

**CONFERENCE COMMITTEE REPORT BRIEF
SENATE BILL NO. 42**

As Agreed to March 25, 2025

Brief*

SB 42 would:

- Enact the Kansas Real Time Motor Vehicle Insurance Verification Act (Act) to require the Commissioner of Insurance (Commissioner) to establish a web-based system for online verification of motor vehicle insurance and require motor vehicle insurers to cooperate with the Commissioner to establish and maintain the system as specified in the Act;
- Establish a response time for insurance agents and insurers to respond to inquiries from the Kansas Insurance Department (Department) and add the failure to respond to such inquiries to the list of actions that could lead to action against an agent or insurer's license;
- Allow for an extension of one-year pilot programs or testing periods with approval from the Commissioner for a specific period of time determined by the Commissioner;
- Amend certain reporting requirements for the Commissioner;
- Amend the definition of "person" in statute regarding enforcement of insurance law;
- Amend law related to title insurance agent audits, surety bonds, and controlled business;
- Amend the Third Party Administrators Act to require third-party administrators (administrators) to maintain a separate fiduciary account for each payor and prohibit co-mingling of funds; and
- Make technical and conforming amendments.

*Conference committee report briefs are prepared by the Legislative Research Department and do not express legislative intent. No summary is prepared when the report is an agreement to disagree. Conference committee report briefs may be accessed on the Internet at <https://klrd.gov/>

Kansas Real Time Motor Vehicle Insurance Verification Act

Definitions

The bill would define various terms as used in the Act, including:

- “Commercial vehicle coverage” would mean any coverage provided to an insured, regardless of the number of vehicles covered, under a commercial coverage form and rated from a commercial manual approved by the Department; and
- “Insurance verification system” would mean the web-based system for online verification of motor vehicle liability insurance.

Insurance Verification System Established

The bill would direct the Commissioner to establish an online verification of motor vehicle insurance system (system). The bill would require the system to be web-based, supersede any other verification system requirements, and be the only system in Kansas for this purpose. The Commissioner also would have authority to adopt reasonable and necessary rules and regulations for the system.

Insurance Verification System Technical Capabilities

The bill would create requirements for the system, including the ability to:

- Transmit requests to insurers for verification of coverage and receive responses from insurance company systems. The bill would require insurance company systems to respond to each request for verification with a prescribed response upon evaluation of the data provided in such request;
- Ensure the data is secured with applicable data privacy protection laws;
- Be used for verification of motor vehicle liability insurance as prescribed by state law and accessible to authorized personnel and entities authorized by state or federal privacy laws;
- Interface wherever appropriate with existing state systems; and
- Include multiple data elements for greater matching accuracy, limited to:
 - Insurer National Association of Insurance Commissioners company code number;
 - Vehicle identification number;
 - Policy number;
 - Verification date; or
 - Other information as required by the Commissioner or Kansas Department of Revenue (KDOR).

Acquisition

The bill would permit the Commissioner to conduct a competitive bid and contract process to purchase the system from a private service provider that has successfully implemented similar systems in other states.

Funding Source

The bill would require the Department to provide the funding for implementation, ongoing maintenance, and enhancement of the system from the Insurance Department Regulation Service Fund.

System Information Exchange

The bill would direct insurers to cooperate with the Commissioner and KDOR to establish and maintain the system. Insurer systems would be permitted reasonable system downtime with proper notice, and fees would not be charged during downtime or when the system is not available due to emergency situations, outside attack, or other unexpected outages outside the insurer's control as determined by KDOR.

The bill would require each property and casualty insurance company licensed to issue motor vehicle liability insurance or authorized to do business in Kansas to provide verification through the system for vehicles registered in Kansas and allow the company to use a third-party vendor.

The bill would allow commercial motor vehicle insurers to participate in the system voluntarily.

The bill would also provide insurers with immunity from civil and administrative liability for good faith efforts to comply with the Act.

Alternative Verification

The bill would authorize the Commissioner to establish rules and regulations for an alternative verification method for insurers that insure 1,000 or fewer vehicles in Kansas.

Confidentiality of Information

The bill would establish that all information and data provided by the insurance companies to the system, including all reports, responses, or other information generated for purposes on the system, would be confidential by law and privileged. The information would not be subject to the Kansas Open Records Act or subject to discovery or admissible as evidence in any private civil action.

Effective Date

The bill would require the system to be fully operational no later than July 1, 2026, following a testing period of no less than nine months. Enforcement action based on system information would not be permitted until after successful completion of the testing period.

