

## 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 March 9, 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:

Rep. Rob Olson  
Harlan Parker, State Farm Ins.  
Bill Sneed, State Farm Ins.  
Rick Wilbourn, Farmers' Alliance  
Lee Wright, Farmers' Insurance  
Willy Richert, Farmers' Insurance  
Larry Magill, KAIA  
Jarrod Forbes, Kansas Insurance Dept.  
Jim Hanni, AAA  
Carmen Aldritt, Director of Vehicles  
Bill Brady, AAA

## Others attending:

See attached list.

The Chair called the meeting to order. The Chair called on Melissa Calderwood for an overview of **(HB 2553) - an act pertaining to the Kansas Department of Revenue; concerning the division of vehicles; prohibiting certain contracts relating to drivers' license renewal.** Ms. Calderwood said **(HB 2553)** would enact new law to prohibit the Kansas Department of Revenue, on and after the effective date of the act, from entering into, or renewing, any contract that authorizes the renewal of drivers' licenses at any office or other business location of any insurance provider who sells or is authorized to sell motor vehicle liability insurance in Kansas. Insurance producer is ascribed its statutory definition, KSA 40-4902, as any person licensed under the laws of another state to sell, solicit, or negotiate insurance. The defined term "insurance agent" includes the term "insurance producer" and means any person required to be licensed under the provisions of Chapter 40 in the Kansas Statutes Annotated to sell, solicit, or negotiate insurance.

The Chair called on Representative Rob Olson who introduced the bill for his testimony. Rep. Olson said the contract between the Kansas Department of Revenue and the American Automobile Association (AAA) represented a serious violation of free market principles and created an unfair advantage. The bill is also supported by the Kansas Insurance Department who suggested that if the contracts were continued, they should be issued to each and every group seeking them. Other supporters of the bill include American Family Insurance, Farmers Insurance Group, State Farm Insurance Companies, the Kansas Association of Insurance Agents, the Kansas Association of Property and Casualty Insurance Companies, the Kansas County Treasurer's Association, and two independent insurance agents, he said.

The Chair called on Harlan C. Parker, Auto-Life-Health-Home and Business, for his testimony. Mr. Parker said he understands the Department of Revenue's attempt to save taxpayers money and provide prompt and convenient service to Kansas consumers; however, this pilot program is designed to provide renewal services in under served areas. The Department of Revenue is providing this service to Kansas consumers to the detriment of other Kansas businesses, he said. He said it is disheartening to know that the State of Kansas is providing AAA and its insurance agents an unfair competitive advantage and asked that the committee favorably consider legislation which would stop the continuation of this program. (Attachment 1)

The Chair called Bill Sneed, State Farm Insurance. Mr. Sneed said this is a very simple issue dealing with fairness. He said any appearance, directly or indirectly, of one agency having a foothold over another is

CONTINUATION SHEET

MINUTES OF THE Senate Financial Institutions and Insurance Committee at 9:30 A.M. on March 9, 2006 in Room 234-N of the Capitol.

simply not fair, particularly if such an appearance is put forth by the government. Mr. Sneed urged the committee's favorable action on **(HB 2553)**. (Attachment 2)

The Chair called Richard E. Wilborn, Farmers Alliance, for his testimony. Mr. Wilborn said the insurance market in Kansas is very competitive and a level playing field is essential to maintaining a competitive market. If all producers are not given equal opportunity to provide the same services, then none should be allowed at all. **(HB 2553)** reflects this position by not allowing contracts for renewal of drivers' licenses at any office or business location or any insurance producer selling motor vehicle liability insurance. This would not prohibit the department of revenue from contracting with other non insurance businesses in order to make such services more accessible to Kansas citizens. (Attachment 3)

The Chair called Lee Wright, Governmental Affairs Representative, Farmers Insurance Group. Mr. Wright said Farmers Insurance believes the current AAA/DMV contract to permit driver license renewal facilities in AAA offices puts our agents at a competitive disadvantage in the marketplace. By promoting a sizeable increase in walk-in traffic for AAA offices, state government is essentially partnering with AAA, and their agents, to provide insurance customer leads. **(HB 2553)** would prohibit this arrangement. (Attachment 4)

Mr. Wright introduced Willi Richert, a Farmers Agent from Wichita, who gave an agent's perspective. Mr. Richert said the primary concern is that of securing leads. He said it is important to grow a business and in doing so, his company subscribes to Lead referral programs. These programs cost money and can be a substantial investment, he said. He urged the committee's support of **(HB 2553)**. (Attachment 5)

The Chair called Sandra Braden, Executive Director of Kansas Association of Insurance and Financial Advisors (KAIFA). Ms. Braden said the Department of Revenue's effort to provide the public a valuable service as being able to renew their driver's licenses through private vendors is commendable. Unfortunately, this also can provide an individual vendor with a competitive advantage when it comes to accessing customers and relating to a particular brand name of product. It also may provide an opportunity to establish a prior relationship in order to be able to contact the person who does come in to renew their drivers license and may decide to sign up for a newsletter or membership of AAA. KAIFA requests the committee's support of **(HB 2553)** to restore the equal marketing opportunity to the field. (Attachment 6)

The Chair called Larry Magill, Kansas Association of Insurance Agents. Mr. Magill said he applauds the Department of Revenue's efforts to provide drivers license renewal services over extended and more convenient hours. He said, however, they should look for a solution that will not involve granting a huge competitive advantage to one insurance agency out of thousands. Mr. Magill said KAIA urges the committee to pass **(HB 2553)** out favorably. (Attachment 7)

The Chair called Jarrod Forbes, Kansas Insurance Department. Mr. Forbes said the Kansas Insurance Department perceives the current contracts issued by the Kansas Department of Revenue that **(HB 2553)** addresses as unfair. He said we believe that if these contracts are to continue, they should be issued to every group that seeks them. He said KID supports **(HB 2553)** on the basis of fairness. (Attachment 8).

The Chair called James R. Hanni, AAA Executive Vice President for his testimony. Mr. Hanni said **(HB 2553)** is an unfriendly bill to constituents and consumers. If this bill becomes law, the State of Kansas has limited itself of options that would be cost-effective and helpful to its citizens. He said if this bill is endorsed for one industry, an industry that has every opportunity to participate in driver license renewal, where do you stop putting up protections. How do you explain the outsourcing of other types of licensing, such as hunting and fishing licenses to private sources that have increasingly different competitors. Mr. Hanni said he is proud that AAA has brought this idea to state government and that it has worked very successfully. He said he urged the committee not to send it to the full Senate. (Attachment 9)

The Chair called Carmen Alldritt, Director, Division of Motor Vehicles. Ms. Alldritt said the mission at the Department of Revenue is to provide accurate, efficient service to all Kansans. She said drivers' license offices work four, ten-hour days, Tuesday through Friday. She said in some locations this can result in lines and can be hard on folks taking time off work and those who have to travel some distance to a full service station.

