

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 January 18, 2007 in Room 234-N of the Capitol.

All members were present except:

Senator Dennis Wilson

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:

Lee Wright, Farmers Insurance Group

Sandy Praeger, State Insurance Commissioner

Carmen, Alldritt, Director of Vehicles

Others attending:

See attached list.

The Chair welcomed everyone to the meeting.

Lee Wright, Farmers Insurance Group, introduced the first bill which would amend a portion of the statute dealing with payment of levies and taxes by reciprocal insurers. The amending language is designed to further clarify the intent of legislation passing in 2000 that dealt exclusively with reciprocals. (Attachment 1)

Senator Barnett moved introduction of the bill. Motion was seconded by Senator Barone. Motion passed.

The Chair introduced the State Commissioner of Insurance, Sandy Praeger. Commissioner Praeger gave the following overview of the Insurance Department:

In 2003 the NAIC approved eight amendments that would serve as model legislation for a program called the Interstate Insurance Product Regulation Compact. The Interstate Compact will promote uniformity through application of national product standards embedded with strong consumer protections.

Last year, Michigan joined the compact, bringing the total number of member states to 29 and concluding a record year in which nine new states entered into the compact. A total of 14 states are looking to draft Compact legislation in 2007.

At the NAIC Conference in San Antonio, leaders on the Commission outlined goals for 2007 which include:

- Plans to publish and consider more than 30 additional proposed standards in the areas of life insurance and annuities.

- Drafting uniform standards that have been developed through the work of the Interstate Compact National Standards Working Group of the NAIC's Speed-to-Market Task Force making them available to the Commission to utilize in developing uniform national product standards.

- The Commission is confident it will be in a position to accept product filings for review and approval/disapproval in 2007.

The Commissioner said other NAIC Initiatives are:

CONTINUATION SHEET

MINUTES OF THE Senate Financial Institutions and Insurance Committee at 9:30 A.M. on January 18, 2007 in Room 234-N of the Capitol.

Military Life - In September, President Bush signed into law the "Military Personnel Financial Services Protection Act." This bill clarifies the application of state insurance and securities protections on military installations. It became clear there was a need for legislation when retired military personnel returned to military installations to sell unnecessary policies to young service men and women.

We have monitored their situation for several years and believe that the states that have the real problem are those with basic training bases, which we do not have in Kansas.

The Kansas Insurance Department will be supporting a bill that would give us the authority to regulate the sale of insurance on Kansas military installations.

Small Business Health Plan Bill - The Small Business Health Plan Bill will not be the focus of the new U. S. Congress due to the changes in Senate leadership. However, the concept of multi-state purchasing pools for small businesses remains popular among many legislators.

High-Risk Pool Funding - The state of Kansas currently has 1,700 citizens enrolled in Kansas Uninsurable Health Insurance Plan. Congress reauthorized support for these pools but failed to appropriate money for the high-risk insurance pools. Commissioners are encouraged by the NAIC to urge their congressional delegations to include \$75 million for high-risk pool grants. If Congress appropriates the money, Kansas would receive \$1.3 million for Fiscal Year 2007.

Long-Term Care - At the Winter NAIC Conference regulators passed amendments to the Long-Term Care Model Act that affect producer training requirements, coverage of certified facilities and provisions for partnership programs.

Auto Insurance Verification Task Force

Last year SCR 1619 authorized the creation of the Auto Insurance Verification Task Force which was charged with finding a solution to the problem of uninsured motorists in Kansas. The task force was made up of legislators, regulators, industry representatives and law enforcement. Information was presented by Kansas Insurance Department; Kansas Department of Revenue; Kansas High Patrol; Kansas Hispanic and Latino Affairs Commission; Insurance Companies; NAIC and Law enforcement associations. The Commissioner said she would urge the Kansas Legislature to renew the authorization of the task force so they could continue to have the opportunity to explore solutions to the uninsured motorists problem in Kansas.

The Commissioner said the Kansas Insurance Department is proposing a number of other bills that will serve several different purposes including a bill that would allow the Insurance Department more electronic filings, and a three-part fraud bill that would allow the Anti-Fraud division to better combat illegal insurance activities in Kansas. ([Attachment 2](#))

Next to testify was Carmen Alldritt, Director of Vehicles, regarding the Real ID Act. She said Real ID was passed by Congress in May, 2005, and becomes reality May 11, 2008. Real ID will affect every American as it mandates every driver's license or identification card must be federally approved. Each state will have to alter their method of issuing drivers' licenses and identification cards. This huge task is made even more challenging as Congress has yet to determine what the exact rules and regulations will be and the federal government has provided no funding for this massive project which is estimated to cost the states 11 billion dollars.

