

MINUTES OF THE HOUSE INSURANCE COMMITTEE

The meeting was called to order by Chairman Clark Shultz at 3:30 P.M. on February 9, 2006 in Room 527-S of the Capitol.

All members were present except:

Representative Clark Shultz- excused
Representative Joe McLeland- excused

Committee staff present:

Melissa Calderwood, Kansas Legislative Research Department
Terri Weber, Kansas Legislative Research Department
Ken Wilke, Revisor of Statutes Office
Sue Fowler, Committee Secretary

Conferees appearing before the committee:

Representative Stephanie Sharp, Lenexa, KS
Craig Jorgensen, District 17, Lenexa, KS
William Sneed, State Farm Insurance, Topeka, KS
Marcy Ralston, Kansas Department of Revenue, Topeka, KS

Others attending:

See attached list.

Hearing on:

HB 2690: Motorists - suspension of driver's license until damage judgment paid

Proponent:

Representative Stephanie Sharp, District 17, (Attachment #1), gave testimony in support of **HB 2690**.
Craig Jorgensen, American Family Insurance, (Attachment #2), presented testimony in support of **HB 2690**.
William W. Sneed, State Farm Insurance, (Attachment #3), appeared before the committee in support of **HB 2690**.

Neutral:

Marcy Ralston, Kansas Department of Revenue, (Attachment #4), presented testimony concerning **HB 2690**.

Hearing closed on **HB 2690**.

Representative Grant moved to approve the committee minutes of February 7, 2006 with correction. Seconded by Representative Kelsey. Motion carried.

Meeting adjourned at 4:15 P.M.

Next meeting will be Tuesday, February 14, 2006, at 3:30 P.M., in Room 527-S.

State of Kansas
House of Representatives

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TOPEKA

COMMITTEE ASSIGNMENTS
MEMBER: COMMERCE AND LABOR
HEALTH AND HUMAN SERVICES
ETHICS AND ELECTIONS
INSURANCE
SERVING LENEXA AND SHAWNEE

8 February 2006

Testimony in support of
House Bill 2690

House Insurance Committee
Rep. Clark Shultz, Chairman

Mister Chairman, members of the House Insurance Committee:

Thank you for welcoming me to your committee today to discuss HB 2690, a simple measure we can take to deter uninsured driving in Kansas.

If you are involved in an accident with an uninsured driver, and you have uninsured motorist insurance, after your deductible, your insurance company pays your damages. The uninsured driver must negotiate a payment plan with your insurance company to reimburse your deductible and damages. During this process, the other driver's license is suspended until they 1) provide proof they have purchased insurance, 2) pay \$100 fine, and 3) provide a copy of payment agreement.

Drivers have learned after their license is in good standing, they can simply stop paying on the payment agreement. There is no threat, no penalty, and no recourse for Kansans and their insurers. Defaults on these agreements cost every Kansan in the form of increased insurance costs.

HB 2690 would enable the Kansas Department of Revenue to resuspend a driver's license upon notification from an insurance company that the driver is 60 days or more in default of a payment agreement. Sixty days would allow for payments "lost in the mail", and well-intentioned, but late payments. KDOR would then send a warning letter to the driver giving him/her 30 days to begin making payments again, or their license would be suspended.

If a driver begins paying on the agreement within those 30 days, the insurance company will notify the Department of Revenue, and the license will not be suspended. However, if the driver fails to begin payments again, the license is resuspended. The driver's license may only be reinstated when the driver 1) again provides proof of insurance, 2) pays another \$100 fine, and 3) is given clearance by the insurance company involved. The insurance company would contact KDOR alerting them to the driver's payment(s) toward the agreement. The \$100 fine will deter drivers from consistently defaulting on these payments.

My constituent, American Family Insurance agent Craig Jorgensen will elaborate on individual stories, but this is one easy way we can help contain insurance costs and encourage drivers to stay insured in Kansas.

To conserve State resources, I chose to use the balance of my stationery which does not reflect the following changes: my office is in the Docking State Office Building, 7th floor, and my telephone number is 785-296-7654.

