

MINUTES OF THE SENATE FINANCIAL INSTITUTIONS AND INSURANCE COMMITTEE

The meeting was called to order by Chairperson Ruth Teichman at 9:30 a.m. on January 29, 2004 in Room 234-N of the Capitol.

All members were present except:

Senator David Adkins- absent

Committee staff present:

Dr. Bill Wolff-Legislative Research

Ken Wilke-Revisor of Statutes

Nancy Shaughnessy, Committee Secretary

Conferees appearing before the committee:

Bill Sneed-State Farm Insurance Company

Jarrod Forbes-Kansas Insurance Department

Amy Valenciano-State Farm Insurance Company

Others attending:

See Attached List.

Senator Barnett, Vice-Chair opened the meeting for Chairperson Senator Teichman who was delayed at another meeting. The Chair introduced Bill Henry, representing Kansas Credit Unions Association, who provided an informational report to the Committee. (Attachment 1) In Kansas there are currently five hundred and thirty-three thousand (533,000) Credit Union members or twenty percent (20%) of the State's population. The average size of Kansas Credit Unions is twenty-three (23) million dollars but the median size in assets is seven point four 7.4 million dollars, indicating the variety and size in assets. In the last year the loan growth has increased by seven (7) percent. That is encouraging as the prior three years have been a flat growth rate. Sixty-five per cent (65%) of all loans are made to consumers. First and second Mortgage loans account for another thirty-two (32%). Credit Unions are consumer driven.

Senator Barnett moved the agenda to Bill Introductions, hearing none, he proceeded to bill hearings on SB 311. The Chair called on conferee Bill Sneed of State Farm Insurance Company. (Attachment 2)

Bill Sneed thanked the committee for agreeing to introduce SB 311. It is a familiar looking bill as it is identical to a bill that was heard in the Senate FII Committee a year ago, HB 2071. The bill deals with ability of an insurance company to utilize an insurance policy/other information to provide to consumers in a foreign language. Last year when the bill was being discussed there was only one other State that had passed legislation. Currently, there are 11 states and State Farm is working to pass this in other states. Mr. Sneed reiterated the following reasons to consider favorable passage:

- There is a general principal that insurance companies are severely limited as what they cannot provide in the materials that they present to their insured.
- By allowing insurers to utilize a foreign language on a voluntary basis, the marketplace will be utilized to determine how quickly and to what extent this type of material will be used.
- Neither insurance companies nor state regulators are totally equipped for mandatory requirement of such policies. Leaving it voluntary appears to be the optimum way to proceed at this point.
- Creating a statutory basis for providing foreign language materials also provides and opportunity to statutorily provide protection for consumers.
- There is a general principal that insurance companies are severely limited as what they cannot provide in the materials that they present to their insured.
- By allowing insurers to utilize a foreign language on a voluntary basis, the marketplace will be utilized to determine how quickly and to what extent this type of material will be used.
- Creating a statutory basis for providing foreign language materials also provides and opportunity to statutorily provide protection for consumers.

CONTINUATION SHEET

MINUTES OF THE SENATE FINANCIAL INSTITUTIONS AND INSURANCE COMMITTEE at 9:30 a.m. on January 29, 2004 in Room 234-N of the Capitol.

Mr. Sneed indicated that pg. 2 of the bill lines 4-14 is essentially what State Farm is attempting to do. The remainder of the bill language from 15 on is at the request of the Kansas Insurance Department and making provisions for any violations of the Kansas Unfair Trade Practices law currently on the books.

Jarrold Forbes of the Kansas Insurance Company testified (Attachment 3) that the legislation proposed in **SB 311** allows insurance companies to provide informative documents in languages other than English. The Department welcomes this Legislation and commends the efforts of all insurers planning to implement this practice.

Amy Valenciano, Public Affairs Specialist for State Farm Insurance testified(Attachment 4) regarding the need for the foreign language policies. Hispanics and Asians are the largest growing population segments in the United States. This rate of growth is reflected in Kansas. From 1990 to 2000 the Hispanic population in Kansas grew one hundred and eight per cent (108%) and the Asian by forty-seven(47%). This rate of growth will continue. Nationwide seventy-four per cent (74%) of US born Hispanics use Spanish at home and fifty-nine per cent(59%) consider Spanish as their first language. Providing policy/materials information to consumers in their primary language is a service Kansans need and want.