FINANCIAL INSTITUTIONS & INSURANCE COMMITTEE GUEST LIST

DATE: March 9, 2006

NAME	REPRESENTING
Jim La Duke	State Farm
Tara Embanks	State Farm
LES HAMMETT	STATE FARM
Nancy Bivens	State Farm
DENISE BIVENS	STATE FARM
Harlowe Parkview	Harlowe Parkview Ins Agency, J/K.
Alex Kotolyantz	P.I. A.
<del>Danica Maciu</del>	KAIA
<del>Paula</del>	KID
Carmen Allrott	KDOR
DIANE ALBERT	KDOR
Larry Magill	KAIA
Michael Wilkoff	FAMI
BRIAN COX	KDOR
Lee Wright	Farmers Ins.
Willie J. Dieckhoff	Farmers + Ins.
Ed A. Pegg	Farmers Ins.
Sandy Braden	KAIFA
Bill Sued	State Farm
Lanie Anderson	AAA
David B. Hanson	Ks Ins Assoc
David R. Corbin	KDOR

Harlan C. Parker, CLU, ChFC  
Auto-Life-Health-Home and Business  
13095 S. Murlen Suite 180  
PO Box 4000-344  
Olathe, KS 66062  
Office: 913-782-3310 Fax: 913-782-4879

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Letter to Senators:

Dear Senator,

As a constituent and independent business owner, it has been brought to my attention that the Kansas Department of Revenue has approved using AAA offices throughout the state of Kansas to administer the renewal of drivers' licenses.

Representatives of the Department of Revenue will testify that this is a PILOT program. However, if allowed to continue and/or expand the program provides an unfair competitive advantage to AAA in the sale of insurance products since all AAA offices in Kansas are licensed to sell auto and homeowners insurance. Although, the insurance portion of the business is said to be sold in a different area of the AAA offices, this program undoubtedly provides AAA with government-sponsored access to potential auto and homeowner insurance customers. AAA will testify that there is no immediate contact by an insurance agent with consumers that visit an AAA office to renew their driver's license.

Imagine if you owned a law, real estate, mortgage lending, dentist office, bank, or some type of retail outlet and a state agency directed consumers to a competitor's location to conduct state business. Although your competitor may pledge that they would not solicit these consumers, your competitor has a distinct marketing advantage to present marketing information and collect contact information. If consumers required your services at a later date, which firm will they be inclined to contact - yours or your competitor's office which they had previously visited to conduct business with the State of Kansas?

I understand and respect the Department of Revenue's attempt to save taxpayers money and provide prompt, convenient service to Kansas consumers. This pilot program is designed to provide renewal services in underserved areas. While an understandable goal, the Department of Revenue is providing this service to Kansas consumers to the detriment of other Kansas businesses.

The insurance business is extremely competitive. I have been a State Farm Agent in Olathe for more than 27 years. As a State Farm agent, I am a sole proprietor working very hard and investing thousands of dollars to attract and retain policyholders. It is disheartening to know that the State of Kansas is providing AAA and its insurance agents this unfair competitive advantage.

*Senate FI & I Committee  
Attachment 1-1  
March 9, 2006*

Please favorably consider this legislation which will stop the continuation of this program that provides an unfair competitive advantage in the sale of insurance products and elevates the profile of AAA by using governmental resources

Sincerely,

Harlan C. Parker CLU, ChFC

Polsinelli | Shalton  
Welte | Suelthaus<sub>PC</sub>

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**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:** H.B. 2553

**DATE:** MARCH 9, 2006

Madam Chair, Members of the Committee: My name is William 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 our thoughts regarding H.B. 2553. Please be advised that we support H.B. 2553 and urge the Committee's favorable action. This bill was passed by the House 94-27.

During the spring of 2005, several of our agents contacted my client, inquiring as to how an insurance agency could also house a driver's license renewal office. The immediate concern of our agents was the ability to "cross-sell," and if nothing else, to get customers "in the door." We contacted the Kansas Insurance Department, and the Department in turn set up a meeting with the Department of Revenue. Ultimately a group of industry people met with Secretary Wagnon and her staff. Secretary Wagnon listened to our concerns and informed us that the renewal station at AAA in Lawrence was a pilot project that would run through the middle of August, and that she would review the situation in July of 2005. On July 13, 2005, Secretary Wagnon informed the Kansas Insurance Department through Mr. Bob Tomlinson, Assistant Commissioner, that the Department of Revenue continued to believe the project in Lawrence was a success, that they were going to continue it after the 90-day pilot project time frame, and that they would most likely expand the project in the Wichita and Topeka areas. Thereafter, during the fall of 2005 members of the insurance industry met with the Governor's staff with respect to this issue. These discussions culminated in a letter dated October 21, 2005 written to Mr. Findlay memorializing the industry's concern. After repeated attempts to procure a response to that letter, as of this date we have still received nothing further from the Governor's office.

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One AmVestors Place  
555 Kansas Avenue, Suite 301  
Topeka, KS 66603  
Telephone: (785) 233-1446  
Fax: (785) 233-1939

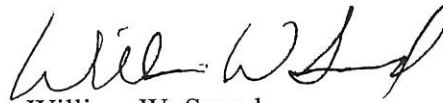
*Senate FI & I Com.  
Attachment 2-1  
March 9, 2006*

This is a very simple issue dealing with fairness. Our agents are locally-owned, small business people competing in the marketplace. Any appearance, directly or indirectly, of one agency having a foothold over another is simply not fair, particularly if such an appearance is put forth by the government. Attached is a copy of a photo taken of the Lawrence establishment when it first opened its driver's license renewal office. Whether intended or not, this accurately demonstrates our agents' concern.

Further, this is not just about selling insurance. Once a DMV customer joins AAA, AAA is then free to solicit this "new" member outside the bounds of the no-call list. Thus, AAA develops a unique prospecting list, and that is patently unfair. We believe H.B. 2553 should be passed, and we urge this Committee's favorable action.

We appreciate the opportunity to present this testimony, and if you have any questions, please feel free to contact me.

Respectfully submitted,



William W. Sneed

WWS:kjb  
Attachments

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# Kansas Travel & Insurance

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**KANSAS DRIVER'S LICENSE RENEWAL**

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DRIVERS LICENSE  
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# farmersAlliance

Insuring Rural America Since 1888

To: Senate Financial Institutions and Insurance Committee

From: Richard E. Wilborn

Re: House Bill No. 2553

Date: March 9, 2006

Madam Chairman and Members of the Committee, I appreciate this opportunity to share our views concerning the AAA/DMV issue.

