

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 February 3, 2004 in Room 234-N of the Capitol.

All members were present except:  
Senator David Adkins- Absent

Committee staff present:  
Bill Wolff, Legislative Research  
Ken Wilke, Office of the Revisor of Statutes  
Nancy Shaughnessy, Committee Secretary

Conferees appearing before the committee:  
Jerry Wells, Kansas Insurance Department

Others attending:  
See Attached List.

Senator Teichman opened the committee meeting calling members attention to the bill index at their places. The listing is for their information and tracks the status of the bills that have been brought before the Senate FII committee this session.

**Bill Introductions**

Bud Burke of the Kansas Payday Loan Association requests a bill introduction (Attachment 1) that lowers the maximum loan amount and creates a flat rate fee which is stair-stepped in its application of rates. Motion to introduce the bill by Senator Barnett. Second by Senator Helgerson. Motion passed.

Lee Wright, Farmer's Insurance Group introduced a bill (Attachment 2) which would prohibit a financial lender from requiring a borrower to obtain Homeowners insurance in an amount that would exceed the replacement value of the home, as a condition for obtaining a residential mortgage. Motion to introduce the bill by Senator Salmans. Second by Senator Buhler. Motion passed

The Chair then opened the bill hearing on **SB 342--Insurance; technical amendment to form of certain policies..** She asked Dr. Bill Wolff of Legislative Research to comment on the intent of the bill. Dr. Wolff stated that the bill amends the language of K.S.A. 40-2202 Section (a) subsection (8) in the following respects: it substitutes the word "and" for the present word "or" in subsection (8) so that the new subsection would read as follows: *(8) any provision purporting to base the payment of benefits on "usual customary and reasonable charges" or a standard of similar import is specifically defined ~~or~~ and the determination of payable benefits is developed from a statistically valid sample which: (A) equitable recognizes geographic variations; (B) is produced at least every six months; and (C) is collected on the basis of the most current codes and nomenclature developed and maintained by recognized authorities.*

Jerry Wells-Kansas Insurance Department testified in favor of adopting the bill. The origin of the bill comes out of consumer assistance. The language change allows the consumer to benefit directly from this more accurate standard of setting a reasonable benefit payment. (Attachment 3)

The Chair closed the hearing and asked the Committee if they would like to work the bill. Senator Helgerson requested some additional time to do research on the bill. The Chair indicated that she would hold the bill for a couple of days and reschedule the bill for possible action by the Committee.

Move approval of the minutes of Jan. 20th, 21 and 22<sup>nd</sup> by Senator Buhler. Second by Senator Corbin. Motion passed.

Meeting adjourned at 10:05 a.m.

Next Meeting scheduled for February 4, 2004

SENATE FINANCIAL INSTITUTIONS & INSURANCE

Date: 7-3-04

Name:

Representing:

Fanny Wells

KID

Christina Collins

KMS

Lee Wright

FARMERS

LARRY MAGILL

KRIA

John Peterson

K. Gwert Consulting

Tom Bell

Ks. Hosp. Assn.

Jillie Hair

Horn Law Firm

**WHITNEY B. DAMRON, P.A.**  
**800 SW JACKSON STREET, SUITE 1100**  
**TOPEKA, KANSAS 66612-2205**  
**(785) 354-1354 ♦ 354-8092 (FAX)**  
**E-MAIL: WBDAMRON@aol.com**

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**REQUEST FOR BILL INTRODUCTION**

TO: The Honorable Ruth Teichman, Chair  
And Members Of The  
Senate Committee on Financial Institutions and Insurance

FROM: Whitney Damron  
Bud Burke

On Behalf Of The Kansas Payday Loan Association

RE: Request for Bill Introduction

DATE: February 3, 2004

Good morning Madam Chair Teichman and Members of the Senate Committee on Financial Institutions and Insurance.