Under Real ID each individual will be required to present a valid birth document proving full legal name, documentation showing any name change, proof of address, valid social security number and proof of residency in the state they reside. Individuals must also prove lawful presence. We were informed late last week the Department of Homeland Security had submitted draft regulations to the Office of Management and Budget. OMB has 90 days to do the review. After review, the regulations are returned to DHS for any recommended changes. After publication, DHS will accept public comment for 60 days. This process could be complete by July 2007 or as late as September/October 2007.

CONTINUATION SHEET

MINUTES OF THE Senate Financial Institutions and Insurance Committee at 9:30 A.M. on January 18, 2007 in Room 234-N of the Capitol.

The National Governors' Association, NCSL and the American Association of Motor Vehicle Administrators have concluded Real ID will impose unrealistic burdens on states and have a major impact on services to the public.

KDOR has been hosting monthly meetings involving various state agencies that are key to this project. Agencies such as KHP, Vital Statistics, the Governor's Office, KBI and KDOR. We are working to develop interconnectivity between KDOR and Vital Statistics for data exchange.

Agencies are also working together to develop a legislative package for Real ID readiness.

Three big items we know will impact our department. At this time we don't keep copies of original documents when individuals make application for a first-time DL or ID. Those documents are returned at the time of application to the individual. Real ID requires we retain documents for seven years. It's our understanding the document retention would also apply to all DL and ID renewal or re-enrollments.

The interconnectivity between states and federal government doesn't exist. This application has not been developed or built. Currently it's impossible to verify through any one system, the documents Real ID requires for verification of an individual.

Currently, if there is a problem with an individual's social security number we ask them to visit with social security. Under Real ID, our DL examiners would be required to resolve those problems. We're not trained nor do we have the resources to tackle this.

Secretary Wagon's direction to us has been, we have to follow the law and be ready for implementation May 11, 2008. (Attachment 3)

The Chair introduced Secretary Wagon to the committee. She gave brief remarks.

The Meeting adjourned at 10:30 a.m.

FINANCIAL INSTITUTIONS & INSURANCE COMMITTEE GUEST LIST

DATE: 1-18-07

| NAME | REPRESENTING |
|------------------------|-----------------------------------|
| Rick Wilhoor | Farmers Alliance |
| Bill Sneed | Polsinelli |
| Alex Kotlyantz | P.I. A |
| Janet Parks | Benchmark Comg |
| Erica Hane | Federico Consulting |
| Brad Smoot | AIA |
| Emily Geier | Hein Law Firm |
| Lee Wright | Farmers Ins. |
| Haley D'Vee | KCUA |
| Carmel Alcott | KDOR |
| Jim Conant | KDOR |
| David R. Corbin | KDOR |
| Joan Wagner | KDOR |
| Judy Braden | Gardner, Braden, Buehler & Assoc. |
| Matt Goddard | HCSA |
| MARIL P. MARBITZ | VIA CARISTI INC |
| Bob Holmes | HCSF |
| Gary Jew | HCSF |
| John Meetz | KI D |
| David Hanson | Rs Insur Assns |
| Michael White | Senate President's Office |
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FARMERS

11880 College Boulevard
Suite 201 A
Overland Park, Kansas 66210
Bns 913-339-9558

January 18, 2007

To: Senate Financial Institutions and Insurance Committee
From: Lee Wright, Governmental Affairs Representative
Re: Request for Committee Bill Introduction

Madame Chairman and members of the Committee, my name is Lee Wright and I represent Farmers Insurance. We are a property and casualty insurer doing business in Kansas since 1930. We are also the largest insurance employer in the state.

We would respectfully request Committee introduction of legislation to amend a portion of the statute dealing with payment of levies and taxes by reciprocal insurers. The amending language is designed to further clarify the intent of legislation passing in 2000 that dealt exclusively with reciprocals.

Thank you for your consideration of our request.

*FI&I
1-18-07
Attachment 1*



Kansas Insurance Department

Sandy Praeger COMMISSIONER OF INSURANCE

Department Overview and Update on National Issues

SENATE FINANCIAL INSTITUTIONS AND INSURANCE

January 18, 2007

Madam Chair and Members of the Committee:

Thank you for the opportunity to brief the members of the Senate FI&I Committee on topics related to insurance at both the State and National level.

Interstate Compact

As you know in July of 2003 the NAIC approved eight amendments that would serve as model legislation for a program called the Interstate Insurance Product Regulation Compact. The Interstate Compact will promote uniformity through application of national product standards embedded with strong consumer protections.

On December 14th of last year Michigan joined the compact bring the total number of member states to 29 and concluding a record year in which 9 new states entered into the compact. A total of 14 states will be looking at drafting Compact legislation in 2007. Also, in 2006 Frances Arricale was hired as the Executive Director of the Commission.

At the December 8th NAIC Conference in San Antonio, leaders on the Commission outlined goals for 2007 which include:

- Plans to publish and consider more than 30 additional proposed standards in the areas of life insurance and annuities.
- Drafting uniform standards that have been developed through the work of the Interstate Compact National Standards Working Group of the NAIC's Speed-to-Market (EX) Task Force making them available to the Commission to utilize in developing uniform national product standards.
- The Commission is confident it will be in a position to accept product filings for review and approval/disapproval in 2007.

