Approved: March 20, 2009
Date

MINUTES OF THE SENATE COMMERCE COMMITTEE

The meeting was called to order by Chairman David Wysong at 8:30 a.m. on February 17, 2009, in Room 545-N of the Capitol.

All members were present except:
Senator Jean Schodorf- excused
Senator Susan Wagle - excused

Committee staff present:
Ms. Margaret Cianciarulo, Committee Assistant
Mr. Norm Furse, Office of the Revisor of Statutes
Mr. Ken Wilke, Office of the Revisor of Statutes
Mr. Reed Holwegner, Kansas Legislative Research Department

Conferees appearing before the Committee:
Mr. David Kerr, Secretary, Kansas Department of Commerce
Ms. Natalie Haag, 2nd Vice President/Director of Governmental Affairs and Assistant General Counsel, Security Benefit Corporation
Ms. Christy Caldwell, Vice President Government Relations, Greater Topeka Chamber of Commerce

Others attending:
Please see attached list.

Approval of Minutes

The Minutes of February 2, 3, 4, and five distributed February 10, 2009 stand as approved as of February 13, 2009.

Hearing on SB120 - An act concerning the Kansas investments in major projects and comprehensive training relating to the secretary of commerce authorizing the funding of certain economic development projects

Upon calling the meeting to order, Chairman Wysong recognized Mr. David Kerr, Secretary, Kansas Department of Commerce as the first of three proponents to testify on **SB120** and asked him to explain the bill.

Secretary Kerr stated the bill would further broaden the appeal of the state investments in Major Projects and Comprehensive Training (IMPACT) program and is of great interest to service-sector companies. He went on to say the bill would clarify the use of program funds for certain costs, including the ability to use the funds to pay wages for new employees during training. Also, as businesses show interest in our state, they always look to the package of incentives that we can bring to the table, but if an incentive offer is limited, a company may not be able to utilize the full award or they may discount the value of the award. He concluded by explaining the clarification in **SB120** striking language on page 3, lines eight & nine will improve the program by clearly identifying IMPACT's availability and usability for companies in business and financial services and R&D. A copy of his testimony is (Attachment 1) attached and incorporated into the Minutes as referenced.

The Chair thanked Secretary Kerr and stated that the Committee had heard from all sectors of our economy. He then asked Secretary Kerr:

1) There are questions regarding the quality job program in Missouri, would you associate this change to counter pack into a quality job program to some degree?

2) Regarding Secretary Kerr's answer to the above question, ("it is, but not as far as in Missouri which not only allows the company to keep withholding taxes from new employees but also an additional three to

three ½% that they would qualify for.") And when you say, "three to three ½% more, are we talking tax credits, but that we do not have in our current program?

3) Regarding the fiscal note for this bill, this would not change? Secretary Kerr said they were not asking for any additional funds and it is not entitlement.

The Chair then mentioned to the Committee that the Secretary referenced to page 3 in the bill, noting the only change in the bill occurs in lines eight and nine. The Chair then asked Mr. Wilke if he had anything to add and since the did not, the Chair asked for questions of the Committee for Secretary Kerr.

Regarding the three ½% tax credits on the Missouri side, Senator Lynn asked what would prevent us now in matching that, and if it were to go back into the economy is there a way to measure that?

The Chair then called on Ms. Natalie Haag, 2nd Vice President/Director, Governmental Affairs and Assistant General Counsel, Security Benefit Corporation, who stated that Security Benefit would be an example of the type of industry which might be able to benefit by the modifications to IMPACT. Highlights of her testimony included an example of how these modifications might benefit job growth:

- A subsidiary of Security Benefit Corporation (SBC), se2, started business about three years ago, to fill a niche in the market and capitalize on SBC's electronic platform and cost-effective workforce. se2:

  - stands for service end-to-end
  - is a third-party administrator provider for other insurance companies
  - handles customer transactions, paperwork and responses to customer questions
  - can administer annuity & life business for other insurance companies at 30 - 70 percent of these companies' current cost for administering their own business
  - has experienced a new growth of 180 jobs during the last two years
  - have one million contracts under administration and the capacity to add 600,000 contracts per year adding 50 jobs for every 200,000 contracts

As other insurance companies are looking for ways to reduce expenses, especially minimize the expense of administering their business, this is the perfect opportunity for se2 to expand its business and create new jobs in Kansas.

A copy of her testimony and an attachment are (Attachment 2) attached and incorporated into the Minutes as referenced.