My name is Rick Wilborn. I am Vice President of Government Affairs for the Farmers Alliance Mutual Insurance Companies. Farmers Alliance is a Kansas domestic property and casualty company that has been operating in and committed to the State of Kansas since 1888. We also write property and casualty insurance in eight other contiguous states.

We market our products through 190 Independent Agents in Kansas. These agents are independent business people and community leaders that are anxious to compete in a fair and open market place.

Our company, along with other industry representatives, supports the provisions of House Bill 2553. While we appreciate the intent of making governmental services more accessible to Kansas citizens, we are concerned that the offering of those services might lead to confusion as a potential endorsement by the state of a selected insurance producer or carrier. This provides a competitive advantage to the producers and carriers that have this joint state industry relationship.

The insurance market in Kansas is very competitive and a level playing field is essential to maintaining a competitive market. If all producers are not given equal opportunity to provide the same services, then none should be allowed at all. House Bill 2553 reflects this position by not allowing contracts for renewal of drivers' licenses at any office or business location or any insurance producer selling motor vehicle liability insurance. This would not prohibit the department of revenue from contracting with other non insurance businesses in order to make such services more accessible to the Kansas citizens.

We therefore support House Bill 2553 and urge your favorable consideration of this bill.

1122 N. Main, P.O. Box 1401 • McPherson, KS 67460  
620.241.2200 • fax 620.241.5482 • www.fami.com  
Farmers Alliance Mutual Insurance Company  
Alliance Indemnity Company • Alliance Insurance Company, Inc.

*Senate FI & I Committee  
Attachment 3-1  
March 9, 2006*



**FARMERS**

Kansas State Executive Office  
10850 Lowell  
Overland Park, Ks. 66210  
Bus 913.661.6580  
Fax 913.323.6172

March 9, 2006

**Testimony on HB 2553  
Senate Financial Institutions and Insurance Committee**

**Lee Wright, Governmental Affairs Representative**

Madam Chairperson and Members of the Committee. My name is Lee Wright and I represent Farmers Insurance. Thank you for this opportunity to appear in support of House Bill 2553.

Farmers Insurance has been doing business in Kansas since 1930. We are very proud to have over 1,900 employees working in Kansas and more than 300 exclusive Farmers Agents serving customers throughout our state.

Farmers Insurance believes the current AAA/DMV contract to permit driver license renewal facilities in AAA offices puts our agents at a competitive disadvantage in the marketplace. By promoting a sizeable increase in walk-in traffic for AAA offices, state government is essentially partnering with AAA, and their agents, to provide insurance customer leads. HB 2553 would prohibit this arrangement.

This issue is primarily an agent issue and it has to do with fairness. Passage of HB 2553 would afford all property and casualty insurance agents a fair and level playing field on which to compete. It was, in fact, a Farmers agent in Lawrence, Mr. Tom Pollard, who first alerted my company in May 2005 of the AAA/DMV arrangement. Tom's immediate concern was that his own state government was now unfairly subsidizing the marketing efforts of a hometown competitor.

Last summer, we advised our agency force the DMV had announced it was considering expanding license renewal operations to other AAA offices in Kansas. Alarmed by this news, many Farmers Agents took time to write Department of Revenue Secretary, Joan Wagnon, to express their concerns about the program. Yet to my knowledge, none of those agents ever received a response from the Secretary.

Because it is the individual insurance agent that's most affected by this AAA/DMV arrangement, we thought the Committee would be well served to hear from one of our agents. With the Chairman's permission, I would like to introduce Willi Richert. Mr. Richert is a Farmers Agent in Wichita, and can provide you an agent's perspective on this matter.

*Senate FI & I Committee  
Attachment 4  
March 9, 2006*



**Willi J. Richert**  
1900 N Amidon Suite 216  
Wichita, KS 67203  
316-838-1486  
Fax 316-838-1488

March 8, 2006

Re: House Bill No. 2553

Good Morning,

I would like to thank the committee this morning for allowing me to voice my opinion supporting House Bill #2553.

My name is Willi J. Richert. I have offices in Wichita and Eureka serving a diverse population of our state. I have been an agent for 30 years and have an above average size agency. We, at Farmers, own our agencies and are required to develop them from our own efforts. We work 6 days a week and are required to serve our clients 24/7. Agencies are developed through hard personal work, advertising and spending our own money in our communities to run a successful business.

We, as agents are required to solicit business as afforded by Federal and State Laws, however, the ability to compete for business will be changed if the State of Kansas helps subsidize the marketing efforts of AAA.

The rules can change when the client relationship is established. Some issues are the bypassing of the Do Not Call laws and future solicitation allowed by a state endorsed business relationship.

AAA handling drivers license renewals would imply an endorsement by the State of Kansas to use other products and services sold by AAA.

I know that this is not the intention of the State of Kansas, but it will be interpreted as such.

If House Bill #2553 is not passed, it will change the playing field on how the other agents and companies have to do business in our state.

Though there are several issues, the primary concern is that of securing leads. In our agency as well as others, it is important to grow our business. In doing so, we subscribe to Lead referral programs. These programs allow you to focus on the clientele that best

*Senate FI&I Committee  
Attachment 5-1  
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fit your agency. The programs do cost money and can be a substantial investment as a day to day expense. Having leads provided at no cost can indeed give an agency or company a marketing advantage over the competition.

Thank you for allowing me to express my concerns.

Sincerely,

A handwritten signature in cursive script that reads "Willi J. Richert". The signature is written in black ink and is positioned below the word "Sincerely,".

Willi J. Richert  
Willi J Richert Agency



**Testimony of Sandy Braden**  
**Kansas Association of Insurance and Financial Advisors (KAIFA)**  
**In Support of HB2553**  
**Before the Senate Financial Institutions and Insurance Committee**  
**March 9, 2006**

Madame Chairman and Committee Members:

Thank you for the opportunity to provide testimony to the Senate Financial Institutions and Insurance Committee today on behalf of the members of Kansas Association of Insurance and Financial Advisors (KAIFA) in support of HB2553. Our membership consists of 1,000 Kansans who are actively engaged as life, health, property and casualty insurance agents and financial advisors.

In today's highly competitive marketplace and expanded product offerings, KAIFA supports HB2553 from a position of fairness of access to customers.

KAIFA members are running small businesses where equal access to customers to important to their success.

The Department of Revenue's effort to provide the public a valuable service as being able to renew their driver's licenses through private vendors is commendable. Unfortunately, this also can provide an individual vendor with a competitive advantage when it comes to accessing customers and relating to a particular brand name of product. It also may provide an opportunity to establish a prior relationship in order to be able to contact the person who does come in to renew their drivers license and may decide to sign up for a newsletter or membership of AAA.