House Insurance
Date: 2-9-06
Attachment # 1

TheKansasCityChannel.com

Jan. 30, 2006: Automobile Liability Insurance

POSTED: 8:56 am CST January 30, 2006
UPDATED: 8:36 am CST February 6, 2006

Once in a great while, we hear about a proposed change in the law that is a no brainer. Such is the case with a bill introduced in the Kansas Legislature by Rep. Stephanie Sharp of Lenexa.

Kansas law requires automobile liability insurance. Currently, if an uninsured driver is involved in an accident, their license is suspended. To get it back, they must pay a \$100 fine, show proof of insurance and, if at fault, commit to reimbursement of the other driver.

Too many of these uninsured motorists drop their insurance and stop paying victims as soon as they get their license back.

The proposal in Topeka would direct the Department of Revenue to resuspend the driver's license upon notice that a motorist cancels their insurance or defaults on the payment agreement.

It puts teeth into the requirement for liability insurance and makes it more likely that innocent drivers will not get stuck with a big repair bill.

In the long run, it could reduce the cost of premiums for all drivers.

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Feb. 9, 2006

Thank you very much for having me today! I appreciate the opportunity to discuss this problem with you.

First, I am not an attorney but someone who deals with the situation of uninsured motorists on a regular basis. I have been in the insurance business for 35 years and have been involved in many uninsured motorist situations, some of which have been very sad for our insureds and your constituents.

The common scenario in a non-injury claim where the claimant has no insurance goes something like this.

There is a traffic accident where one of the cars is uninsured and is at fault in the accident.

The other party (our insured, your constituent) therefore has to pay their deductible if they have collision coverage to get their car repaired. Without collision the car may be a total loss and need to be replaced and paid for by the insured.

The uninsured driver has their license suspended for driving without insurance and then must file financial proof with the state (SR22 filing) to get their license reinstated and set up a payment program to the insurance company to reimburse them and the insured for his deductible (normally \$500 to \$1000 in today's market) in order to get his suspension lifted. They also pay a token fine.

In a few months the uninsured driver can default on payments and we have no recourse such as suspending their license again or them paying another fine. In Kansas we are one of the few states where we have no recourse. When we notify our insured that payments have ceased and we have no recourse they become irate and question the law in Kansas that says insurance is mandatory. They are really concerned if they find out that the person who hit them is now out driving again and they are still out part of their deductible.

Hopefully, closing the loop hole in this law would prevent some of these defaults from happening and help our insureds and your constituents obtain restitution from the party that did the damage.

Your approval would be appreciated.
Some Points to Ponder about Uninsured Motorists.

Driving in Kansas is a privilege not a right.

An auto without insurance on it is a weapon, just like a gun.

An uninsured auto can take thousand's out of a victim's pocket (and yours in premium) by causing property damage or bodily injury. Doing this with a gun normally causes

House Insurance
Date: 2-9-06
Attachment # 2

jail time or if the driver is intoxicated it is looked at in a different manner.

To protect the drivers of Kansas who have insurance those who are stopped for a violation and can't provide proof of insurance within 72 hours should receive a fine in that amount of about six months of insurance. This would make them think twice about purchasing insurance or letting it lapse. It may cause uninsured motorist accidents to decrease.