The Chair thanked Ms. Haag and asked for questions or comments from the Committee which came from Senators Lynn, Holland, and Wysong for Secretary Kerr including do these incentives specifically address conversion costs (ex. of moving data onto a system) or could this be an incentive? Do you see health care being competitive for these incentives or is it industry specific?

The Chair then called on Ms. Christy Caldwell, Vice President Government Relations, Greater Topeka Chamber of Commerce who stated that due to the intensive nature of training and the time dedicated to training, employers many times carry the expense of preparing their new employees for months before the employees are productive. She went on to say that the suggested clarification in the bill addresses this issue and alleviated a barrier that now exists for service industries expanding or relocating in Kansas. A copy of her testimony is (Attachment 3) attached and incorporated into the Minutes as referenced.

The Chair then offered four written proponent testimonies including:

1) Mr. J. Kurt Eckles, Vice President of Government Affairs, The Kansas Chamber

2. Ms. Ashley Sherard, Vice President, Lenexa Chamber of Commerce

3. Mr. Dave Holtwick, Vice President of Government Affairs, Overland Park Chamber of Commerce

4. Mr. Lavern Squier, Chair of the Economic Development Competitiveness Task Force for the Kansas Economic Developers Alliance

Copies of the above testimonies are (Attachment 4) attached and incorporated into the Minutes as referenced.

Adjournment

As there were no further discussion, questions or comments, Chairman Wysong adjourned the meeting. The time was 9:22 a.m.

The next meeting is scheduled for Wednesday, February 18, 2009.

SENATE PUBLIC HEALTH AND WELFARE COMMITTEE

GUEST LIST

DATE: February 17, 2009

NAME	REPRESENTING
Kent Eckles	KS Chamber of Commerce
Ken Seeber	KHCA
Matt Casey	GBA
Megan Ingmire	KDOL
Natalie Haag	Security Benefit
Christy Caldwell	Topeka Chamber
Dave Holtwick	Overland Park Chamber
David D Kerr	Commerce
Steve Kelly	Commerce
John Peterson	Capitol Strategies
Mark Boranyak	Capitol Strategies
Dan Korber	Kansas, Inc
Lavern Squier	Kansas Economic Development Alliance KEDA
Richard Thomas	KDOL - WORKCOMP
Ashley Sherard	Lenexa Chamber
Nick Jordan	Capitol Strategies.
Richard Cram	KDOR

KANSAS

DEPARTMENT OF COMMERCE

David D. Kerr, Secretary

Testimony in support of SB 120

Senate Commerce Committee

February 17, 2009

For more information on this topic contact:
David D. Kerr, Secretary of Department of Commerce
Phone: (785) 296-2741
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www.kansascommerce.com

Senate Commerce Committee
Date: February 17, 2009
Attachment 1

Testimony in support of SB 120
Presented to the Senate Commerce Committee

By Secretary David D. Kerr
Kansas Department of Commerce

February 17, 2009

Chairman Wysong and members of the Committee:

Thank you for this opportunity to appear in support of SB 120, a bill that will further broaden the appeal of the state Investments in Major Projects and Comprehensive Training (IMPACT) program and is of great interest to service–sector companies.

The bill would clarify the use of program funds for certain costs, including the ability to use the funds to pay wages for new employees during training. As the nature of the workforce and the demands of industries change over time, our recruitment tools and strategies must remain flexible.

As businesses show interest in our state, they always look to the package of incentives that we can bring to the table. Businesses will look at how they can use the incentive package funds that best suits their needs. Their needs will vary by industry and include needs such as capital investment, direct training, curriculum development, workforce recruitment, etc.

If an incentive offer is limited to expenses such as capital investment and direct training costs, a company may not be able to utilize the full award or they may discount the value of the award. And in a comparison between a rigid offer and another state's flexible offer, the company will value the offer with the greatest flexibility. The company may even devalue the offer in their calculations to better reflect the portion of the award they think they can realistically use.

For projects that do not have much capital investment but create a significant number of jobs—including many service sector projects—this flexibility created by SB 120 has considerable value. For awards that do not include a portion for Major Project Investment (MPI) or non-training costs, the flexibility this bill provides is crucial. Over the past decade, the service sector is one of the fastest growing sectors of the Kansas economy. Our finance, insurance, engineering and real estate firms are especially active. Our incentives need to match their needs.

At a time of limited resources, we should all look to efficiencies and a targeted and agile approach to recruitment. This bill allows the state to use the same resources in better and more useful ways. I appreciate your interest and strongly encourage the advancement of this bill to attract and grow Kansas businesses and the Kansas economy. Thank you.