And with the limitations of the No Call Act and the very competitive market that our agents deal with, it is important that one particular business not receive a benefit of access to potential customers over another, with a state agency providing the potential customers.

KAIFA respectfully requests supports HB2553 to restore the equal marketing opportunity to the field.

Thank you for your consideration.

Sandra Braden  
Executive Director of KAIFA

*Senate FI & I Commi Hee  
Attachment 6  
March 9, 2006*

Kansas Association of Insurance Agents



Testimony on House Bill 2553  
Before the Senate Financial Institutions and Insurance Committee  
By Larry Magill  
March 9, 2006

Thank you madam chair and members of the committee for the opportunity to appear today in support of HB 2553, a measure introduced by Representative Olson. 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.

**Un-level Playing Field**

Since last spring, our association along with others in the insurance industry, has been working with the Kansas Department of Revenue in an attempt to resolve our concerns with the test pilot they began with the AAA's Lawrence office to offer drivers license renewal services. Our concern is based on the fact that AAA offers insurance to their customers, and by virtue of the status given them by the Department of Revenue, appear to be preferred providers of auto insurance. This makes it look like AAA is the authorized, endorsed, sanctioned and approved state auto insurance agency in Lawrence Kansas. Its kind of the "mother of all Good House Keeping Seals of Approval", if you will.

This concept by DOR creates an un-level playing field among the 23,000 resident insurance agents in Kansas that no amount of tweaking by DOR will fix.

This is significantly different than offering the drivers license renewals in Libraries. Libraries do not sell products, especially not one as closely related to drivers' licenses as insurance.

**Significant Cost Barriers**

For one, there are significant cost barriers to prevent the Department of Revenue from allowing this service to be offered by any agency that wanted the competitive advantage. It is our understanding that the state supplied AAA with approximately \$20,000 in equipment to undertake the pilot plus the cost of a T-1 line at an estimated \$500/month. I do not know if the state or AAA is paying the cost of the T-1 line to provide broadband Internet access.

This makes it impossible for the state to allow every willing agency to offer the service. In fact the Department of Revenue has stated that they only intend to offer the option in "underserved" areas, which hasn't been defined.

**No Competitive Bids**

The contract was awarded to AAA without competitive bids. In fact, it was simply announced after the fact that the Department of Revenue was implementing the new program. If it had been subject to competitive bidding, perhaps the bidder would have offered to pay the cost of

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equipment and broadband access. In fact, one carrier requested that they be advised of any similar opportunities and they never were.

Even though a fair process was not followed in awarding the existing contract, no amount of competitive bidding will eliminate the fact that a handful of competitors will appear to have favored status in this state to the detriment of all others.

### **Cross-Selling Will Occur**

My youngest son Mark, who was home from college last November, went into the AAA office in Lawrence to renew his driver's license and was asked if he wanted a quote on his auto insurance. They even told him that, "they had an insurance special for people renewing their license". But trust me, AAA doesn't want to insure him!

The contract has a vague phrase in it under section (11) that "AAA may **offer** its service and products for sale to any DMV customer on AAA Premises, but may **not solicit** the sale of such products or services directly to DMV customers." The problem is a provision like that is virtually impossible to police.

For example, under their contract, AAA is prohibited from capturing data on who renews their licenses there unless they sign up for a free service or a AAA membership. So a prohibition on attempting to sell insurance to people who walk in for a drivers license forever would be virtually impossible to comply with or enforce. And what if the customer came to the AAA office in Lawrence for their drivers license renewal but, because of that contact, they went to the AAA office in Topeka to buy auto insurance?

### **Security a Concern**

In view of the significant role that drivers' licenses play in establishing a person's identity and even citizenship to a certain extent, we think the state should maintain the tightest control over issuance of licenses including renewals. This important government function should not be farmed out to anyone willing to offer Monday and Saturday hours.

### **There Are Better Solutions**

We applaud the Department of Revenue's efforts to provide drivers license renewal services over extended and more convenient hours. However, we urge them to look for a solution that will not involve granting a huge competitive advantage to one insurance agency out of thousands.

We urge the Committee to pass HB 2533 out favorably. We would be happy to answer questions or provide additional information. Thank you for your consideration of this issue.





# Kansas Insurance Department

F14I  
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**Sandy Praeger** COMMISSIONER OF INSURANCE

COMMENTS ON  
HB 2553  
PROHIBITING CERTAIN CONTRACTS RELATING TO DRIVERS LICENSES  
SENATE FINANCIAL INSTITUTIONS AND INSURANCE

Madam Chair and members of the committee:

Thank you for allowing me to appear on behalf of the Kansas Insurance Department. The department supports HB 2553 on the basis of fairness.

The department perceives the current contracts issued by the Kansas Department of Revenue that HB 2553 addresses as unfair. We believe that if these contracts are to continue, than they should be issued to each and every group that seeks them.

However, we do believe that the best practice is to not allow entities that sell or are authorized to sell property and casualty insurance to also be renewing drivers licenses. Our concern is with the potential for inappropriate cross marketing of products.

Thank you for allowing me to testify before you today, and I would be happy to answer any questions you may have.

Jarrod Forbes  
Government Affairs Officer

Senate FI&I Committee  
Attachment 8  
March 9, 2006



**TESTIMONY**  
**James R. Hanni,**  
**AAA Executive Vice President, Kansas Region & Public Affairs**  
**March, 9, 2006**  
**Senate Financial Institutions & Insurance Committee**  
**HB 2553**

Thank you for the opportunity to visit with you regarding House Bill 2553. I have looked forward to the opportunity to tell you about what we are doing for the citizens of Kansas with the driver license renewal test pilot project in our Lawrence office, how it got started and why.

By way of background, it is critical to understanding our interest in driver license renewal to understand AAA and our reason for being. AAA is a not-for-profit tax-paying Federation of 59 auto clubs in the U.S. that was founded 104 years ago in Chicago by auto enthusiasts with a traffic safety/motorist interest and purpose, as well as one of providing desired member services to our dues-paying members. Today, about 27% of all the cars on the road are driven by AAA members and there are about 240,000 AAA members in Kansas.

Good driver licensing laws are important to everyone. There are 42,000 traffic deaths each year in the U.S., making it one of the top ten reasons for death in this country. We are the publisher of the national digest of motoring laws, the handbook of law enforcement as they work with interstate licensing issues across the country. AAA also produces the "license to learn" driver education curriculum which, to my knowledge, is THE curriculum used by everyone who teaches driver education in Kansas. I have provided each of you with copies of both of these resource materials, with our compliments. We have been and ARE the exclusive issuer of International Driver Permits in each of our AAA offices.

