

## MINUTES OF THE SENATE FINANCIAL INSTITUTIONS AND INSURANCE COMMITTEE

The meeting was called to order by Chairman Ruth Teichman at 9:30 A.M. on February 1, 2006 in Room 234-N of the Capitol.

All members were present.

## Committee staff present:

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

## Conferees appearing before the committee:

Larry Magill, Executive Director, KAIA  
Julie Hein, Kansas Pharmacists Association

The Chair welcomed members of the FI&I Committee and staff.

## Bill introductions

Julie Hein, Kansas Pharmacists' Association, introduced a bill on behalf of John Kiefhaber. Ms. Hein said John Kiefhaber, also from the Kansas Pharmacists Association, attended the committee meeting January 31 and mentioned that he was working on a registration bill for PBMs (Pharmacist Benefit Manager) and I think they are just finalizing or getting approval for the final wording on that bill, but they are close. Senator Barone moved to introduce the proposed conceptual legislation. Senator Wysong seconded the motion. Motion passed.

## Hearing on:

(SB 422) - Surety bonds eliminating requirements for multiple sureties.

Larry Magill, Executive Director, Kansas Association Insurance Agents, testified as a proponent of (SB 422). Mr. Magill said (SB 422) came about as a result of one of their members being asked for a bridge construction performance bond with co-sureties by a county attorney. Co-surety arrangements are generally used to allow two sureties to share the risk on an extremely large project, he said. This project was not large. The agent involved was not able to convince any of their surety companies to share the risk on a small bridge project. The agent finally convinced the county attorney to ignore the statute and accept one surety, he said.

Mr. Magill said when the issue was discussed with the Insurance Department, they researched the statutes and came up with seven instances where the statutes call for co-sureties and drafted this bill. He said in the end, they decided not to introduce the bill but support our introduction. On further study, many of these statutes appear to have been set up for personal sureties, as opposed to corporate sureties. Personal sureties are individuals willing to pledge their personal assets to back someone else. Corporate sureties are insurance companies licensed to write surety bonds.

We view this as a simple clean up of archaic statutes and urge the committee to pass the bill favorably, he said. (Attachment 1)

The meeting adjourned at 10:05 a.m. The next meeting of the Committee is scheduled for February 2, 2006.

### Adjournment

Kansas Association of Insurance Agents



Testimony on Senate Bill 422  
Before the Senate Financial Institutions & Insurance Committee  
By Larry Magill  
February 1, 2006

Thank you madam Chair and members of the committee for the opportunity to appear today in support of SB 422, a measure introduced by your committee at our request. My name is Larry Magill and I represent the Kansas Association of Insurance Agents. We have approximately 425 member agencies across the state and another 125 branch offices that employ a total of approximately 2,500 people. Our members write roughly 70% of the business property and liability insurance in Kansas and 35% of the personal insurance. Independent agents are free to represent a number of different insurance companies.

Senate Bill 422 came about as a result of one of our members being asked for a bridge construction performance bond with co-sureties by a county attorney. The attorney had actually bothered to read the statute and it requires co-sureties with no option. Co-surety arrangements are generally used to allow two sureties to share the risk on extremely large projects, which this was not. This was a bridge project under KSA 2006 Supp 68-1402.

The agent involved, which is a large regional agency that handles a lot of construction bonds, was not able to convince any of their surety companies to share the risk on a small bridge project. The agent finally convinced the county attorney to ignore the statute and accept one surety.

When we discussed the issue with the Insurance Department, they researched the statutes and came up with seven instances where the statutes call for co-sureties and drafted the bill before you. In the end, they decided not to introduce the bill but support our introduction. On further study many of these statutes appear to have been set up for personal sureties, as opposed to corporate sureties. Personal sureties are individuals willing to pledge their personal assets to back someone else. Corporate sureties are insurance companies licensed to write surety bonds.

We are not aware of any personal suretyship that is going on today. It was something that was done frequently before there were corporate sureties but that was many years ago.

We view this as a simple clean up of archaic statutes and urge the committee to pass the bill favorably. We would be happy to answer questions or provide additional information.

*Senate FI & I Com.  
Attachment 1  
February 1, 2006*