SENATE COMMERCE COMMITTEE
SENATE BILL 120
Testimony in support
Presented by:
Natalie G. Haag
2nd Vice President/Director of Gov'tal Affairs
and Assistant General Counsel
Security Benefit Corporation
Topeka, Kansas

Mr. Chair and members of the committee:

Thank you for the opportunity to testify in support of Senate Bill 120. Last Thursday you heard from Mr. Blake Schreck, President of the Lenexa Chamber of Commerce about service-producing industries representing a principal driver of the Kansas economy. His presentation noted that in 2006 service-producing industries represented 39.7% of the Kansas gross domestic product. Security Benefit is one of those financial services companies that make up the service industry sector in the state of Kansas.

Security Benefit would be an example of the type of industry which might be able to benefit by the modifications to IMPACT proposed in SB 120. Let me give you an example of the type of challenges we face and how these modifications might benefit job growth.

se2, a subsidiary of Security Benefit Corporation, started business about three years ago to fill a niche in the market and capitalize on our great electronic platform and cost-effective workforce. se2—which stands for service end to end—is a third party administrator provider for other insurance companies. A third party administrator handles the customer transactions, paperwork, and responses to customer questions. se2 can administer annuity and life business for other insurance companies at 30% to 70% of these companies' current cost for administering their own business. Given the current economy, other insurance companies are looking for ways to reduce expenses, including opportunities to minimize the expense of administering their business. This is the perfect opportunity for se2 to expand its business and create new jobs in Kansas.

Only a few other companies are currently involved in this third party administrator market. However, like many other workforce driven industries, insurance companies are also exploring the need to off-shore this administrative work as part of cost savings programs. se2 offers companies an alternative to sending work to another country.

Currently, se2 has over 1 million contracts under administration for other insurance companies. se2 has experienced a net growth of 180 jobs during the last two years. This isn't job growth in just Shawnee County because 20% of the Security Benefit workforce lives outside Shawnee County including Douglas, Finney, Jackson, Jefferson, Johnson, Lyon, Nemaha, Neosho, Osage, Pottawatomie, Riley, Sedgwick and Wabaunsee counties.

se2 has been approached by a number of other companies exploring the options of outsourcing contract administration. se2 has the capacity to add 600,000 contracts per year to the current number of contracts under management. On average, fifty jobs are added for every 200,000 contracts. The entry-level starting yearly salary, benefits, and bonuses for the individuals handling the insurance and securities transactions total $60,000. As you would expect, the IT staff, consultants and transition team earn more. These are jobs that will stay in Kansas for a number of years because the service contracts are a minimum of 8 years, with an expected life of 15 years. Additionally, it costs about $12 million to convert 200,000 contracts to the se2 system. Any company wanting to move the business after the 8 year initial contract would face similar costs to start up the administration elsewhere.

The IMPACT program could help spread the start up cost over several years, thereby making se2 a more attractive alternative to companies shopping for an administrator. These start-up costs include technology updates and modifications, IT expertise to handle the electronic transfer of data, and the training costs for the workforce. se2 hires workers for the new business and provides these workers 6 months of training before they are allowed to handle customer files. During this time, every worker is required to obtain a Series 6 securities license. The educational training for the license exam is provided by se2. se2 also continues to pay the worker if they need to take the examination more than once. None of these workers make money for se2 during the training and education process.

Because our job expansion efforts are primarily workforce expenses, an IMPACT program focused on machinery and equipment has not been helpful in attracting this type of business to Kansas. Senate Bill 120 would open the door to opportunities to grow service industry jobs such as those at se2.

On behalf of se2 and Security Benefit Corporation, I would urge your support of SB 120.

December 12, 2008

Hot Insurance Tech Companies To Watch In 2009

Profiles Of Technology Companies That Are Reinventing Insurance IT

This is the first document in the "Hot Companies To Watch In Financial Services" series.

by Ellen Carney
with Eric G. Brown and Christina Lee

EXECUTIVE SUMMARY

Ready or not, the insurance industry is gearing up for some big changes. In 2008, insurers are being tested by a Wall Street collapse that tanked investment portfolios, driving business structural changes; a surge in US catastrophic loss claims; and growing momentum in creating new business models to target new or underserved buyer segments. These changes are not only transforming the insurance industry, they're changing solution portfolios and the complexion of the insurance technology vendor landscape. This report provides brief descriptions of companies meeting diverse or emerging insurance industry needs ranging from 403(b) compliance and segment analytics to accelerating new insurance product introductions and modernizing the business of insurance.

