on 2002 Premium	Company	Market Share	Participating	Reason if Not Participating
61	American Family Home Insurance Company	.16%	Not Yet	The company is in the testing phase and will be reporting soon.
44	American National Property and Casualty Company	.32%	Yes	
6	American Standard Insurance Company of WI	3.4%	Yes	
95	Amica Mutual Insurance Company	.06%	No	Small writer. Premium volume does not support participation
21	Benchmark Insurance Company	.69%	No	Does not seem to have much interest with the program being voluntary. Provides this information to Arizona under a mandatory program.
93	Federal Insurance Company	.07%	No	Not on the roster of supported programs. The person I spoke to did not seem to know why they are not participating. My guess would be low premium volume.
47	GEICO Casualty Company	.29%	Unable to Obtain a Response	
75	Goodville Mutual Insurance Company	.13%	No	Small company of 60 employees writing in only eight states. Probably would have to be mandatory before participating
84	GuideOne Elite Insurance Company	.10%	No	Working with the states that have mandated this information first. Voluntary states are being placed on the back burner, but they would like to provide the information sometime in the future.

23	Hartford Underwriters Insurance Company	.64%	Yes	
42	Nationwide Mutual Insurance Company	.35%	No	The company is a low volume writer and does not think the costs justify participation since this is a voluntary program.
86	Northbrook Indemnity Company	.09%	No	Nobody at the company seemed to know about the program. I faxed our Bulletin and they will look it over.
38	Pennsylvania General Insurance Company	.39%	Unable to Obtain a Response	
15	Progressive Northwestern Insurance Company	1.14%	No	The company's lawyers believe that there are privacy issues that they may be in conflict. While they received assurances the State will not "go after" them for providing the information, they are concerned about the plaintiff's bar. They will participate if mandated because the privacy issue is removed.
8	Safeco Insurance Company of America	2.10%	No	They are working on states that mandate this information first. They think they may be able to implement in Kansas next year.
76	Travelers Indemnity Company	.13%	Yes	
18	USAA Casualty Insurance Company	1.01%	No	Resources not available (money).
32	West American Insurance Company	.45%	Yes	

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## Memorandum

**TO:** THE HONORABLE PATRICIA BARBIERI-LIGHTNER, CHAIR  
HOUSE INSURANCE COMMITTEE

**FROM:** WILLIAM W. SNEED, LEGISLATIVE COUNSEL  
THE STATE FARM INSURANCE COMPANIES

**RE:** H.B. 2852

**DATE:** FEBRUARY 24, 2004

Madam Chair, Members of the Committee: My name is Bill Sneed and I represent the State Farm Insurance Companies ("State Farm"). State Farm is the largest insurer of automobiles in the United States and Kansas. We appreciate the opportunity to testify on H.B. 2852. H.B. 2852 is an attempt to require proof of insurance to be made electronically through rules and regulations adopted by the Commissioner of Insurance.

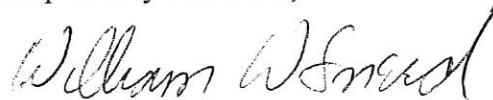
Currently State Farm is working with the Department of Motor Vehicles on providing information to the DMV via electronic means on financial responsibility. This is being performed on a test program with various insurers throughout the country.

Because of the enormous variances among insurance companies, this is a voluntary program inasmuch as mandating such a program for all companies would most likely substantially increase costs, reduce competition, and ultimately harm the insuring public.

Providing on-line verification, where appropriate, seems to be the best approach for Kansas. If at some point in time this requirement should be mandated for all insurers, it is our contention that such a mandate should be determined by the Legislature, not by rule and/or regulation.

Thus, we must respectfully urge the Committee to act unfavorably on H.B. 2852. I appreciate the opportunity to testify, and I will be happy to answer any questions.

Respectfully submitted,



William W. Sneed

House Insurance  
Date: 2/24/04  
Attachment # 3

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