Law Enforcement Stops

The bill would prohibit establishing compliance through the system as a primary cause for law enforcement to stop a vehicle.

Permitted Use

The bill would establish that the online verification established through the Act could be used as proof of insurance for vehicle registration purposes.

Response to Department Inquiries

The bill would clarify the time period in which an agent or insurer is required to respond to an inquiry from the Department to be within 14 calendar days.

The bill would add the failure of an insurer to respond to an inquiry from the Department to the list of actions that could lead the Commissioner to deny, suspend, revoke, or refuse a new license or application for license.

Extension of Pilot or Testing Period

The bill would allow the insurer or producer to request an extension on a one-year pilot or testing period for a value-added product or service from the Commissioner for additional time to determine if the value-added product or service meets the required criteria. The bill would authorize the Commissioner to grant such extension, with the specified time of the extension to be determined by the Commissioner.

Reporting Requirements

The bill would remove the requirement that the Commissioner provide an annual report to the Governor regarding the general conduct and condition of insurance companies, including fraternal benefit societies doing business in the state. The Commissioner would be required to publish the report on the Department website.

The bill would also remove outdated language requiring the Commissioner to report to the Governor and the Legislature regarding the development of uniform electronic data interchange formats and standards.

Definition of “Person”

The bill would amend the definition of “person” for purposes of enforcement of insurance law to remove references to specific entities already included under “any legal entity under the jurisdiction of the Commissioner.”

Title Agent Audit Report Available by Request

The bill would remove the requirement that each title insurance agent in the state submit a copy of its annual audit report made of its escrow, settlement, and closing deposit accounts to the Commissioner within 30 days of the end of a calendar year. The bill would instead require that annual audit reports of title insurance agents be available upon request. These provisions would become effective on January 1, 2026.

Surety Bonds

The bill would require any title insurance agent who handles escrow, settlement, or closing accounts to file with the Commissioner documentation of a \$100,000 surety bond or irrevocable letter of credit, regardless of the population of the county or counties the agent serves. This provision would become effective on January 1, 2026.

Controlled Business Exemption

The bill would remove the controlled business exemption in counties for title insurer or title agent that have a population of 10,000 or less. This provision would become effective on January 1, 2026.

Third-party Administrators

The bill would amend the Third Party Administrators Act to require third-party administrators (administrators) to maintain a separate fiduciary account for each payor and prohibit co-mingling of funds, either collected or held, in a fiduciary account by the administrator on behalf of multiple payors.

[Note: Continuing law requires all insurance charges, premiums, collateral, and loss reimbursements collected by an administrator on behalf of or for a payor, and the return of premiums or collateral received from a payor, to be held by the administrator in a fiduciary capacity. The funds are to be immediately remitted to the person or persons entitled to such funds or deposited promptly in a fiduciary account established and maintained by the administrator in a federally or state-insured financial institution.]

The bill would require an administrator to disclose to the Commissioner any bankruptcy petition filed by or on behalf of the administrator pursuant to Chapter 9 or Chapter 11 of the U.S. Bankruptcy Code at the time such filing is made.

Conference Committee Action

The Conference Committee agreed to the provisions of SB 42, as amended by the House Committee on Insurance, and agreed to add the following to the bill:

- SB 23, as amended by the House Committee on Insurance;
- SB 27, as amended by the House Committee on Insurance;
- HB 2042, as amended by the Senate Committee on Financial Institutions and Insurance, but changed the effective date for its provisions to January 1, 2026; and
- HB 2044, as amended by the Senate Committee on Financial Institutions and Insurance.

For the contents other than provisions of HB 2042, the Conference Committee agreed to remove amendments making the effective date to be upon publication in the *Kansas Register*.

Background

The Conference Committee inserted the contents of SB 23, as amended by the House Committee; SB 27, as amended by House Committee; HB 2042, as amended by Senate Committee; and HB 2044, as amended by Senate Committee, into SB 42, as amended by the House Committee. With the exception of HB 2042, the Conference Committee changed the effective date to be upon publication in the statute book for the remaining provisions.

SB 42 (Kansas Real Time Motor Vehicle Insurance Verification Act)

The bill was introduced by the Senate Committee on Financial Institutions and Insurance at the request of a representative of the Department.