EMERGING TRENDS ARE DRIVING INSURANCE IT TO GET AN EXTREME MAKEOVER

The insurance industry in 2008 looks radically different than the one that sold insurance to our parents, and it will look radically different to our kids. Insurance IT has to accommodate new customer segments and markets; a global economic crash that's creating new competitors and business models; and undefined, but daunting, regulatory changes that will alter the industry as we know it. As the insurance industry transforms itself, Forrester has seen new solutions and vendors emerge to address the changing needs of insurance technologists and business leaders.

Forrester has gathered a list of several emerging or smaller companies to watch in 2009 and into the future. These companies are noteworthy because of their inventive approaches and solutions that address new models for insurance IT operations; they offer a solution for an overlooked industry segment, or they offer technology innovations that drive insurer profitability. This is not a comprehensive list nor is it a Forrester vendor recommendation or rating.

COMPANIES TO WATCH IN 2009

Forrester has identified seven companies as ones to watch in the insurance technology market in 2009.

Discoverture

Discoverture's (www.discoverture.com) XactConnect solution helps tier two property and casualty (P&C) insurers make smart, fast quoting decisions. XactConnect plumbs a supply chain of data — some internal, but a lot more external — to present underwriters with a unified view of information needed for quoting, policy creation, and administration. This supply chain can range from external information like vehicle identification numbers (VINs), credit scores, and motor vehicle records

2-3

data to ChoicePoint's Comprehensive Loss Underwriting Exchange (CLUE) reports to the P&C's own internal databases and systems such as billing and claims. By encapsulating external service providers' data exchange needs, XactConnect not only facilitates data communication, it also helps keep the insurer's applications independent of any change by the external service provider. XactConnect supports a variety of standard data connects and reports, which can be customized. The product is available in the US and Europe either as a software-as-a-service (SaaS) solution or as an on-premise license.

- **Why it's important.** P&C carriers are getting smart about their underwriting technology. The legacy applications that they depend on to run their business also saddle them with a lot of problems. It's not surprising for two underwriters sitting side by side, but working on different business lines, to have two entirely separate business platforms. That means separate claims management systems and no shared customer management. P&C carriers implementing next-generation best-of-breed vertical applications are facing technological challenges in integrating different service providers with incompatible data formats and exchange methods. More importantly, solutions like XactConnect that offer faster implementation compared with reengineering legacy platforms ensure that carriers reduce the time-to-business value.

Earnix

Earnix (www.earnix.com) improves the profitability of P&C insurers by taking them from simply pricing for risk to pricing based on the policy holder's lifetime value. The Earnix Optimizer for Insurance platform predicts the impact of different product offerings and pricing scenarios on profits for each customer. The company targets both personal and small and medium-size business commercial line carriers in both the US and Europe. Along with the analytics and pricing optimization features, the Earnix Optimizer for Insurance platform provides execution capabilities to improve collaboration across channels — online, call center, and agent/broker — as well as a variety of prebuilt, user-configurable, role-based reporting dashboards. Insurers can optimize customer value and are recognizing a return on investment (ROI) in as little as three months. Earnix partners with a number of leading service providers to the insurance industry, including Deloitte and Towers Perrin. The Earnix solution is delivered today as on-premise installed software, with a hosted version planned for the future. The company has plans to provide similar capabilities to the life and health insurance market.

- **Why it's important.** Insurance companies make money two ways: a relatively small bit on premiums and, more importantly, what they earn by investing those premiums.[1] With this second income stream tanking, insurers are now paying a lot more attention to the rates they charge. Along with a general rate increase, insurers improve their performance by expanding their existing book of business and pricing that business with an eye toward the long-term value of a customer. Finally, P&C companies need to pitch the right insurance product to the buyer, meaning that insurers need to price by segment. Capabilities like predictive analytics mean that personal lines insurers can better understand their customer needs so they can offer the most appropriate products and prices such as "family-friendly" deals or "Gen Y"-oriented polices.[2]

2-4

Exigen Insurance Solutions

Earlier this year, Exigen Insurance Solutions (www.exigeninsurance.com) completed the rollout of its suite of Lifecycle Management systems for policy administration, claims, billing, and customer management. These core solutions are integrated on the Insurance Process Backbone, an agile service-oriented architecture (SOA) platform. For release in early 2009, the company is offering the Insurance Technology Utility (ITU), a soup-to-nuts SaaS suite of applications and services designed to help P&C insurers reduce operating costs. One of the key features of ITU is the "Product Factory," which is an insurance product management tool that allows business users to easily create and maintain insurance offerings with little or no involvement by IT, speeding time-to-market and revenue. Two early implementations of the Product Factory reduced the amount of time associated with a typical insurance product launch by 70%.