The reason we introduced the idea of handling driver license renewals in AAA offices was how well it has served citizens in other states we serve. Our national office surveyed AAA clubs in February and found currently that a dozen clubs are providing a variety of DMV services to state governments.

We have facilities with a floor plan and room to serve the public & the driver license format, since we are already taking passport photos, and are the exclusive issuer of international driver permits. We have staff heavily trained with a member service orientation, and that has served us well in the DMV pilot. We get 'em in and we get 'em out, with friendly service, and the public that has used it loves it.

We have brought retail hours the DMV doesn't have. We are open later each night of the week, until 6 p.m., and we are open on Saturdays. Last Saturday, March 4, our Saturday hours in Lawrence were expanded from 9-1 to 9-3. We are open Mondays and Saturdays when the DMV is closed.

*Senate FI & I Committee  
Attachment 9  
March 9, 2006*

We agreed to conduct a pilot project, just in this Lawrence office to see how it would work. The Lawrence office is on the opposite side of town from the DMV office in north Lawrence, in Lawrence's fast-growing south and west side, at Clinton Parkway and Kasold in the Parkway Center.

The pilot program has featured AAA employees, employees at our cost, using our facility, not a state facility. The state provides their equipment and system, data line, training and oversight. THERE IS NO EXCLUSIVITY IN OUR PROGRAM. The state has stayed free to accept offers from other vendors, if they wish.

The state wins in several ways. They extend a wider range of service – high quality service at more convenient hours to the public – and they do so without any of the principal expenses of labor and overhead – hardly any cost.

AAA wins, too: We provide additional motorist public affairs programming to extend our purpose of assisting motorists and we are able to better justify our hours and personnel to serve our members with an additional reason for traffic.

Most importantly, the taxpaying public wins: They get great service – a more convenient location and hours more convenient to their work schedules.

Auto insurance is a natural service for us to offer as an auto club, but it is a sub-set of what we do and we have fewer than 4% of our Kansas membership that have an insurance policy and generate 3% of our revenue from insurance. We have fewer than 6,000 customers and under \$5 million of premium volume. That's less than 1.8% of State Farm's premium volume alone. We have a total of four sales agents in our seven offices. *If we didn't have an insurance agency, the same decision to offer help would have been given to the state.*

The AAA staff that serves DMV renewal patrons in the Lawrence pilot program spend the rest of their time providing AAA member service, providing maps, tourbooks, triptik routings, international driving permits, passport photos, and sell travelers checks and travel store items we have for sale. None of them are licensed insurance agents. We have one insurance agent in that office and she is prohibited from helping at that counter and has not. True to our pledge, our agent has not solicited any DMV patrons during this pilot program.

We would expect and support that any future extension would be through an RFP process. The state may wish to extend an RFP to areas we do not have an office. However, it would be grossly unfair to exclude us by the action of this bill.

If others can dedicate staff and service, better hours of service, parking and the facility to help extend better service to citizens at less cost, at locations where the state has a need, the way Carmen Alldritt and her people have done through our pilot program in Lawrence, all the better for the citizens and taxpayers of Kansas.

Well, AAA must be making a killing on this, right? Don't forget our purpose! Here are our numbers, for the 9 ½ months of the Lawrence pilot, through February:

- 1,957 driver license renewals from mid-May through February
- \$3,914 in \$2 DMV service fees generated.
- \$15,770 labor costs-additional staff hired-DMV (no benefits taken)
- \$18,165 total estimated costs due to DMV (with representative 10% of our overhead expenses factored)
- Net Loss = \$14,251
- Other revenue generated: \$6,800 est. from 170 memberships purchased over a 9 ½ month period.
- 27% of DMV renewals were handled when the state DMV was closed.

HB 2553 is an unfriendly bill to constituents and consumers. In addition, if this bill becomes law the State of Kansas has limited itself of options that would be cost-effective and helpful to its citizens.

If you believe in the concept of the contribution public/private partnerships can make with state government initiatives, who in the private world does NOT have competitors?

If you endorse this bill for one industry, an industry that has every opportunity to participate in driver license renewal, where do you stop putting up protections? How do you explain the outsourcing of other types of licensing, such as hunting and fishing licenses, to private sources that have increasingly different competitors, both traditional and non-traditional like we do?

Representing AAA, I am proud we have brought this idea to state government and that it has worked very successfully. I'm proud that it's been a good thing for the public and taxpayers and I urge you NOT to send it to the full Senate.

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**AAA Kansas  
Lawrence DMV Activity Summary  
May, 2005 - February, 2006**

	<b>DMV Rnwls</b>	<b>Mondays</b>	<b>Saturdays</b>	<b>Mon &amp; Sat Combined</b>	<b>Mon &amp; Sat % of Total</b>
<b>May</b>	241	49	35	84	34.9%
<b>Jun</b>	303	65	27	92	30.4%
<b>Jul</b>	241	30	32	62	25.7%
<b>Aug</b>	240	48	21	69	28.8%
<b>Sep</b>	193	19	21	40	20.7%
<b>Oct</b>	179	37	26	63	35.2%
<b>Nov</b>	165	24	15	39	23.6%
<b>Dec</b>	154	12	12	24	15.6%
<b>Jan</b>	115	18	11	29	25.2%
<b>Feb</b>	<u>126</u>	<u>12</u>	<u>10</u>	22	17.5%
	<b>1,957</b>	<b>314</b>	<b>210</b>	<b>524</b>	<b>26.8%</b>
<b>Av. Mo.</b>	196	31	21	59	30.2%

INCOME AND EXPENSE ESTIMATE FOR DMV PILOT PROJECT  
AAA LAWRENCE DISTRICT OFFICE  
MAY, 2005-FEBRUARY, 2006

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**INCOME**

DMV Renewals \$3,914 1,957 renewals (May-Feb) x \$2.00  
**TOTAL INCOME** \$3,914

**EXPENSES**

Compensation for 1 DMV employee 15,770 May-Feb salary; opted out for 401K and health insurance benefits  
Lawrence Overhead Expenses - 10% \$2,395 representing a 10 mo. estimate, May '05 - Feb '06  
**TOTAL EXPENSES** \$18,165

**NET INCOME (LOSS)** (\$14,251)

**OTHER**

New Mbr. Joined \$6,800 170 Non-Members joined x \$40 per membership\*  
**TOTAL OTHER** \$6,800

\*membership is a not for profit operation; the dues revenue is 100% allocated to services that need to be provided, so can't be taken in consideration of the profitability

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## House bill targets license program

Lawmakers say AAA gets unfair advantage as renewal site

By [Scott Rothschild](#) ([Contact](#))

Wednesday, January 25, 2006

Topeka — In May, the state started a pilot project with AAA in Lawrence to process driver's license renewals.