*FI&I
1-18-07
Attachment 2*

Other NAIC Initiatives

Military Life

In September, President Bush signed into law the "Military Personnel Financial Services Protection Act." This bill clarifies the application of state insurance and securities protections on military installations. It became clear there was a need for legislation when retired military personnel returned to military installations to sell unnecessary policies to young service men and women. We have monitored their situation for several years and believe that the states that have the real problem are those with basic training bases, which we do not have in Kansas.

However, the Kansas Insurance Department will be supporting a bill that would give us the authority to regulate the sale of insurance on Kansas military installations.

Small Business Health Plan Bill

The Small Business Health Plan Bill the "Enzi Bill" will not be the focus of the new US Congress due to the changes in Senate leadership. However, the concept of multi-state purchasing pools for small businesses remains popular among many legislators.

High-Risk Pool Funding

The state of Kansas currently has 1,700 citizens enrolled in our Kansas Uninsurable Health Insurance Plan. Congress reauthorized support for these pools but failed to appropriate money for the high-risk insurance pools. Commissioners are encouraged by the NAIC to urge their congressional delegations to include \$75 million for high-risk pool grants. If Congress appropriates the money, Kansas would receive \$1.3 million for the FY 2007

Long-Term Care

At the Winter NAIC conference regulators passed amendments to the Long-Term Care Model Act that affect producer training requirements, coverage of certified facilities and provisions for partnership programs.

Auto Insurance Verification Task Force

Last year SCR 1619 authorized the creation of the Auto Insurance Verification Task Force which was charged with finding a solution to the problem of uninsured motorists in Kansas. The task force was made up of legislators, regulators, industry representatives and law enforcement. Information was presented from many sources, including:

- Kansas Insurance Department
- Kansas Department of Revenue
- Kansas Highway Patrol
- Kansas Hispanic and Latino Affairs Commission
- Insurance Companies
- NAIC
- Law enforcement associations

When the Task Force is able to apply the knowledge compiled at the two meetings with experience from test programs in states such as Florida, Wyoming and Oklahoma we feel that definitive solutions will present themselves. For the time being I would urge the Kansas Legislature to renew the authorization of the task force so that we would continue to have the opportunity to explore solutions to the uninsured motorist problem in Kansas.

Other Legislation

The Kansas Insurance Department is proposing a number of other bills that will serve several different purposes including a bill that would allow the Insurance Department more electronic filings, and a three-part fraud bill that would allow our Anti-Fraud division to better combat illegal insurance activities in Kansas.

TESTIMONY

TO: Senator Ruth Tiechman
Chair Financial Institutions and Insurance

FROM: Carmen Alldritt, Director of Vehicles

DATE: January 18, 2007

SUBJECT: Real ID Act

Real ID, passed by Congress in May 2005 becomes reality May 11, 2008. Real ID will affect every American as it mandates every drivers license or identification card must be federally approved. Each state will have to alter their method of issuing drivers licenses and identification cards. This huge task is made even more challenging as Congress has yet to determine what the exact rules and regulations will be and the federal government has provided no funding for this massive project which is estimated to cost the states 11 billion dollars.

Under Real ID each individual will be required to present a valid birth document proving full legal name, documentation showing any name change, proof of address, valid social security number and proof of residency in the state they reside. Individuals must also prove lawful presence. We were informed late last week the Department of Homeland Security had submitted draft regulations to the Office of Management and Budget. OMB has 90 days to do the review. After review the regulations are returned to DHS for any recommended changes. After publication, DHS will accept public comment for 60 days. This process could be complete July 2007 or as late as September/October 2007.

The National Governors Association, NCSL and the American Association of Motor Vehicle Administrators have concluded Real ID will impose unrealistic burdens on states and have a major impact on services to the public.

So what does this mean for Kansas and where are we on the Real ID roadmap?

KDOR has been hosting monthly meetings involving various state agencies that are key to this project. Agencies such as KHP, Vital Statistics, the Governor's office, KBI and KDOR

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Real ID Act

We are working to develop interconnectivity between KDOR and Vital Statistics for data exchange.

Agencies are also working together to develop a legislative package for Real ID readiness.

Three big items we know will impact us. At this time we don't keep copies of original documents when individuals make application for a first time DL or ID. Those documents are returned at the time of application to the individual. Real ID requires we retain documents for 7 years. It's our understanding the document retention would also apply to all DL and ID renewals or re-enrollments.

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Currently if there is a problem with an individual's social security number we ask them to visit with social security. Under Real ID, our DL examiners would be required to resolve those problems. We're not trained nor do we have the resources to tackle this.

Secretary Wagnon's direction to us has been, we have to follow the law and be ready for implementation May 11, 2008.