

Approved: March 22, 2005

Date

## MINUTES OF THE SENATE TRANSPORTATION COMMITTEE

The meeting was called to order by Chairman Les Donovan at 8:30 A.M. on March 9, 2005 in Room 527-S of the Capitol.

All members were present.

Committee staff present:

Hank Avila, Kansas Legislative Research Department  
Bruce Kinzie, Revisors of Statutes  
Maggie Breen, Committee Secretary

Conferees appearing before the committee:

Brad Smoot, Explore Information Services  
Sara E. Patrick, Explore Information Services  
Toni Roberts, Department of Revenue, Division of Motor Vehicles  
Pam Scott, Kansas Funeral Directors Association

Others attending:

See attached list.

### **SB 278 - Division of vehicles records, certain driver's license records**

Proponents:

Brad Smoot, representing Explore Information Services, a subsidiary of the Schwan Food Company of Salina, Kansas, spoke in support of **SB 278**. It's a bill that makes a very simple change in current Kansas law. It would allow the Department of Revenue to contract to provide "partial" motor vehicle records without collecting the \$1 per record fee for the Kansas Highway Patrol Training Fund, which is currently required when providing a motor vehicle record (MVR). Insurance companies are already authorized under the Federal Driver Privacy Protection Act and state law to collect motor vehicle record information for certain very limited purposes, including insurance ratings, underwriting, and fraud prevention. Currently, the fee is \$6 and \$1 goes to the training fund. They are proposing that when you sell a "partial" record, that is to be used for the purpose of detecting fraud, you don't have to pay the \$1 fee. The reason is that it would be cost prohibitive to get the information they need if they couldn't negotiate a lesser fee. The limited information provided in the "partial" MVR is used by insurers to identify youthful drivers who have not yet been disclosed by the policyholder, in violation of their insurance policy. The bill allows just partial parts disclosure of records that are already available to insurance companies. Rather than expanding the data that is already available, they are just going after a portion of it and asking to pay a little bit less. The information that is currently prohibited from being released, under Kansas law, remains the same. The Highway Patrol has no objection to the bill. In fact they think it may have some safety impact encouraging people to abide by insurance contracts. Also, the language of the bill has the stamp of approval of the Department of Revenue. (Attachment 1)

Senator Palmer asked how the search was conducted.

Sara E. Patrick, State Relationship Representative, Explore Information Services, said they have an internal "cascaded search" where they match the policy holder's address to the new licensee's address. If they discover there is a new licensed driver at that address, they provide a risk alert report to their insurance company customer who then contacts the agent and asks them to verify the information. The agent then calls the customer and tells them they have received a report that there is a new licensed driver in the household and ask them to confirm that the person is driving their vehicle. They are then ask if the new driver is insured by some other company or do they need to be added to the existing policy.

Sara clarified that the Highway Patrol will not lose money because records are not being purchased for this purpose now due to the cost being prohibitive.

Senator Petersen asked Sara what would happen if they called and were told that there is a new licensed driver

CONTINUATION SHEET

MINUTES OF THE Senate Transportation Committee at 8:30 A.M. on March 9, 2005 in Room 527-S of the Capitol.

there but they are not driving the insured vehicle, that the new driver needs to save money for insurance and their own vehicle before driving. Sara said she thinks at that point it would depend on the policy of the individual insurance company. She said she though they would want something in writing.

Senator Journey asked what happens to the reports after they are no longer needed, were they kept in case another insurance company wanted the service. Sara said there are a couple of reasons why they have to retain them. The reports provided to the insurance companies are considered consumer reports under the Fair Credit Reporting Act. So they need to maintain the information provided to the insurance company, and who they report it to, for 12 months. Under the Driver's Privacy Protection Act, they have to maintain records of who they provide information to for 5 years.

Neutral:

Toni Roberts, Department of Revenue, Division of Motor Vehicles, said **SB 278** gives the Secretary of Revenue the option of entering into a lesser rate contract for the purpose of assisting insurance companies, or their authorized agents, to conduct anti-fraud activities. Specifically, under a contract, the department would provide a listing of partial driver license records to insurance companies, or their authorized agents, and that listing would be compared against existing policy information held by the insurance company. The objective is to provide insurance companies with an additional tool to identify undisclosed drivers not listed on the original policy. As introduced, the bill does not require the \$1 fee to be given to the Kansas Highway Patrol Training Center Fund. The department remains neutral in this bill and does not oppose it. (Attachment 2)

**HB 2078 - Lead motor vehicle of funeral procession, lights**

Proponent:

Pam Scott, Kansas Funeral Directors Association, spoke in support of **HB 2078**. It was introduced by Representative Henry at the request of one of their members from Atchison, Kansas. The bill would allow for the use of headlight which alternately or simultaneously flash, when used as the lead vehicle of a funeral procession. Many funeral vehicle today are equipped with so called "wig-wag" lights which are generally low beam alternating flashing headlamps. Apparently, the funeral director in Atchison had been questioned by law enforcement as to whether or not they should be using the lights. A lot of vehicles today have headlamps that are automatically lit once the vehicle is in driving mode. Thus, the time honored tradition that all vehicles in a funeral procession have their headlights on may not be the most effective way of warning the public that a procession is approaching. (Attachment 3)

Senator O'Connor moved to pass **HB 2078** out favorably and place it on the consent calendar. Senator Wilson seconded the motion. Motion carried.

The meeting adjourned at 9:07 a.m.

The next meeting is scheduled for March 15, 2005.



