

February 14, 2025

The Honorable Susan Humphries, Chairperson
House Committee on Judiciary
300 SW 10th Avenue, Room 582-N
Topeka, Kansas 66612

Dear Representative Humphries:

SUBJECT: Fiscal Note for HB 2323 by House Committee on Judiciary

In accordance with KSA 75-3715a, the following fiscal note concerning HB 2323 is respectfully submitted to your committee.

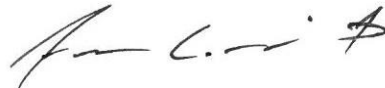
HB 2323 would allow the Insurance Commissioner to bring a civil action in district court if the Commissioner believes that a person has committed a fraudulent insurance act. The burden of proof would be on the Commissioner to prove that the person committed insurance fraud. If the court finds that the person committed insurance fraud, then the court could impose a civil penalty up to \$10,000 for each fraudulent insurance act that would be paid into the Insurance Department Service Regulation Fund. The court could also order payment of restitution; payment of reasonable expenses and investigation fees incurred by the Department; and other relief as the court considers appropriate. The bill would require an applicant applying for an insurance producer or public adjuster license to disclose expunged criminal records if the arrest, conviction, or diversion is for a fraudulent insurance act. The bill would also add the Commissioner to the list of officials who could access expunged records when reviewing license applications related to fraudulent insurance acts. The bill would amend the meaning of fraudulent insurance act to include automobile assigned claims plans.

The Kansas Insurance Department would require \$85,000 from its fee funds to hire 1.00 Special Agent position starting in FY 2026. The position would assist in pursuing civil actions and imposing penalties for insurance fraud.

The Judicial Branch states that enactment of the bill could increase the number of cases filed in district court because the bill would allow the Insurance Commissioner to file a cause of action for insurance fraud. The time spent by district court judicial and nonjudicial personnel

processing, researching, and hearing cases would increase as a result of additional cases. The bill could also increase the collection of docket fees that would be deposited into the State General Fund. Any fiscal effect associated with HB 2323 is not reflected in *The FY 2026 Governor's Budget Report*.

Sincerely,

A handwritten signature in black ink, appearing to read "Adam C. Proffitt", with a stylized flourish at the end.

Adam C. Proffitt
Director of the Budget

cc: Kyle Strathman, Insurance Department
Trisha Morrow, Judiciary