- **Why it's important.** Sudden shifts in the economy, workforce demographics, and customer requirements are changing the character of the insurance industry. Insurers have to get new products out into the market fast and can't wait 18 months for cumbersome development projects burdened by legacy platforms. The number of systems that aren't integrated are rampant in the industry, with employees wasting time toggling between applications and screens. Exigen's agile SOA platform and forthcoming ITU also increases the efficiency of the insurer's people, processes, and technology resources. Insurance employees and agents get a unified, role-based workspace that leverages all that data residing in multiple insurance silos.

FirstBest Systems

FirstBest Systems (www.firstbest.com) pointedly asks its commercial lines prospects, "Are you ready to be a transformational carrier?" FirstBest's Underwriting Management System (UMS) allows commercial lines carriers to write more, and better, business. Today's manual process of assessing and costing risk can drag out the time to quote and bind a policy to five days or more, and it affects the carrier's book of business when frustrated policy buyers turn to more responsive competitors. UMS allows agent submissions to be pre-qualified, screened, or even quoted via the online agent workspace, and underwriters can receive complete, vetted, and fully prepared submissions that are ready to underwrite, so both efficiencies and quality are optimized at every step in the underwriting process. The company targets the commercial lines for US P&C carriers with direct written premiums ranging from $200 million to $2 billion. UMS is delivered as a hosted model, and users can typically deploy the system in six months.

- **Why it's important.** The commercial lines market insures businesses through products such as workers' compensation, business owner's policy (BOP), and commercial auto, among others. It's a big market, worth $250 billion in direct written premiums in 2007.[3] It's also complex, because accounts range from simple mono-line policies to complicated multi-line one-off policies, written through tangled agency channels under a variety of rating and regulatory regimens. FirstBest's UMS capitalizes on key carriers' needs: winning business; creating a better

2-5

experience for the independent agents and brokers; optimizing the productivity and know-how of the dwindling pool of underwriters; and flexibility to respond to customer, agent, and carrier requirements at the speed-of-market.

Jacada

Jacada (www.jacada.com) helps P&C carriers accomplish two goals: The first is to improve customer retention by creating better customer experiences; the second is a perennial favorite — reduce operating costs. When customers connect with the carrier's call center to file a claim, check the status of a claim or policy, or even just to make a payment, Jacada WorkSpace provides call center representatives (CSRs) with an intelligent, unified view of the customer. If the customer made a selection through interactive voice response (IVR), WorkSpace uses that information as a trigger to display the appropriate call processes and customer data on the CSR's screen. By simplifying and automating these processes, a particular CSR can handle more call types and accomplish the über-metric — increasing that all important first-call resolution.

- **Why it's important.** Consumers regularly complain about poor insurance customer service, lots of hold time, and getting passed up and down a chain of CSRs in trying to get a question answered. In fact, customer experience was the leading insurance inquiry at Forrester for the first half of 2008. For insurers, it's all about customer retention and, at the same time, being smart about how to improve the efficiency and effectiveness of the call center. Jacada WorkSpace can help turn a call center experience from something where you hope for the best into a way for a carrier to differentiate based on experience.

Se2

In 2004, Security Benefit set out to reinvent its back office operations, and, with that reinvention, se2 was born. With roots in life insurance product administration, se2 has since expanded its portfolio of life and annuity (L&A) technology solutions and streamlined business process. The company provides a lot of flexibility. Clients can deploy a variety of solution modules and manage these modules themselves with se2's application service provider (ASP) option, or they can turn the whole process over to se2's business process outsourcing (BPO) services. Its technology solutions and BPO capabilities include new product set up; product administration; variable product pricing/trading; billing; image/workflow; lockbox; compliance; reporting; fulfillment; and even agent license, appointment, and sales commissions across all the L&A channels. Reducing costs is a given — and se2 meets expectations here — but its rapid deployment model means that clients are getting a 12-month ROI. It has also identified a particularly gnarly regulatory challenge — 403(b) compliance — and has responded by developing se2 403(b)connect.