No opponents to the bill were present to testify.

Vice-Chair Senator Barnett indicated that the Chair wished to work this bill in committee today and asked for a motion. Senator Brungardt made a motion to pass the bill out of committee. Seconded by Senator Steineger. Motion passed.

Meeting adjourned at 10:05 AM

The next Committee meeting is scheduled for Tuesday February 3, 2004.

SENATE FINANCIAL INSTITUTIONS & INSURANCE

Date: THURSDAY - JAN. 29th ()
Representing:

Name:

Bill SNEED	State Farm
Malden	KID
Amy Valenciano	State Farm
Burke Ann Hower	KATH
Natalie Haag	Security Benefit
David Hanson	Ks Insur Assns
Harry Biss	Dy & Adams
Em Land	Sen Adkins
David Dick	KCUA
Tara Embanks	State Farm
Leslie Kaufman	Ks Co-op Council
Ahari Weber	Community Bankers Association of Ks.
Chuck Stones	KBA
Lisa Byrnes	Ass. Sen. SALMONS

Kansas Credit Union Overview

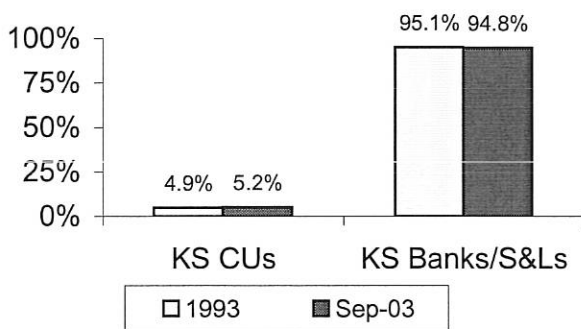
Third Quarter 2003

- As of September 2003, there were 533,000 credit union memberships in Kansas – a number that is roughly equal to 20% of the state’s population.
- At the end of the third quarter 2003, there were 123 credit unions chartered in Kansas. This is 44 fewer credit unions than existed at year-end 1993 and reflects consolidation trends that are prevalent among all depository institutions both in Kansas and throughout the nation.
- Overall, 97 of the 123 credit unions in Kansas (i.e., 79%) are state chartered and 26 (21%) are federally chartered.
- There are 22 credit unions headquartered in Sedgwick County – making Sedgwick home to the largest number of credit unions. Kansans have access to credit union services across the state through branches or remote access technologies such as ATMs.)

credit union assets in Kansas. Federally chartered credit unions have a total of \$350 million in assets and account for 12% of total credit union assets in the state.

- The average asset size of Kansas credit unions is \$23 million, but the median asset size is \$7.4 million. Overall, 76% of the state’s credit unions have less than \$25 million in assets while 88% have less than \$50 million in assets. Only 5% of all Kansas credit unions (i.e., six credit unions) have more than \$100 million in total assets.
- The largest credit union in Kansas is Boeing Wichita Credit Union with \$338 million in assets, whereas the smallest is Norwesco Credit Union in St. Francis with \$218,783 in total assets at the end of September 2003. From a membership standpoint, Boeing Wichita has the largest number of members of all Kansas credit unions, with 42,901. In contrast, Norwesco has the fewest members with 84.

Market Share of Total Assets



- Kansas credit unions have a total of \$2.88 billion in assets. State chartered credit unions have a total of \$2.53 billion in assets and account for 88% of total