The experiment has been a success, state officials say, saving tax dollars and providing convenience to customers.

But on Tuesday, the House Insurance Committee crushed the idea, recommending approval of a bill sought by the insurance industry that would end the AAA arrangement in July.

Several committee members said the deal gave AAA an unfair advantage in marketing and selling insurance over other companies.

"This is a gold mine of leads for AAA," said Rep. Dick Kelsey, R-Goddard. "It's a matter of fairness, and this is unfair to everyone else."

Carmen Alldritt, director of vehicles within the Kansas Department of Revenue, vowed to fight the legislation.

"This is just part of the process," she said after the committee voted.

In dispute was the Revenue Department's contract with AAA in Lawrence to handle driver's license renewals at its 3514 Clinton Parkway location.

Since the program began in May, AAA has processed 1,800 licenses and will save the state \$235,000 in one year from not having to open a new office, officials said.

But insurance agents and companies said the arrangement was unfair because AAA also sells insurance. They feared AAA would have an advantage finding new customers.

"Any appearance, directly or indirectly, of one agency having a foothold over another is simply not fair, particularly if such an appearance is put forth by the government," William Sneed, representing State Farm Insurance Co., the largest auto and home insurer in Kansas, said in testimony last week.

Several other insurance companies, associations and even the Kansas Department of

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Insurance voiced displeasure with the Revenue Department's program with AAA.

But James Hanni, AAA executive vice president of the Kansas region, said the nonprofit company was trying to provide a service and had signed a written agreement to not give insurance policy quotes to any customer who came in to renew their driver's license.

"The only concerns are from the insurance industry, and zero complaints are from the public," he said.

House Bill 2553 would prohibit the Revenue Department from contracting with businesses for driver's license renewal services.

Committee Chairman Clark Shultz, R-Lindsborg, commended the Revenue Department for trying to find ways to better serve customers, but said the arrangement with AAA gave the perception that the company has an unfair advantage getting insurance customers.

But Rep. Nile Dillmore, D-Wichita, said the deal should be allowed to continue because it was convenient for customers and no insurance company was able to document any instance where AAA gained new insurance business.

"Without any testimony that there is any actual harm being done by this program, I don't want to squash it," Dillmore said.

The committee, however, on a voice vote recommended approval of the bill prohibiting such programs by the full House.

## Comments

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**Posted by [blue73harley](#) (anonymous) on January 25, 2006 at 6:31 a.m. (Suggest removal)**

My wife and I renewed our licenses at AAA and there was no attempt to sell us insurance. We both liked the convenience that this provided. I have recommended this option to several friends. I asked them about it later and they said that there was no attempt to sell them insurance either. I have to admit, though, that on it's face it does look like unfair competition.

**Posted by [miker](#) (anonymous) on January 25, 2006 at 7:51 a.m. (Suggest removal)**

The best government service provided by a non government service ; I was in & out in 20 minutes at AAA vs. the 45-60 minute wait at the DMV. Not once did I get solicited for their service. Yes ; only insurance companies are complaining & will probably get ( have ) their way with the state legislature.

**Posted by [consumer1](#) (anonymous) on January 25, 2006 at 8:22 a.m. (Suggest removal)**

This is a gold mine of leads for AAA," said Rep. Dick Kelsey, R-Goddard. Let me guess this must interfere with the free trip to some tropical paradise the big insurance companies are giving to members of the house. What could a politician possibly know about what is fair??? and not fair. This boils down simply to who pays off our representatives. Triple A apparently didn't offer to sweeten the pot for our reps.

**Posted by [mcoan](#) (anonymous) on January 25, 2006 at 8:22 a.m. (Suggest removal)**

"House Bill 2553 would prohibit the Revenue Department from contracting with businesses for driver's license renewal services."

I love it when the GOP gives up its long-held principles like privatization of govt. services, deficit reduction, "state's rights," etc. And they have been so bold as to call Democrats "flip floppers?" Puhleeeez..... No wonder I became a Democrat last year after having been a registered Republican for 25 years.

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Posted by [merrill \(anonymous\)](#) on January 25, 2006 at 8:57 a.m. ([Suggest removal](#))

Utter stupidity. I know of no one who buys insurance through AAA. Not only that it would be unethical for AAA to approach a drivers license customer. From what I've read ethics is not a problem not at AAA...perhaps in Topeka.

Posted by [badger \(anonymous\)](#) on January 25, 2006 at 11:53 a.m. ([Suggest removal](#))

"But James Hanni, AAA executive vice president of the Kansas region, said the nonprofit company was trying to provide a service and had signed a written agreement to not give insurance policy quotes to any customer who came in to renew their driver's license."

Sounds pretty simple to me. If proof that they're violating that written agreement can be found, then pull their contract. If not, shut up about it.

Now, if it were tag renewal instead of license renewal, I could see concerns. If John Doe comes in without proof of insurance (never mind that everyone knows you need it; I have still been in line behind people who didn't have it), it is awfully convenient for him to get that insurance ten feet from where he's standing. But you don't need insurance for license renewal, last I checked, and it doesn't present that sort of conflict.

It's just a convenience and money-saving thing.

Posted by [Jamesaust \(anonymous\)](#) on January 25, 2006 at 12:33 p.m. ([Suggest removal](#))

I'm confused - I thought that the libertarian-wing of the GOP favored contracting out government services?

How is this unfair competition? Are there other companies with whom the State is refusing to enter into similar arrangements?

"'This is a gold mine of leads for AAA,' said Rep. Dick Kelsey, R-Goddard.' Yes, apparently leads cut off for the insurance industry to contribute to politicians' re-election campaigns.

Posted by [Hong Kong Phooey \(anonymous\)](#) on January 25, 2006 at 12:46 p.m. ([Suggest removal](#))

\*sigh\* I long for the good ole' days when there were more than two political parties. At least the arguments weren't so tired...

Posted by [monalucyq \(anonymous\)](#) on January 25, 2006 at 2:17 p.m. ([Suggest removal](#))

Ridiculous. This is not considered an unfair advantage where AAA is stealing other companies' business.

Is it never even considered that the fact that a company is trying to make getting a DL a little more convenient is actually a good thing? AAA is not promising any insurance advantages to those to renew DL at their office, nor are they advertising the two together. It's a great convenience for the community and a huge jump in the right direction in the consumer's eyes.

Other companies are greedy because they don't have this, and are probably also kicking themselves for not having it first. And the government is shaken since there is actually somewhere else to spend the day than at the DMV. Their heads are turned to ignore the fact that it SAVES MONEY.

If the public opinion ever mattered, then this should be it. It's called promoting competition between businesses. Happens every day. Don't make the rest of us suffer just for your greed.