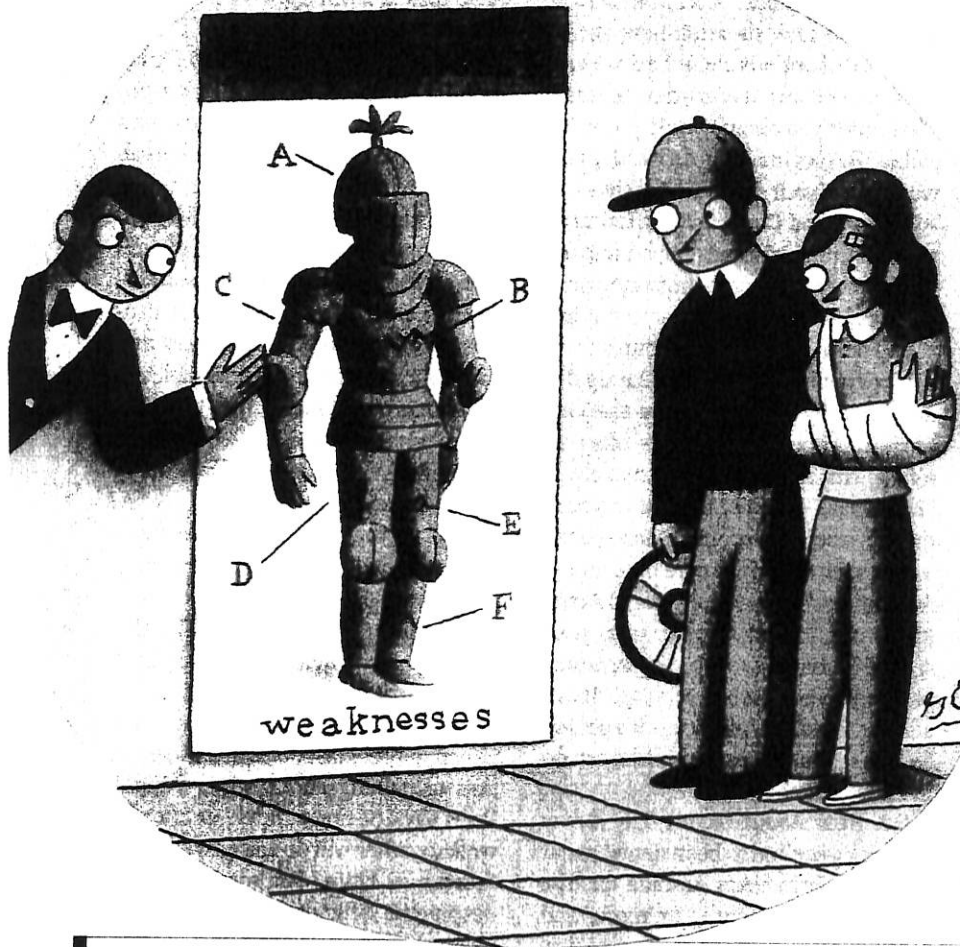
We have examples of victims of uninsured motorist claims and there are many where the damages have been devastating to one's family, income, health and auto. Just put yourself in their place and you can possibly imagine what it would be like.

Please feel free to call me with any questions and I would be happy any today that I can.

Thank you again for your attention!

Sincerely,

Craig Jorgensen



Can You Take A Hit?

A car accident reveals scary vulnerabilities in a couple's plan. Can they build a safer future?

LANGFORD AND TAYLOR ALLEN live in Boise, Idaho, with three children—two in high school and one in college (all plan to graduate from state schools with relatively low tuition costs). Langford, 59, owns a TV repair shop. Taylor, 54, is a stay-at-home mom. They thought their finances were secure. But in March 2003, a speeding driver collided into Taylor's car. She was injured quite badly and endured a two-week hospital stay and months of rehabilitation.

> **Strengths** Langford has \$55,000 in his IRA and major medical health insurance. He enjoys his work and doesn't plan on retiring anytime soon—which is a good thing.

> **Weaknesses** The Allens were expecting the other driver's insurance to cover all costs, but they got a rude reality check: The person had no insurance at all. Their own coverage was quickly

exhausted; Taylor's auto plan pays up to \$100,000 per injury by an uninsured motorist, but her bills totaled \$193,000. The Allens' health insurance covered 80 percent of the remaining medical costs (after they paid a \$5,000 deductible), so this left them holding the bag for \$23,000. The Allens' medical policy doesn't include a limit on their out-of-pocket costs—ouch. Replacing the car

also meant taking on a \$21,000 loan, so their debt totals \$44,000 and may grow if Taylor needs more treatment.

> **The Plan** In a nutshell, they need to get out of debt. The Allens must consult a lawyer and explore suing the other driver. If the driver has assets, they may recover some money and help with future medical expenses. (Folks, I know the word "lawyer" sets off alarms with some people, but this isn't a frivolous lawsuit!)