- **Why it's important.** Come January 1, 2009, sponsors of certain retirement benefits programs like school districts and nonprofits have to change how they document and manage pre-tax retirement savings accounts, known as 403(b) plans, to meet the requirements of the law.[4] These

2-6

looming IRS regulations are complicated for everyone because individual policies now need to be linked to a plan — a big problem for the marketplace because it makes the management and reporting bits especially complex. With 403(b)connect, se2 has cracked this nut for providers, carriers, plan sponsors and third-party administrators (TPAs). This hosted solution includes the definition of plan rules; the ability to aggregate participants/contracts across multiple legacy administration platforms; the Web services that allow access to plan rules, and all reporting now required by the regulation change. The company's rapid rollout model also means that providers, carriers, plan sponsors, and TPA's that took a pass on this business due to the regulatory change can now re-enter the 403(b) market.

Valen

Valen (www.valen.com) provides two different predictive analytics solutions to P&C insurers. The first, UnderRight, helps underwriters to better match the premium with the risk the carrier will be assuming, preventing unprofitable business, reducing underwriting cycle time, increasing agent satisfaction, and improving customer retention. The second, AuditRight, helps insurance auditors quickly identify premium mismatches, eliminating premium "leakage," and reducing premium fraud and reporting errors. It also optimizes the use of audit resources by identifying the most cost-effective audit method to use. Valen's big distinction is its data enrichment. Valen brings an external data warehouse into the equation, which provides P&C carriers with insights from publicly available data sources that are completely missed when just relying on internal data.

- **Why it's important.** The P&C industry is all about risk mitigation, including the decisions a carrier might make about extending certain coverage in certain markets or even to certain customers. Insurers are recognizing that there are better determinants of what makes a good insurance bet than past behaviors, for instance credit scores or years of education, which are unlikely to reside in the insurer's internal data systems.[5] At the same time, the carrier needs to be able to price coverage competitively and to identify new target markets where the carrier would have a strategic advantage. Valen's ability to augment internal data with external insights means that carriers can target the right market with the right offer at the right price.

RECOMMENDATIONS

THRIVE BY RECOGNIZING WHEN TECHNOLOGY ADDRESSES INDUSTRY MARKET CHANGES

The companies noted in this report underscore fundamental changes in the role that technology will play in the business of insurance in the coming years. To stay on top of insurance market trends, Forrester recommends that tech vendors looking to enter or expand in the insurance market should:

2-7

- **Pitch innovative technology that will drive insurance innovations.** Insurer embrace of SOA and the fact that more insurance CIOs are coming from outside the industry are driving surprising interest in innovation. Don't overlook the industry when it comes to pitching solution innovations like cloud computing or SaaS. Like SOA, they can help insurers overcome inefficiencies from reliance on legacy systems, redundant applications, siloed business lines, and manual processes.

- **Watch for regulatory changes that will test insurers.** The insurance industry is highly regulated, driving the need for internal regulatory and compliance solutions. Insurers also provide highly regulated customers with services that help them address their own regulatory challenges, like this report's 403(b) compliance example. Technology vendors need to understand the insurers' customer drivers in order to frame solutions that address insurer response to regulation or collaborations that help them drive better customer experience and profitable revenue.

- **Take a job focus.** The insurer has a job to do for its customers — helping them manage risk — and that job requires them to do lots of different jobs — assess risk, manage claims, and develop and sell new products. Show insurers how they can do their jobs better by integrating business processes and technology in new ways, using different channels. Deliver business performance intelligence with job- or role-focused dashboards that allow job holders to get the information they need to be successful in their roles in the way they want it presented.

- **Keep a wary eye turned to the competitive landscape.** Given insurers' fiscally conservative nature, their pockets are, if not deep, at least lined with cash for technology investments. As a result, the insurance industry has gotten very sexy. Insurance tech vendors will be dealing with new, lower-cost competitors that can effectively and rapidly meet the business needs of the insurance market place. That means that tech vendors need to think about their own innovations, examining their own structures and how well and how quickly they can adapt to the changing needs of the insurance market

ENDNOTES

1 The industry is one of the leading investors in global capital markets, investing collected premiums in stocks and bonds to help make up for the unpredictability of losses. See the August 10, 2007, "Industry Essential: The US Insurance Market" report.

2 Managing customer churn continues to flummox direct marketers. They struggle to define, target, or properly value customers. But, increasingly, marketers are turning to predictive analytics to power retention programs. See the October 20, 2008, "Optimizing Customer Retention Programs" report.

