

SESSION OF 2013

SUPPLEMENTAL NOTE ON SENATE BILL NO. 26

As Recommended by Senate Committee on
Financial Institutions and Insurance

Brief*

SB 26 would amend the Insurance Code to add definitions to the existing list of limited lines insurance and to clarify continuing education requirements for insurance agents who sell certain limited lines of insurance.

Specifically, the bill would add the following new definitions of limited lines insurance:

- Crop insurance—limited line insurance for damage to crops from unfavorable weather conditions, fire, lightning, flood, hail, insect infestation, disease or other yield-reducing conditions, or any other peril subsidized by the Federal Crop Insurance Corporation, including multi-peril crop insurance;
- Title insurance—limited line insurance that insures titles to property against loss by reason of defective titles or encumbrances;
- Travel insurance—limited line insurance for personal risks incidental to planned travel (includes interruption or cancellation of trip or event and loss of baggage or personal effects);
- Pre-need funeral insurance—limited line insurance that allows for the purchase of a life insurance or annuity contract by or on behalf of the insured

*Supplemental notes are prepared by the Legislative Research Department and do not express legislative intent. The supplemental note and fiscal note for this bill may be accessed on the Internet at <http://www.kslegislature.org>

solely to fund a pre-need contract or arrangement with a funeral home for specific services; and

- Bail bond insurance—limited line insurance that provides surety for a monetary guarantee that an individual released from jail will be present in court at an appointed time.

The bill would provide that the insurance ethics biennial continuing education requirement (at least one hour of instruction) for licensed insurance agents who are qualified to write business in either property or casualty (or both) or personal lines, or life, accident, and health, or variable contracts also could include regulatory compliance.

The bill would require each insurance agent who holds a life insurance license solely for the purpose of selling pre-need funeral insurance or annuity products to file a report on or before the agent's biennial due date affirming that the agent has transacted no other insurance business during the period covered by the report. Upon the Commissioner's request, an agent would be required to provide certification from an officer of each insurance company (which has appointed the agent) that the agent transacted no other insurance business during the reporting period.

The bill also would provide exemptions from the biennial continuing education credits (CEC's) requirements for licensed insurance agents who sell only pre-need funeral insurance and for agents who hold only a bail bond qualification.

Background

The bill was introduced at the request of the Kansas Insurance Department whose representative indicated several of the proposed changes in the bill were needed to comply with uniform licensing standards for agent reciprocity, which allows agents holding a Kansas license to obtain a

license in other states without taking additional examinations or continuing education in those states. A representative of the Kansas Association of Insurance Agents (KAIA) appeared in support of the bill, indicating the KAIA has worked with the Department to expand the definition of ethics (in the bill) to include regulatory compliance; expansion of the definition would mean updates on changes to statutes and regulations may potentially qualify as ethics for continuing education courses. A representative of the Kansas Funeral Directors Association spoke in support of discontinuing the continuing education requirements for insurance agents selling pre-need (funeral) insurance only, citing factors that include the simple nature and low face value of these policies, as well as the fact there is little risk the insured consumer would be injured. A representative of the Kansas Association of Professional Insurance Agents also spoke in support of the bill at the Senate Committee hearing.

There were no opponents present at the Senate Committee hearing.

The fiscal note prepared by the Division of the Budget states the Kansas Insurance Department indicates passage of the the bill would have no fiscal effect.