Second, they need to improve their major medical insurance so they're less vulnerable in the future. They want a policy that caps what they'll pay out of pocket—say, \$5,000 per year—and also has no lifetime limit on what the policy will pay (their current insurance maxes at \$1 million). They can get more tips on what to look for in health insurance from www.aarp.org/healthcoverage.

Third, the couple needs to visit an estate planner. They each need two critical things: a current will (they had theirs drafted in the 1980s) and medical directives. The latter includes a "living will," which gives directions for care should one of them become critically ill, and a power of attorney for health care that will let one spouse make decisions on the other's behalf.

Finally, the \$55,000 in Langford's IRA isn't nearly enough to cover his eventual retirement or to allow them to help their kids with college costs not covered by student loans. They should see a certified financial adviser and start a savings plan. With Langford's yearly income of \$60,000, stashing \$500 a month is reasonable. Langford should consider starting a solo 401(k), a fairly new option for self-employed people with no employees (other than a spouse). He will likely be able to contribute more a year to a solo 401(k) than an IRA, and he can also borrow from it if he needs some cash.

It often takes a crisis to make people identify problems and fix them. This was a harsh wake-up call, but it will make the Allens adopt a more secure plan and prevent problems later on.

GREG CLARKE

Polsinelli | Shalton
Welte | Suelthaus_{PC}

Memorandum

TO: THE HONORABLE CLARK SHULTZ, CHAIR
HOUSE INSURANCE COMMITTEE

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

RE: H.B. 2690

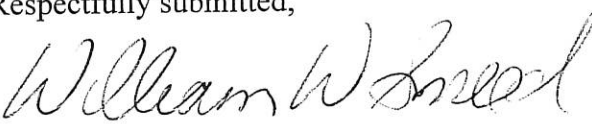
DATE: FEBRUARY 9, 2006

Madam Chair, Members of the Committee: My name is Bill Sneed and I am Legislative Counsel for The State Farm Insurance Companies. State Farm is the largest insurer of homes and automobiles in Kansas. State Farm insures one out of every three cars and one out of every four homes in the United States. We appreciate the opportunity to present testimony regarding H.B. 2690. After reviewing H.B. 2690, we would respectfully urge the Committee to act favorably.

As this Committee is well aware, the uninsured motorist question is an issue of great concern. Representative Sharpe's proposal to seal a gap in our current system seems reasonable and should be very effective.

Thus, we wholeheartedly support H.B. 2690 and urge the Committee's favorable consideration. I am available for further questions on this matter at your convenience.

Respectfully submitted,


William W. Sneed

WWS:kjb

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House Insurance
Date: 2-9-06
Attachment # 3



K A N S A S

JOAN WAGNON, SECRETARY

DEPARTMENT OF REVENUE
DIVISION OF VEHICLES

KATHLEEN SEBELIUS, GOVERNOR

TO: Chairman Clark Shultz
Members of the House Insurance Committee

FROM: Marcy Ralston, Chief, Driver Control Bureau
Division of Vehicles

DATE: February 9, 2006

SUBJECT: House Bill 2690 – Kansas Automobile Injury Reparations Act

Thank you Mr. Chairman and Committee Members. My name is Marcy Ralston, and I serve as the Chief of the Driver Control Bureau, Division of Vehicles, Department of Revenue.

The Division of Motor Vehicles certainly supports any effort toward reducing the number of uninsured motorists in Kansas, and we appreciate Representative Sharp consulting with us, regarding the effect of this bill may have on the Division's procedures. It is our understanding that additional revisions regarding the process of notification to the Division of default of a payment agreement have been made, that would make this bill easier to administer, and we support those changes. However, and as we have discussed with Representative Sharp, we would not want to see a "revolving door" effect. While the payment of an additional reinstatement fee may be a deterrent in itself, we respectfully propose only a one-time re-suspension of the privileges if the person defaulted on the payment agreement. Or, if the payment agreement has been breached once, the result would be a suspension until the full amount of the agreement is paid. It is of importance to the Division, because of the difficulty that it would impose, that we would not be put in situations to repeatedly suspend and reinstate a person's privileges depending upon whether a monthly payment has been made.

I appreciate the opportunity to speak on this bill and I stand for any questions.

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House Insurance
Date: 2-9-06
Attachment # 4