Kansas Credit Union Association

Senate FI & I Committee

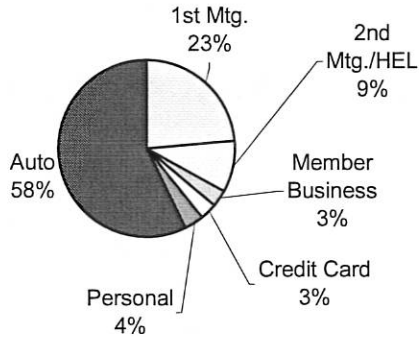
Meeting Date: 01-29-04

Attachment No.: 1

Kansas CU Overview

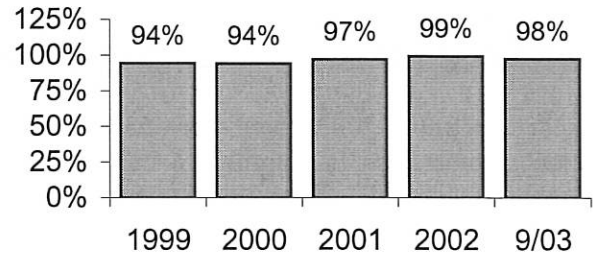
Third Quarter 2003

Kansas CU Loan Distribution



- Kansas credit unions have a total of \$2.43 billion in savings and \$1.87 billion in loans. Credit union loan grew 7.1% in the 12 months ending September 2003. Loan growth in calendar year 2002 also was 7.1%. Consumer loans account for the overwhelming majority of loans in the state's credit unions.
- The state's credit unions are well capitalized. The average net worth-to-asset ratio amongst all Kansas credit unions is 11.9% (12.0% amongst state-chartered Kansas credit unions). This level of capitalization is notably higher than the 10.6% national norm. Under current rules, credit unions with net worth ratios of 7% or higher are considered "well capitalized". All but three Kansas credit unions are now considered well capitalized.

Percent of Kansas Credit Unions that are Well Capitalized



- Asset quality in Kansas credit unions is likewise very high. Delinquencies as a percent of total loans now average just 1.20% (down from 1.60% at year-end 2002). And net chargeoffs (i.e., chargeoffs net of recoveries) as a percent of average loans were 0.60% on an annualized basis in the first nine months of 2003. Thus, net chargeoffs in the state are in line with national credit union norms – the average net chargeoff rate amongst all U.S. credit unions is 0.55%.

Sources: Kansas Credit Union Association, Credit Union National Association, National Credit Union Association, Federal Deposit Insurance Corporation, Federal Reserve, and American Bankruptcy Institute.

Polsinelli | Shalton | Welte

A Professional Corporation

Memorandum

TO: THE HONORABLE RUTH TEICHMAN, CHAIR
SENATE FINANCIAL INSTITUTIONS AND INSURANCE COMMITTEE

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

RE: S.B. 311

DATE: JANUARY 29, 2004

Madame Chair, Members of the Committee: My name is Bill Sneed and I represent The State Farm Insurance Companies ("State Farm"). We appreciate the opportunity to appear in support of S.B. 311. As you are aware, we requested the introduction of S.B. 311, a bill that allows insurers to deliver foreign language insurance policies and other materials to Kansas policyholders. The bill is identical to last year's H.B. 2071. H.B. 2071 passed the House 123 to 1.

State Farm is the largest insurer of homes and autos in the United States and in Kansas. State Farm insures one out of every five cars and one out of every four homes in the United States. With the explosive growth of Kansans who speak languages other than English within the home and consider such foreign language as their first language, my client has started a nationwide campaign to introduce similar proposals as found in S.B. 311 in an effort to provide the insurance-buying public with additional avenues to provide information to the insured.

The reasons for the bill introduction in Kansas, as well as other states, are as follows.

First, there is the general principal that unless specifically authorized by statute, insurance companies are severely limited as what they can or cannot provide in the material that they present to their insureds.

Second, by allowing insurers to utilize a foreign language on a voluntary basis, the marketplace will be utilized to determine how quickly and to what extent this type of material will be used. Neither insurance companies nor state regulators are totally equipped for mandatory requirement of such foreign language policies. By leaving it voluntary, the industry and state regulators can move together in an effort to provide this information to the insuring public.