Senate Committee on Financial Institutions and Insurance

In the Senate Committee hearing, **proponent** testimony was provided by a representative of the Department and a representative of the Kansas Association of Chiefs of Police, Kansas Peace Officers Association, and the Kansas Sheriffs Association. The representative of the Department stated the bill would allow the Department to issue a request for proposal and contract with a company for a real-time motor vehicle insurance verification system. The representative of the Department stated the Department intends to fully fund the cost of the implementation of the system, noted the law is based upon a model law working to solve the issue of uninsured motorists, the legislation has been enacted in more than 20 states, and those states have reduced their uninsured motorist rates by half. The representative of law enforcement indicated the system would assist law enforcement in verifying drivers' insurance information accurately in a timely manner.

Written-only proponent testimony was provided by the Superintendent of the Kansas Highway Patrol.

No other testimony was provided.

The Senate Committee made a technical amendment to correct the title of the Act. [Note: The Conference Committee retained this amendment.]

Senate Committee of the Whole

The Senate Committee of the Whole amended the bill to prohibit establishing compliance through the system as a primary cause for law enforcement to stop a vehicle and to limit the data elements for greater matching accuracy that a motor vehicle liability insurance company provides. [Note: The Conference Committee retained these amendments.]

House Committee on Insurance

In the House Committee hearing, written-only proponent testimony was provided by representatives of the Kansas Association of Insurance Agents, Kansas Highway Patrol, and the Kansas Association of Chiefs of Police, Kansas Peace Officers Association, and Kansas Sheriffs Association.

No other testimony was provided.

The House Committee made a technical amendment to the bill and changed the effective date to be upon publication in the *Kansas Register*. [Note: The Conference Committee did not retain this amendment.]

SB 23 (Agent Response to Inquiries; Rebate Pilot Programs)

SB 23 was introduced by the Senate Committee on Financial Institutions and Insurance at the request of a representative of the Department.

Senate Committee on Financial Institutions and Insurance

In the Senate Committee hearing, **proponent** testimony was provided by a representative of the Department. The proponent indicated the bill would allow the Department to better respond to consumer complaints it receives and would allow an extension beyond the one-year period for a pilot or testing period at the discretion of the Department to obtain evidence pertaining to value-added products or services mitigation.

Written-only neutral testimony was provided by a representative of the Kansas Association of Property and Casualty Insurance Companies, Inc.

No other testimony was provided.

The Senate Committee amended the bill to clarify that the Commissioner may grant an extension for a one-year pilot or testing period for a specified time to be determined by the Commissioner. [Note: The Conference Committee retained this amendment.]

House Committee on Insurance

In the House Committee hearing, no testimony was provided.

The House Committee amended the bill to change the effective date to be upon publication in the *Kansas Register*. [Note: The Conference Committee did not retain this amendment.]

SB 27 (Reporting Requirements; Definition of “Person”)

The bill was introduced by the Senate Committee on Financial Institutions and Insurance at the request of a representative of the Department.

Senate Committee on Financial Institutions and Insurance

In the Senate Committee hearing, **proponent** testimony was provided by a representative of the Department, who stated the bill would increase efficiency for the agency by eliminating a reporting requirement and simplify the definition of “person” to prevent the need to amend the statute each time a change is made to the Commissioner’s jurisdiction.

No other testimony was provided.

The Senate Committee amended the bill to clarify that the annual report would continue to be published on the Department’s website. [Note: The Conference Committee retained this amendment.]

House Committee on Insurance

In the House Committee hearing, no testimony was provided.

The House Committee amended the bill to change the effective date to be upon publication in the *Kansas Register*. [Note: The Conference Committee did not retain this amendment.]

HB 2042 (Title Agent Audit Reports; Surety Bonds; Controlled Business Exemption)

The bill was introduced by the House Committee on Insurance at the request of a representative of the Department.

House Committee on Insurance

In the House Committee hearing, a representative of the Department provided **proponent** testimony, stating the bill would still require the audits to be completed annually and would be available upon request of the Department. This would assist the Department in a reduction of resources to collect and store the audits. The representative also testified that the bill would condense the tiers related to a single \$100,000 surety bond requirement for all county populations. Additionally, the bill would eliminate the controlled business exemption for all

counties with a population of 10,000 or less. It was noted that Kansas is the last state to have this type of population-based exemption.

No other testimony was provided.

The House Committee amended the bill to change the effective date to January 1, 2026, and upon publication in the statute book. [Note: The Conference Committee agreed to apply the January 1, 2026, enactment date to the provisions in HB 2042.]