3 Commercial lines represented more than half of the net premiums written in the US property and casualty market in 2007. Source: Insurance Information Institute (http://www.iii.org/media/facts/statsbyissue/commercial/).

2-8

[4] The IRS issued final regulations in 2007 that address the legal requirements that apply to 403(b) retirement plans. The regulations were enacted because of IRS concern over the massive noncompliance it was observing in field audits of 403(b) plans. The IRS has endeavored to address these concerns in the final regulations by making 403(b) plans more like 401(k) plans. One immediate effect will be an increase in the administrative responsibilities of employers that offer 403(b) plans. Source: Internal Revenue Service (http://www.irs.gov/retirement/article/0,,id=172430,00.html).

[5] Credit-based insurance scores are effective predictors of risk under automobile policies. They are predictive of the number of claims consumers file and the total cost of those claims. The use of scores is therefore likely to make the price of insurance better match the risk of loss posed by the consumer. Source: "Credit-Based Insurance Scores: Impacts On Consumers Of Automobile Insurance," Federal Trade Commission report, July 2007 (http://www.ftc.gov/os/2007/07/P044804FACTA_Report_Credit-Based_Insurance_Scores.pdf).

2-9

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Testimony
Senate Commerce Committee
February 17, 2009
SB 120 Amending the Kansas IMPACT Incentive Program
By: Christy Caldwell, Vice President Government Relations
Greater Topeka Chamber of Commerce

Chairman Wysong and Members of the Committee:

The Greater Topeka Chamber of Commerce would like to express our strong support for SB 120 which clarifies language within the Investment in Major Projects and Comprehensive Training program (IMPACT). This business incentive was created to help Kansas attract quality jobs and investment to our state. It is a beneficial program our economic development department utilizes when encouraging manufacturing companies to locate or expand in our community.

The clarification in SB 120, striking language on page 3, lines 8 & 9 will improve the program by clearly indentifying IMPACT's availability and usability for companies in business and financial services and R & D. This flexibility in the program will help address upfront costs including wages that service industries incur before new employees generate long-term business production and revenues.

Today, the largest segment of business growth is outside the manufacturing sector. Service industries create high-waged jobs and these companies have indicated their essential need to have employees with advanced skills. Due to the intensive nature of training and the time dedicated to training, employers many times carry the expense of preparing their new employees for months before the employees are productive. The suggested clarification in SB 120 addresses this issue and alleviates a barrier that now exist for service industries expanding or relocating in Kansas.

The Topeka Chamber believe this proposed change in IMPACT will make us more competitive in attracting new service companies to Kansas and in assisting the ones here to grow. We ask the Committee's support for this change to the IMPACT program. We urge your approval of SB 120.

Thank you.

Senate Commerce Committee
Date: February 17, 2009
Attachment 3

achieve more

Testimony before the Senate Commerce Committee
Senate Bill 120 – IMPACT
Presented by J. Kent Eckles
Vice President of Government Affairs
Tuesday, February 17th, 2009

The Kansas Chamber appreciates the opportunity to submit testimony in favor of Senate Bill 120, regarding the Investments in Major Projects and Comprehensive Training program.

The Chamber welcomes enhancements to the Department of Commerce's IMPACT program as we have over the last several legislative sessions. We have long believed removing the restriction on using funds to pay for those employees being trained would make the program more attractive to both existing and prospective Kansas businesses.

The need for training new employees or re-training existing employees is essential whenever a company upgrades their equipment, undergoes new manufacturing processes (LEAN, Six Sigma, Kaizen or other), offers a new product line or simply expands their employee base due to expansion.

Because the IMPACT program is the state's premier economic development incentive program, the Chamber is pleased to be able to offer its strong support of the bill.

Again, we appreciate the opportunity to offer testimony on SB 120 and look forward to working with the committee and the Department of Commerce as the measure makes its way through the legislative process.

The Kansas Chamber, with headquarters in Topeka, Kansas, is the leading statewide pro-business advocacy group moving Kansas towards becoming the best state in America to live and work. The Chamber represents small, medium, and large employers all across Kansas. Please contact me directly if you have any questions regarding these comments.

THE KANSAS CHAMBER
835 SW Topeka Blvd. Topeka, KS 66612 785.357.6321

Senate Commerce Committee
Date: February 17, 2009
Attachment 4

Lenexa Chamber of Commerce

The Historic Lackman-Thompson Estate
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TO: Senator David Wysong, Chairperson
Senator Julia Lynn, Vice-Chairperson
Members, Senate Commerce Committee

FROM: Ashley Sherard, Vice-President
Lenexa Chamber of Commerce

DATE: February 17, 2009

RE: **SB 120 – More Flexibility in the Project Costs Eligible to Use IMPACT Funds**

The Lenexa Chamber of Commerce would like to express its support for SB 120, which would expand the definition of "project costs" eligible to use IMPACT funds to include wages paid to persons receiving education or training under a project.