One AmVestors Place
555 Kansas Avenue, Suite 301

Senate FI & I Committee

Meeting Date: Jan 29, 2004

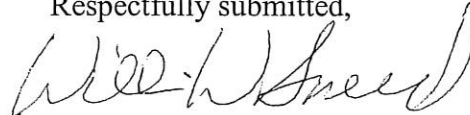
Attachment No.: 2

Third, creating a statutory basis for providing foreign language materials also provides an opportunity to statutorily provide protection for the consumers by making a knowing misrepresentation a violation of the Kansas Unfair Trade Practices law currently on the books.

We believe S.B. 311 provides an opportunity for Kansas to be a leader in this growing area of insurance law. It is in this fashion that we respectfully request that the Committee act favorably on S.B. 311.

If you have any questions, please feel free to contact me.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "William W. Sneed". The signature is fluid and cursive, with the first name "William" and last name "Sneed" clearly legible.

William W. Sneed

WWS:kjb

19646 / 32884
WWSNE 1067449



Kansas Insurance Department

Sandy Praeger COMMISSIONER OF INSURANCE

COMMENTS
ON
SB 311—INSURANCE POLICIES; ISSUANCE IN A FOREIGN LANGUAGE
January 29, 2004

Madam Chair and Members of the Committee:

Thank you for allowing me to testify on behalf of the Kansas Insurance Department regarding SB 311. This legislation allows insurance companies to provide informative documents in languages other than English. We at the department believe this will only further our objective of educating insurance consumers.

The Kansas Insurance Department welcomes this bill and commends the efforts of all insurers planning to implement this practice. We feel this service is very important to a growing segment of the Kansas population and urge your support of this bill.

Jarrold Forbes
Legislative Liaison

Senate FI & I Committee

Meeting Date: Jan 29, 2004

Attachment No.: 03

State Farm Insurance Companies



CLAIM OFFICE
7700 East Polo
Wichita, Kansas 67206-3000

Memorandum

TO: The Honorable Ruth Teichman, Chair
Senate Financial Institutions and Insurance Committee

FROM: Amy C. Valenciano, Public Affairs Specialist
State Farm Insurance Companies

DATE: January 29, 2004

RE: SB 311

Madam chair, Members of the Committee: My name is Amy Valenciano and I am a Public Affairs Specialist with State Farm Insurance in Kansas. I am an officer for the Wichita Hispanic Chamber of Commerce and am involved in PALA, Political Alliance for Latino Advancement.

State Farm is the largest insurer of homes and autos in the United States and Kansas. We insure approximately one out of every five cars and one out of every four homes in America. State Farm appreciates the opportunity to speak with you today as a proponent of Senate Bill 311. This bill allows insurers to provide foreign language insurance policies and other associated material to Kansas policyholders.

During the 2000 United States Census 12.5% of respondents identified themselves as Hispanic and 3.6% as Asian. Hispanics and Asians are the largest growing population segments in the United States. This rate of growth is reflected in Kansas. From 1990 to 2000 the Hispanic population in Kansas grew 108% and the Asian by 47%.

It is anticipated that this rate of growth will continue. According to the 2000 Census approximately 9% of all Kansans spoke a language other than English at home. Nationwide 74% of US born Hispanics use Spanish at home and 59% consider Spanish as their first language.

Senate FI & I Committee

Meeting Date: Jan 29 2004

Attachment No.: 4

For the majority of the Hispanic population English is a second language. Buying insurance is one of the most important financial decisions a family makes. Providing this information to consumers in their primary language is a service Kansans need and want. Our commitment to these policyholders is evident through our Spanish language website statefarm.com en espanol and our involvement in local communities such as providing many of our free safety & educational programs in Spanish, sponsoring local Hispanic chambers of commerce, and Villa Latina at the Wichita River Festival.

This bill would allow insurers to deliver policies, endorsements and other associated material to applicants and policyholders in a foreign language. The insurer would be required to file the foreign language version with the Department of Insurance and to provide an English version to the consumer. The English language version would control. This would preserve contract interpretation that has been established by the courts, the legislature and the Insurance Department over a number of years. However, any insurer who knowingly misrepresented the content of these items in their foreign language version would be subject to the penalties provided in the unfair trade practices section of the Kansas Code.

We feel this is an important service we can offer a growing segment of Kansas and of our policyholder base and as such we urge you to support this bill.