Senate Committee on Financial Institutions and Insurance

In the Senate Committee hearing, **proponent** testimony was provided by a representative of the Department, who stated that the bill would simplify and remove unenforceable parts of the title insurance statutes and increase the efficiency of the Department.

Written-only proponent testimony was provided by a representative of Kansas Land Title Association.

No other testimony was provided.

The Senate Committee amended the bill to be effective upon publication in the *Kansas Register*. [Note: The Conference Committee did not retain this amendment.]

HB 2044 (Third-party Administrators)

The bill was introduced by the House Committee on Insurance at the request of a representative of the Department.

House Committee on Insurance

In the House Committee hearing, **proponent** testimony was provided by a representative of the Department, who stated the bill would provide the Department, in cases where an administrator files for bankruptcy, with tools to help businesses move their funds to another administrator to avoid disruptions in service to their employees. The representative noted prohibiting the co-mingling of payor funds would facilitate the return of funds to the appropriate payor.

No other testimony was provided.

Following discussion on the bill, the House Committee recommended the bill be placed on the Consent Calendar.

Senate Committee on Financial Institutions and Insurance

In the Senate Committee hearing, **proponent** testimony was provided by a representative of the Department, who stated the bill stems from a situation in 2024 where an administrator filed for bankruptcy in Kansas. The representative stated the Department had few tools to help

those businesses utilizing the administrator to quickly move their funds to another administrator to avoid disruptions in service to their employees. The representative stated the bill would ensure the Department is informed of any such bankruptcy, ensure separate accounts for clients, and ease transition for businesses.

No other testimony was provided.

The Senate Committee amended the bill to clarify that an administrator would be required to disclose to the Commissioner any bankruptcy petition filed at the time such filing is made. [Note: The Conference Committee retained this amendment.] The Senate Committee also amended the bill to change the effective date to be upon publication in the *Kansas Register*. [Note: The Conference Committee did not retain this amendment.]

Fiscal Information

SB 42 (Kansas Real Time Motor Vehicle Insurance Verification Act)

According to the fiscal note prepared by the Division of the Budget on SB 42, as introduced, the Department estimates enactment of the bill would cost \$1.0 million in FY 2026 and \$500,000 in FY 2027 from its Insurance Department Service Regulation Fee Fund. The Department indicates the cost of real-time verification can vary depending on specific features. The Department's estimates include the startup costs and the verification testing in FY 2026. The cost for FY 2027 includes ongoing maintenance and other services required for the new system.

KDOR estimates that it would require \$45,100 from the State General Fund in FY 2026 to modify and test agency databases and update publications. The estimate includes development and testing of its internal system as well as creating a new interface between the Department and KDOR. The required programming for this bill by itself would be performed by existing KDOR staff. In addition, if the combined effect of implementing this bill and other enacted legislation would exceed KDOR's programming resources, or if the time for implementing the changes is too short, additional expenditures for outside contract programmer services beyond KDOR's current budget may be required.

Any fiscal effect associated with enactment of SB 42 is not reflected in *The FY 2026 Governor's Budget Report*.

SB 23 (Agent Response to Inquiries; Rebate Pilot Programs)

According to the fiscal note prepared by the Division of the Budget on SB 23, as introduced, the Department indicates enactment of the bill would not have a fiscal effect.

SB 27 (Reporting Requirements; Definition of "Person")

According to the fiscal note prepared by the Division of the Budget on SB 27, as introduced, the Department indicates enactment of the bill would have no fiscal effect.

HB 2042 (Title Agent Audit Reports; Surety Bonds; Controlled Business Exemption)

According to the fiscal note prepared by the Division of the Budget on HB 2042, as introduced, the Department states that enactment of the bill would not have a fiscal effect for the agency. The Division of the Budget notes that title insurance agents could experience higher operating costs.

HB 2044 (Third-party Administrators)

According to the fiscal note prepared by the Division of the Budget on HB 2044, as introduced, the Department states enactment of the bill would have no fiscal effect.

Insurance; Kansas Insurance Department; Commissioner of Insurance; inquiry response; rebate pilot programs; value-added product; value-added service; Real Time Motor Vehicle Insurance Verification Act; motor vehicle; vehicle insurance; law enforcement; reporting requirements; definitions; title insurance; surety bonds; controlled business; Third Party Administrators Act; third-party administrator; fiduciary accounts; bankruptcy; U.S. Bankruptcy Code

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