

MINUTES OF THE SENATE COMMITTEE ON FINANCIAL INSTITUTIONS AND INSURANCE.

The meeting was called to order by Chairperson Sandy Praeger at 9:30 a.m. on March 20, 2001 in Room 234-N of the Capitol.

All members were present except:

Committee staff present: Dr. Bill Wolff, Kansas Legislative Research Department
 Ken Wilke, Office of the Revisor of Statutes
 JoAnn Buntin, Committee Secretary

Conferees appearing before the committee:

Kevin Glendening, Consumer and Mortgage Lending, Office of State Bank Commissioner
Melissa Walker, President, Kansas Association of Mortgage Brokers
David A. Hanson, National Association of Independent Insurers
Brad Smoot, Blue Cross/Blue Shield and American Insurance Association
Larrie Ann Lower, Executive Director, Kansas Association of Health Plans
Chris Collins, Director of Government Affairs, Kansas Medical Society
Rebecca Wempe, Assistant VP and Counsel, Security Benefit Life Insurance Company
Matthew All, Kansas Insurance Department

Others attending: See attached list.

Hearing on HB 2481 - Kansas mortgage business act; regulation of

Kevin Glendening, Consumer and Mortgage Lending, Office of State Bank Commissioner, testified before the Committee in support of **HB 2481** which would authorize the agency to establish continuing education and testing requirements for individuals engaged in mortgage brokering as well as other changes which he noted represents a shift in the way they propose to license mortgage lenders and brokers and to broaden the focus on areas relating to how this kind of business is conducted in the state. Mr. Glendening requested an amendment that would reinsert language on page 3, lines 33 to 36 of the bill which would become another exemption from the licensing requirements of the act. (Attachment 1)

Melissa Walker, President, Kansas Association of Mortgage Brokers, presented testimony in support of the bill. She noted they believe it is important for mortgage representatives that have dealings with the general public to be not only licensed but also have required continuing education. (Attachment 2) It was pointed out during Committee discussion that brokers who are licensed now would still be required to participate in the continuing education and not be grandfathered in.

There were no opponents to the bill.

Senator Barnett made a motion to amend the bill by reinserting language on page 3, lines 33 to 36, seconded by Senator Feleciano. The motion carried.

Senator Barnett made a motion that the Committee recommend **HB 2481 as amended** favorable for passage, seconded by Senator Teichman. The motion carried.

Continued hearing on HB 2480 - Adoption of model regulation concerning privacy of financial and health information of consumers

David A. Hanson, National Association of Independent Insurers, testified before the Committee in strong opposition to **HB 2480**. He pointed out several concerns that his organization that represents numerous independent insurers have with the bill. A brief summary of his concerns included: (1) The Privacy Model Act as created by NAIC includes a number of provisions that are beyond the scope established by GLBA and are potentially at odds with

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Kansas laws created last year through land mark compromise between the insurance industry and regulators; (2) The Privacy Model Act is stretching beyond its necessary scope, includes a number of provisions that will unfairly subject Kansas insurers to dual regulation by federal and state entities when the federal programs that were designed to protect this material goes into effect just one year after the proposed effective date of the NAIC Act; (3) The overly broad steps of including workers compensation information in a bill designed primarily to protect the information of individuals by the adoption of the Privacy Model Act would unnecessarily increase the costs of doing business in Kansas by requiring purchasers of workers compensation insurance to comply with the complicated provisions of the act; and (4) The opt-in requirements for health information in the NAIC Model Act creates needless complications to the system and drives up the cost to the insurer which is eventually carried over to the insured. (Attachment 3) Mr. Hanson urged the Committee to delay action to see what other states are going to do and to recommend the bill for interim study.

Mr. Hanson called the Committee's attention to written testimony in opposition to the bill from Lee Wright, Farmers' Insurance Group, (Attachment 4); Kevin R. Davis, American Family Insurance Group, (Attachment 5); Tony Kimmi, Farm Bureau Mutual Insurance company, (Attachment 6) and Rick Wilborn, Farmers Alliance Companies, (Attachment 7).

Brad Smoot, representing Blue Cross/Blue Shield and American Insurance Association, expressed his support for the bill, (Attachments 8 and 9); and Larrie Ann Lower, Executive Director, Kansas Association of Health Plans, expressed her support and offered an amendment which would replace the effective date of the NAIC Model to February 1, 2003, as shown in a balloon of the bill, (Attachment 10). Chris Collins, Director of Government Affairs, Kansas Medical Society and Rebecca Wempe, Assistant VP and Counsel, Security Benefit Life Insurance Company, also expressed support for **HB 2480**, (Attachments 11 and 12).

Matthew All, Kansas Insurance Department, addressed some of the concerns expressed by David Hanson. He noted that after the federal regulations made clear that Title V of GLBA applied to health information, insurance commissioners and most in the industry agreed a Model Regulation was needed, and that the Model Regulation should provide more protection for health information. He felt that a majority of states will adopt either the NAIC Model or something even more protective. Colorado, Texas, Oklahoma and Nebraska have reported that they intend to implement the NAIC Model Regulation. Mr. All pointed out the claim by some that the "Kansas model" or the NCOIL Model would provide uniformity is false. He noted that any amendment to the definition of consumer or to exempt so-called "commercial" insurers would defeat the purpose of the regulation and leave working Kansans without the protection they deserve. Mr. All also supplied written testimony to the Committee from American Investors in support of the bill. (Attachment 13)

Approval of Minutes

Senator Brungardt made a motion to approve the Committee minutes of March 13, 14 and 15, seconded by Senator Barnett. The motion carried.

Adjournment

The meeting was adjourned at 10:30 a.m. The next meeting of the Committee is scheduled for March 21, 2001.