# BRAD SMOOT

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STATEMENT OF BRAD SMOOT  
LEGISLATIVE COUNSEL  
EXPLORE INFORMATION SERVICES, L.L.C.  
SENATE TRANSPORTATION COMMITTEE  
SENATE BILL 278  
March 9, 2005

Mr. Chairman and Members:

On behalf of Explore Information Services, a subsidiary of The Schwan Food Company of Salina, Kansas, we are pleased to support SB 278. Explore operates as an insurance support organization, assisting insurers in accurately assigning risk to the insureds. We operate in Kansas and 34 other states.

SB 278 would allow the Department of Revenue to contract to provide “partial” motor vehicle records without collecting the \$1 per record fee for the Kansas Highway Patrol Training Center fund which is currently required when providing a motor vehicle record (MVR). Insurance companies are already authorized under the Federal Driver Privacy Protection Act and state law to collect motor vehicle record information for certain very limited purposes, including insurance rating, underwriting and fraud prevention. SB 278 does not change Kansas law except to waive the \$1 KHP fee when a “partial” record is delivered for the prevention or detection of fraud. Such “partial” records can be useful in preventing fraud.

Insurance policies generally require that the policyholder identify all persons from the household who will be operating the insured vehicle(s). Most policyholders notify their agent or insurer when a younger member of the household gets his or her driver’s license. Unfortunately, 2% to 8% do not. Under Kansas law, the vehicle is insured even if the driver who should have been identified and rated for insurance purposes is not properly listed. As you might imagine, youthful drivers often represent a higher risk and those who do not disclose all the drivers in a given household are shifting that risk (and cost) to all those policyholders who do properly identify all drivers to their insurance company.

The limited information provided in the “partial” MVR is used by insurers to identify youthful drivers who have not yet been disclosed by the policyholder in violation of their insurance policy. The information cannot be used to solicit the sale of insurance or any other product or service. This information would only be useful to the current insurer of the vehicle. The information cannot be used for any other purpose than rating, underwriting or fraud prevention. The information does not include social security numbers, photographs or personal medical information. Without this information, an insurance company would not be able to identify an undisclosed youthful driver – even one with a horrible driving record – perhaps for years. Without this informational tool,

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Attachment 1

Statement of Brad Smoot  
Regarding Senate Bill 278  
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Kansas' good drivers and responsible policyholders share the unnecessary and unwanted insurance burden of the undisclosed driver.

The Department of Revenue would still need to contract with insurance companies or insurance support organizations to provide access to these partial records. Contracts for partial records would slightly increase state revenues. Twenty other states already provide this information, but Kansas' unique \$1 charge for the KHP Training Center Fund makes partial records too costly for purposes of combating this type of insurance fraud. The Kansas Department of Revenue and the Kansas Highway Patrol are aware of this legislation and have no objections.

To enhance the integrity of the auto insurance system, we encourage you to support SB 278. Thank you.



K A N S A S

IOAN WAGNON, SECRETARY

DEPARTMENT OF REVENUE  
DIVISION OF VEHICLES

KATHLEEN SEBELIUS, GOVERNOR

Testimony on SB278  
to  
The Senate Committee on Transportation  
by Toni Roberts  
Division of Vehicles  
March 9, 2005

Chairman Donovan and Members of the Committee:

Senate Bill 278 allows the Secretary of Revenue to enter into a lesser rate contract for the purpose of assisting insurance companies, or their authorized agents to conduct antifraud activities.

Specifically, this legislation would allow the Director of Vehicles to provide a listing of partial drivers license records, to an insurance company, for comparison against policyholder information with the intent of identifying undisclosed drivers. As a result, insurance companies can identify policyholders that have additional drivers that have not been disclosed to the insurance company.

The Driver's Privacy Protection Act, allows records to be provided in connection with antifraud activities.

As introduced, this bill does not require the \$1.00 fee to be paid to the Kansas Highway Patrol Training Center Fund.

The department does not oppose this bill. I would be happy to address any questions you have.





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PAM SCOTT  
Topeka

March 9, 2005

To: Senate Transportation Committee

From: Pam Scott, Executive Director

Re: House Bill No. 2078

Chairman Donovan and members of the Committee, I appreciate the opportunity to appear before you today on behalf of the Kansas Funeral Directors and Embalmers Association (KFDA), in support of House Bill No. 2078. The KFDA represents over 300 funeral homes in the state of Kansas.

House Bill No. 2078 was introduced at the request of one of our members from Atchison, Kansas. Included in the bill is a provision which would allow for the use of headlamps which alternately or simultaneously flash when used on a motor vehicle which is the lead motor vehicle of a funeral procession. Many funeral vehicles today are equipped with so called "wig-wag" lights which are generally low beam alternating flashing headlamps.

We believe the use of such flashing lights adds to the safety of funeral processions. In most Kansas communities, funeral escorts are provided by police or paid escort services which are usually comprised of off duty police officers. Once vehicles in a procession leave the city limits, the funeral procession is left on its own. When funeral escorts are not available, the use of such lights by the lead vehicle in the funeral procession would provide a warning to other vehicles on the road that a funeral procession is approaching.

Also, many of today's newer vehicles are equipped with headlamps that are automatically lit once the vehicle is in the driving mode. Therefore, the time honored tradition that all lights in a funeral procession have their headlamps may not be the most effective way of warning the public that a procession is approaching. Alternately flashing headlamps on the lead vehicle of a funeral procession would provide such notice.

Thank you for the opportunity to testify. The KFDA would appreciate your support of House Bill No. 2078.