The state is currently faced with the significant challenge of promoting statewide economic development while hampered by limited financial resources and existing incentive tools that are rapidly losing competitive ground – in particular, incentives for projects that invest more heavily in jobs than in capital improvements.

Within that difficult context we believe SB 120 is a smart step in the right direction, taking an existing incentive program with existing unused fiscal resources and simply expanding the types of project costs for which those funds may be used, increasing the incentive's usability and potential value in attracting and retaining businesses.

In addition, we believe the proposed change better reflects and wisely adapts to the evolving marketplace, where service industries have become a significant economic driver and for whom training and retraining of workers can be a critical economic issue.

For these reasons, the Lenexa Chamber of Commerce urges the committee to recommend SB 120 favorably for passage. Thank you for your time and consideration of this important issue.

Overland Park
Chamber of Commerce

Testimony in Support of Senate Bill 120

Submitted by Dave Holtwick
On behalf of the Overland Park Chamber of Commerce

Senate Commerce Committee
Tuesday, February 17th, 2009

Chairman Wysong and Committee Members:

My name is Dave Holtwick and I am Vice President of Government Affairs with the Overland Park Chamber of Commerce. I am appearing today on behalf of our board of directors and our nearly 900 member companies. I appreciate the opportunity to share testimony with you today in support of Senate Bill 120 which makes needed changes to the Kansas Investments in Major Projects and Comprehensive Training Act (IMPACT).

This legislation would provide more flexibility in the use of IMPACT funds, allowing them to be used to cover employee wages while they are in training as well as the cost of training. I believe the result is a Win – Win – Win. The business wins because their employees receive needed training. The employee wins because they receive training that makes them more valuable. And the State wins because of the better trained work force that is certain to result.

Efforts to recruit new businesses to our area and to maintain the businesses we have is growing increasingly difficult. With our current economic situation, simple changes like this that don't carry a fiscal note will help economic development efforts. I believe this would help Kansas cities and counties reduce the competitive disadvantage we currently face with our neighboring states.

In summary, I believe changing this legislation would provide additional flexibility in the use of IMPACT funds that would be very valuable to companies investing in Kansas. Thank you very much for your time today. I encourage you to support Senate Bill 120.

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KEDA
Kansas Economic Development Alliance

Testimony in Support of Senate Bill 120

Presented by Lavern Squier
Representing the Kansas Economic Developers Alliance (KEDA)

Senate Commerce Committee
February 17th, 2009

Chairman Wysong and Commerce Committee Members:

My name is Lavern Squier and I am the Chair of the Economic Development Competitiveness Task Force for the Kansas Economic Developers Alliance. KEDA members are economic development practitioners from all across Kansas. I am pleased to be able to be here today to express our interest in and support for Senate Bill 120.

Members of KEDA are on the front lines of economic development efforts throughout the state and we are often frustrated because our effectiveness seems to be eroding even as we are expecting greater results in the face of intensifying competition. For some time, most of our members have felt that enhancements were needed in the economic development tools available to be used for business recruitment and retention if Kansas is to remain competitive.

Our real-world experience tells us that incentives are a critical factor in the attraction and/or creation of jobs and investment. We have also found that competition is increasing and Kansas has to offer competitive incentives if we want to "stay in the game". Finally, we have seen that the tools available for our use are greatly limited and their value in the marketplace is diminishing.

With those concerns in mind, over 100 KEDA members, elected officials, Department of Commerce staff members, consultants and others held meetings in 2008 throughout the state to gather grass roots input and to discuss possible options. One of the suggested changes was to re-vamp the Investment s in Major Projects and Comprehensive Training (IMPACT) program to make it more usable and more flexible. Senate Bill 120 is a step in that direction.

Allowing IMPACT program funds to be used to pay wages of employees while they are undergoing training necessary to make them effective in their jobs makes this tool more usable and more flexible. This will help make our members more competitive in recruiting and retaining businesses in Kansas and it will help the companies they assist become successful sooner than they might otherwise be.

The change in the IMPACT program proposed in this legislation would be very beneficial. I encourage you to support Senate Bill 120. Thank you for your time.