Posted by [unite2revolt \(anonymous\)](#) on January 25, 2006 at 4:31 p.m. ([Suggest removal](#))

A simple solution would be to bid out the contracts in each county. If State Farm wants to PAY the state MORE than its competitors (AAA? poses the question of how much a non-profit membership organization competes with a for-profit insurance company) then let them.

Then instead of just saving the state money, the state actually gets revenue from the private sector. That I don't know, could be used to pay for schools or maybe HealthWave.

### Post a comment

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## DMV Services

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State	Club	Contact	Comments
California	Auto Club of So. California	Alice Bisno <a href="mailto:Bisno.Alice@aaa-calif.com">Bisno.Alice@aaa-calif.com</a> Brenda Yager <a href="mailto:yager.brenda@aaa-newmexico.com">yager.brenda@aaa-newmexico.com</a>	<ul style="list-style-type: none"> <li>• Vehicle registration</li> <li>• Do not do driver's licenses – however, the DMV has expressed an interest in having us do them</li> </ul>
California	CSAA	Merry Banks <a href="mailto:Merry_Banks@csaa.com">Merry_Banks@csaa.com</a> Jenny Mack <a href="mailto:Jennifer_Mack@csaa.com">Jennifer_Mack@csaa.com</a>	<ul style="list-style-type: none"> <li>• DMV services are offered to members (at select locations in N. California)</li> <li>• Enrique Ortiz manages this program for CSAA (415) 934-3379</li> </ul>
Connecticut	AAA Allied Group	Hal Doran <a href="mailto:hdoran@aaa-alliedgroup.com">hdoran@aaa-alliedgroup.com</a>	<ul style="list-style-type: none"> <li>• Driver's license renewal for approximately 13 years</li> <li>• Process 200,000/year</li> <li>• 30% are non-members</li> </ul>
Connecticut	Connecticut Motor Club	Fran Mayko <a href="mailto:fmayko@aaact.com">fmayko@aaact.com</a>	<ul style="list-style-type: none"> <li>• Driver's license renewal for members and non-members</li> <li>• Link to the CT DMV site (AAA information): <a href="http://www.ct.gov/dmv/cwp/view.asp?=808&amp;Q=244578&amp;dmvPNavCtr= 28077 #28078">http://www.ct.gov/dmv/cwp/view.asp?=808&amp;Q=244578&amp;dmvPNavCtr= 28077 #28078</a></li> </ul>
Florida	Auto Club South	Kevin Bakewell <a href="mailto:kbakewell@aaasouth.com">kbakewell@aaasouth.com</a>	<ul style="list-style-type: none"> <li>• One large DMV operation in the Tampa headquarters</li> </ul>
Kansas	AAA Allied Group	James Hanni <a href="mailto:jhanni@aaakansas.com">jhanni@aaakansas.com</a>	<ul style="list-style-type: none"> <li>• Pilot program of Driver License Renewal only at one office.</li> </ul>
Minnesota	AAA Minneapolis	Dawn Duffy <a href="mailto:Dduffy@aaaminneapolis.com">Dduffy@aaaminneapolis.com</a> Ken Mohr <a href="mailto:KMohr@aaaminneapolis.com">KMohr@aaaminneapolis.com</a>	<ul style="list-style-type: none"> <li>• Full-service license bureau at the Minneapolis headquarters</li> </ul>
Nevada	AAA Nevada	Michael Geeser <a href="mailto:Michael_Geeser@csaa.com">Michael_Geeser@csaa.com</a> Jenny Mack <a href="mailto:Jennifer_Mack@csaa.com">Jennifer_Mack@csaa.com</a>	<ul style="list-style-type: none"> <li>• Just opened two DMV kiosks in So. Nevada</li> <li>• Offers services to members and non-members</li> </ul>
New York	Automobile Club of New York	Stephen Tunis <a href="mailto:STunis@aaany.com">STunis@aaany.com</a>	<ul style="list-style-type: none"> <li>• Register vehicles and turn in license plates, as well as answering general DMV questions</li> </ul>
Ohio	AAA Ashland County	Jim Click <a href="mailto:jclick@ohio.aaa.com">jclick@ohio.aaa.com</a>	<ul style="list-style-type: none"> <li>• 4 or 5 AAA operated license agencies</li> </ul>

Ohio	AAA Massillon Auto Club, Inc.	Jeff Bushman <a href="mailto:jbushman@aaamassillon.com">jbushman@aaamassillon.com</a>	<ul style="list-style-type: none"> <li>Operates a Bureau of Motor Vehicles (BMV) for the State of Ohio for the past 65 years</li> <li>4 or 5/300 BMV offices are operated by AAA affiliates</li> </ul>
Ohio	Ohio Auto Club	Freda Davis <a href="mailto:FDavis@aaaohio.com">FDavis@aaaohio.com</a>	<ul style="list-style-type: none"> <li>Two deputy registrar locations offer BMV services</li> </ul>
Pennsylvania	AAA East Central	Brain Newbacher <a href="mailto:bnewbacher@aaaoma.com">bnewbacher@aaaoma.com</a> Bevi Norris <a href="mailto:bnorris@aaawp.com">bnorris@aaawp.com</a>	<ul style="list-style-type: none"> <li>DMV services are offered in AAA offices in PA</li> <li>Contact Ted Leonard: <a href="mailto:red@aaapa.org">red@aaapa.org</a> for more details</li> </ul>
Pennsylvania	AAA North Penn (Scranton)	Craig Smith <a href="mailto:csmith@aanorthpenn.com">csmith@aanorthpenn.com</a>	<ul style="list-style-type: none"> <li>DMV services are offered</li> </ul>
Pennsylvania	AAA Northampton County	Vicki Bechtel <a href="mailto:vbechtel@aaanc.aaa.com">vbechtel@aaanc.aaa.com</a>	<ul style="list-style-type: none"> <li>Northampton County offers DMV services</li> </ul>
Pennsylvania	PA AAA Federation	Carol Trego <a href="mailto:Carol@aaapa.org">Carol@aaapa.org</a>	<ul style="list-style-type: none"> <li>Provide license and title services to 89 AAA offices in PA</li> <li>All of the 89 AAA offices are bonded messengers services through PennDOT</li> </ul>
Pennsylvania	AAA Reading-Berks	Cheryl Gouker <a href="mailto:cgouker@aaardgberks.com">cgouker@aaardgberks.com</a>	<ul style="list-style-type: none"> <li>Directly connected to the BMV and process driver licenses, registration and renewals</li> </ul>
Rhode Island	AAA Southern New England	Bob Murray <a href="mailto:rpmurray@aaasne.com">rpmurray@aaasne.com</a>	<ul style="list-style-type: none"> <li>Six branch offices have provided auto registration renewals, address changes, vanity plate orders and plate cancellation for 18 years</li> <li>For the past year and a half, license renewal and motor voter registration have been added to the services</li> <li>The RI governor is very complimentary of the public-private partnership</li> <li>The service is only offered to members</li> </ul>
Washington	AAA Washington	Jan Ray <a href="mailto:JanetRay@aaawin.com">JanetRay@aaawin.com</a>	<ul style="list-style-type: none"> <li>Washington permits sub-agents for vehicle licensing but directly handles all drivers' licensing activities</li> </ul>
West Virginia	AAA Bluefield	Barry Schwartz <a href="mailto:bschwartz@aaabluegrass.com">bschwartz@aaabluegrass.com</a>	<ul style="list-style-type: none"> <li>Bluefield, WV office operates DMV services</li> </ul>