On behalf of the Kansas Payday Loan Association, I am appearing before you today to request introduction of legislation that would set the maximum fee for payday loans in Kansas at the rate of \$15.00 per \$100.00 loaned, with a maximum loan of \$500.00 per transaction.

This proposal amends K.S.A. 16a.-2-204 in the following ways:

1. Lowers the maximum loan amount from \$860.00 to \$500.00; and,
2. Creates a flat rate fee, rather than current law which is stair-stepped in its application of rates per \$50.000 loaned; \$100.00 loaned; between \$100.00 and \$250.00 loaned; and, \$over \$250.00 to \$860.00.

Representatives of the payday loan industry in Kansas respectfully request introduction of this legislation that will provide loan options to their customers, simplify loan rates and clarify fee schedules for these kinds of transactions.

Thank you.

Senate F I & I Committee

Meeting Date: 2-03-04

Attachment No.: 1

Attachment to Bill Introduction

Proposed Amendment to K.S.A. 16a.-2-204 (1):

Amend (1) (c) as follows: change “**860**” to “**500**”

Amend (i) as follows:

**On any amount up to and including \$500, a charge of *not more than \$15 per \$100 loaned* may be added.**

Delete sections (ii), (iii) and (iv).



FARMERS

10850 Lowell  
Overland Park, Ks. 66210  
Bus 913.661.6580  
Fax 913.323.6172

January 30, 2004

*REQUEST FOR BILL INTRODUCTION*

Madame Chairperson and members of the Committee, my name is Lee Wright. I represent FARMERS INSURANCE and I am here today to respectfully request a bill introduction from the Committee.

The bill we are asking for deals with Homeowners insurance. Our proposal would prohibit a financial lender from requiring a borrower to obtain Homeowner insurance in an amount that would exceed the replacement value of the home, as a condition for obtaining a residential mortgage.

Thank you for your consideration. We respectfully request this proposal be introduced as a Committee bill.

Senate FI & I Committee

Meeting Date: 2-27-04

Attachment No.: 8

**No person who lends money or extends credit may as a condition of financing a residential mortgage or providing other financial arrangements for residential property, require a borrower to purchase homeowners' insurance coverage in an amount exceeding the replacement value of the improvements on the real property. A violation of this subdivision shall not affect the validity of the loan, note secured by a deed of trust, mortgage, or deed of trust.**



# 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

COMMENTS

ON

SB 342—PERTAINING TO REQUIRED PROVISIONS  
OF INDIVIDUAL ACCIDENT AND HEALTH POLICIES

February 3, 2004

Madam Chair and Members of the Committee:

This bill amends the language of K.S.A. 40-2202 Section (a) subsection (8) in the following respects: it substitutes the word "and" for the present word "or" in subsection (8) so that the new subsection would read as follows:

*(8) any provision purporting to base the payment of benefits on "usual, customary and reasonable charges" or a standard of similar import is specifically defined; ~~or~~ and the determination of payable benefits is developed from a statistically valid sample which: (A) Equitable recognizes geographic variations; (B) is produced at least every six months; and (C) is collected on the basis of the most current codes and nomenclature developed and maintained by recognized authorities.*

The language of subsection (8), as it is now written, allows the insurance carrier to pay benefits based on the standard of choice between "usual, customary and reasonable charges" OR, the second standard set forth in the statute, which essentially is developed from a statistically valid sample based on geographic differences, and is current in time, codes, and nomenclature recognized by experts. By allowing the carriers to choose between the two standards the Insurance Department has experienced reports that carriers have chosen a benefit payment that is clearly not reasonable. (For example, one carrier paid benefits based on the Medicare rate plus 10% - not reasonable under any standard). By forcing the carriers to incorporate BOTH standards set forth in the statute, the benefit payment would be "usual, customary, and reasonable" within the boundaries of a local geographic variation while at the same time accounting for recognized current codes and nomenclature.

The consumer would benefit directly from this more accurate standard of setting a reasonable benefit payment.

Jerry Wells  
Director of Government Affairs