

MINUTES OF THE HOUSE INSURANCE AND FINANCIAL INSTITUTIONS COMMITTEE

The meeting was called to order by Chairman Clark Shultz at 3:30 P.M. on March 12, 2008 in Room 527-S of the Capitol.

All members were present except:

Representative Tom Burroughs- excused  
Representative Richard Carlson- excused  
Representative Jeff Colyer- excused  
Representative Brenda Landwehr- excused  
Representative Cindy Neighbor- excused

Committee staff present:

Melissa Calderwood, Kansas Legislative Research Department  
Bruce Kinzie, Revisor of Statutes Office  
Ken Wilke, Revisor of Statutes Office  
Sue Fowler, Committee Assistant

Conferees appearing before the committee:

John Meetz, Kansas Insurance Department  
John Campbell, Kansas Insurance Department

Others attending:

See attached list

Hearing on:

**SB 464**      **Reinsurance agreements; granting the commissioner limited discretion to waive certain requirements**

Melissa Calderwood, Legislative Research Department, provided a brief overview on **SB 464**.

Proponent:

John Meetz, Kansas Insurance Department, (Attachment #1), presented testimony before the committee in support of **SB 464**.

Hearing closed on **SB 464**.

Hearing on:

**SB 498**      **Increasing ceiling on certain insurance fines and penalties to \$1,000**

Melissa Calderwood, Legislative Research Department, provided a brief overview on **SB 498**.

Proponent:

John Campbell, Kansas Insurance Department, (Attachment #2), gave testimony before the committee in support of **SB 498**.

Hearing closed on **SB 498**.

Representative Grant moved without objection to accept the minutes of March 11, 2008.

Next meeting will be Thursday, March 13, 2008, 3:30 PM, in Room 527-S.

Meeting adjourned.





# Kansas Insurance Department

Sandy Praeger, Commissioner of Insurance

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## TESTIMONY ON SB 464

### HOUSE INSURANCE AND FINANCIAL INSTITUTIONS March 12, 2008

Thank you for the opportunity to appear today in support of SB 464, a bill that could potentially ease a regulatory burden on insurance companies that have made an important business decision.

Article 52 of Chapter 40 of the Kansas Statutes outlines the things that must happen in order for an insurance company to assume the contracts of insurance of another insurance company. In essence, the assuming company is taking on all the liabilities of a block of business of the ceding insurer for a negotiated premium. These requirements are extensive and time consuming. In some situations we would consider the requirements to be unnecessary and significantly burdensome.

For these reasons the Insurance Department has proposed SB 464 which gives us the ability to waive some or all of these requirements for assumption reinsurance. The provision of waiver is especially applicable when both companies are in good financial standing, affiliated in some way or if the transfer makes good business sense for both parties.

The Insurance Department believes that the Assumption Reinsurance Agreement Act is an important tool to determine if a reinsurance transfer is appropriate for the business environment in Kansas and in the best interests of Kansas consumers. However, under some circumstances the Assumption Reinsurance Agreement Act serves no purpose other than providing some bureaucratic hoops to jump through. It is under these circumstances that we ask for the judgment to waive requirements of the act.

Thank you for the opportunity to appear today.

John Meetz  
Government Affairs Liaison

House Insurance  
Date: 3-12-08  
Attachment # 1



# Kansas Insurance Department

Sandy Praeger, Commissioner of Insurance

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## TESTIMONY IN SUPPORT OF SENATE BILL 498

### HOUSE INSURANCE AND FINANCIAL INSTITUTIONS March 12, 2008

Mr. Chairman and Members of the Committee:

Current Kansas law, K.S.A. 40-2,125 (last amended in 1997), allows for the Commissioner, after a due process hearing, to fine companies that fail to file a required report or respond to a proper inquiry by the Commissioner. The fine for the first violation is set at \$500 and an additional penalty of \$100 may be imposed for each week thereafter. Senate Bill 489 would raise these fines to \$500 to \$5,000 for each violation.

While the vast majority of companies, more than 99 %, are diligent in filing their reports and responses to Department inquiries, a very few do not file their premium taxes reports, they withhold financial and market conduct information, or they ignore inquiries about consumer complaints. These violations of the law can continue for months despite repeated requests.

There is a time value of money. The longer the delay in the payment of taxes, the more a company can profit from the interest of the money which rightfully belongs to Kansas. The delay in providing financial examination and market regulation information endangers the public which must be protected from insolvencies and illegal market practices.

Most disturbing are the delays in answering consumer complaints. A citizen with a damaged roof or inoperable car can be in dire straits. There have been cases when companies do not respond to repeated requests for information on consumer complaints in what appears to be a deliberate strategy of obfuscation and delay. No Kansan should be denied or delayed payment of a just claim as a result of stalling tactics.

As stated before, 99% of the companies and producers do cooperate with the Department. The 1% who do not should not be allowed to profit by delay tactics. SB 498 is a measure response to a real problem that if left unchecked, will grow. SB 498 will help take the profit out of ignoring the law and we urge the committee to adopt the bill.

John W. Campbell  
General Counsel

House Insurance  
Date: 3-12-08  
Attachment # 2