# K A N S A S

JOAN WAGNON, SECRETARY

KATHLEEN SEBELIUS, GOVERNOR

DEPARTMENT OF REVENUE  
DIVISION OF VEHICLES

**TO:** Chair Ruth Teichman  
Members of the Senate Financial Institutions and Insurance Committee

**FROM:** Carmen Alldritt, Director  
Division of Vehicles

**DATE:** March 9, 2006

**SUBJECT:** House Bill 2553 – Contracts related to drivers' license renewal

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In 1991, the state started a unique partnership with the Kansas County Treasurers, to process drivers' license renewals in their offices. As of this date we partner with 77 counties. In three counties we actually share office space with the treasurers. Most county treasurers provide renewals, new licenses for students completing driver education, duplicates, instruction permits and identification cards. Treasurers that do not offer drivers' license services often cite lack of space in their courthouses. The state has 37 drivers' license offices across Kansas. We process approximately 700,000 licenses annually, which include renewals, replacements, as well as first time drivers' licenses and identification cards.

Our mission at the Department of Revenue is to provide accurate, efficient service to all Kansans. Our drivers' license offices work four, ten hour days, Tuesday – Friday. In some locations this can result in lines and can be hard on folks taking time off work and those who have to travel some distance to a full service station.

In May of 2005, we entered into a pilot project with AAA in Lawrence to process drivers' license renewals. AAA offers renewal service only. They do not issue new licenses, duplicates or do name/address changes.

The state's investment in the pilot project includes training and support. Our vendor provides the equipment. This is exactly the same arrangement we have with County Treasurers. We do pay \$300.00 per month for dsl/communication lines. AAA offers Monday-Saturday service. If the state were to offer Monday-Saturday service just in this one office, the cost would be \$235,000 per year. Since May, AAA has processed 2,044 drivers' licenses. AAA charges a \$2.00 service fee to provide this valuable service. This is the same fee charged at many Treasurers offices.

DOCKING STATE OFFICE BUILDING, 915 SW HARRISON ST., TOPEKA, KS 66612-1588  
Voice 785-296-3601 Fax 785-291-3755 <http://www.ksrevenue.org/>

*Senate FI & I Committee  
Attachment 10-1  
March 9, 2006*

Since this has been a pilot project, there was no RFP issued. Because the ongoing reviews of this project clearly show increased service for drivers' license renewal applicants at low cost to the state, we feel this has been a win/win project for not only the state but for the many residents of Lawrence and surrounding communities. We were prepared to go with an RFP in January of this year for Lawrence, and to expand service to the Wichita area. With introduction of this bill we placed the process on hold.

I respectfully ask the committee's consideration to allow this project to continue.

Madame Chair, Members of the Committee:

My name is Bill Brady and I would like to share a personal story about convenience and customer service.

First, I am part of the Capitol Strategies group, so I am a registered lobbyist for AAA Kansas and we oppose HB 2553.

I live in Lawrence but have not had the opportunity to utilize the satellite service center. I did however have an opportunity to utilize a similiar type service in my hometown of Parsons several years ago. For many years the Labette County Treasurer worked with a local Parsons business to offer tag and title renewals. Local folks, who wanted to do business in person but did not want to drive 19 miles to the county courthouse in Oswego, could stop by a Parsons business and get their information processed and then receive their tags by mail from the Treasurer. (Attached is a letter from the Labette County Treasurer outlining the details of the program.)

I know first hand the satelite office worked well because I was employed in the office for 6 of the 16 years I served in the Kansas Legislature. I did not actually handle the renewals but I witnessed hundreds of local citizens utilizing the service. The Insurance and Real Estate office that served as the satelite office was sold last year and the new owners did not choose to continue the service. As a legislator and and a local member of the insurance and real estate agents group, I cannot recall a single complaint about the program in the community. Certainly I cannot believe that if there was any concern about the Insurance agency handling the tag renewals having an unfair competitive advantage I would not have heard about it. Coincidentally, my boss at the agency served as President of the Independent Insurance Agents of Kansas during the time the program was ongoing in Parsons.

Let's allow government either at the local or state level to be innovative, to experiment with privization and to create efficiencies that will better serve the citizens of Kansas.

*Senate FI&I Committee  
Attachment 11-1  
March 9, 2006*

To Whom It May Concern:

My name is Crystal Addis and I am currently serving my first term as Labette County Treasurer, having taken office in Oct. 2005. I have however, been employed in the treasurer's office since September 1979.

In the early 1980's Bill Dearth Insurance Agency in Parsons, KS, began a service for the Parsons community. In cooperation with the Labette County Treasurer's Office, this business began accepting real estate / personal property tax payments, vehicle registration renewals, and also, getting customers to sign title applications and other documents needed to purchase license plates through the mail. All proper fees were collected and mailed daily to the county treasurer for processing. All this was done as a service to the community with a minimal fee of \$1 to \$5, giving the community an option, rather than drive 20 miles to the county seat. The fees went to the agency, who used the money to reimburse themselves for postage and the time their employees utilized performing the service.

The treasurer's office did not charge any fee or receive any additional money for this. This was a great asset to the working public, who did not have the time to drive 25 minutes one way to the courthouse located in Oswego, or to the elderly, who didn't like the weather conditions. These individuals would receive their paid tax receipt, registration and decal, or their new license plate and registration in the mail. All without leaving the Parsons city limits. Talk about convenience.

In time, the agency became Maloney Insurance and they discontinued the serve for a few years. Later, they began the service a second time for their community. At the end of 2004, Maloney Insurance was sold to yet another agency and the service discontinued. To this day they still receive calls from the area wanting to know if they can come in to do their vehicle work.

Today there are still private businesses or even large companies who strive for customer service in their daily business. This was truly a service to Parsons in southeast Kansas.

Sincerely,

Crystal Addis  
Labette County