

MINUTES OF THE SENATE FINANCIAL INSTITUTIONS AND INSURANCE COMMITTEE

The meeting was called to order by Chairperson Ruth Teichman at 9:30 a.m. on March 11, 2004 in Room 234-N of the Capitol.

All members were present except:

Senator Adkins-Absent
Senator David Corbin- excused

Committee staff present:

Bill Wolff, Legislative Research
Ken Wilke, Office of the Revisor of Statutes
Nancy Shaughnessy, Committee Secretary

Conferees appearing before the committee:

Kevin Glendening, Kansas Banking Commission
Whitney Damron, Payday Loan Association
Pam Scott, KS. Funeral Director's Assoc.
Jarrod Forbes, KID
Diane Nygarrd, KTLA

Others attending:

See Attached List.

The Chair requested a motion to approve the minutes from Feb. 18th-19th. Senator Brungardt makes a motion to approve. Senator Barnett seconds. Motion passes.

The Chair opened the hearing on **HB 2685–Payday loans, the regulation thereof.**

Kevin Glendening, proponent of the bill said that the amendments (Attachment 1) on the bill will clarify and strengthen existing consumer protections contained in the law and represent reasonable regulatory requirements that do not place unwarranted burden on the industry. The amendments can be grouped into general areas, 1) Loan structure and handling issues and 2) Prohibited activities and business restrictions.

Whitney Damron, testified as a proponent on the bill (Attachment 2). He stated that the KPLA has established a working relationship with the Kansas Banking Commission. The bill contains a number of consumer friendly amendments to current law and will be readily incorporated by the payday loan industry.

The Chair indicated that El Centro had provided written testimony on the bill (Attachment 3).

The hearing was closed on **HB 2685** and the hearing opened on **HB 2597–Insurance; elimination of required errors and omissions coverage for insurance agents.**

Pam Scott testified as a proponent of the bill (Attachment 4). The KFDA requested the legislation to amend Kansas Statutes to eliminate the requirement that Kansas insurance agents maintain errors and omissions insurance coverage as a condition of licensure in the State.

In 2001 KFDA introduced a similar bill which would have eliminated the errors and omissions requirement for agents who were sole licensed to sell pre-arranged funeral plans. Objections resulted because there was a lack of understanding as to why these agents with such a limited license were being singled out for exemption.

This year the legislation is requesting that the elimination of this requirement for all insurance agents. Kansas is one of only two states that requires this coverage. Non-resident agents doing business in the state are not required to have the coverage and this puts Kansas agents at a competitive disadvantage.

Many insurers will likely continue to require that their agents have errors and omissions coverage. Consumers may choose to purchase coverage only from agents maintaining such coverage.

Senator Buhler inquired about why the bill was originally focused narrowly and why it has been so

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broadly expanded. Isn't the coverage fairly inexpensive? Pam Scott responded that it was not inexpensive and it was fairly difficult to find. Generally insurance agents are in support of the exemption and that is why the legislation was expanded to all agents.

Jarrold Forbes testified as a proponent on the bill (Attachment 5) indicating that the Kansas Insurance Department and the Commissioner are supportive of the legislation.

Diana Nygarrd, KTLA testified as an opponent of the bill (Attachment 6) and expressed her concern about the elimination of the E&O requirement. She represents many people who have invested their savings with a financial service agent.

Many times these "financial planners" are only licensed as an insurance agent. There is a concern that passage of the bill would again reduce a barrier to entry to the "financial planning" business, which puts investors at great risk of loss of their hard-earned savings.

If someone is a funeral director the bill may be onerous, however if a person is a mainstream insurance agent, they have minimal requirements for their agents, as opposed to their competitors, a securities broker who, have stringent regulation requirements. Ms. Nygarrd stated that, if anything, regulatory requirements for insurance agents should be increased.

Senator Barnett inquired about why the KID was in support of this bill when it seemed to not be consumer friendly. Jarrold Forbes responded that he believed that E&O insurance would not cover the kind of incidents to which the conferee was referring. The incidents described sound more like fraud than errors and omission.

The hearing was closed on **HB 2597**.

The Chair stated that she wished to work a couple of bills and opened **HCR 5027–Concurrent resolution urging the Insurance Department and Insurance Commissioner to pursue creation of interstate compact**. She stated that Senator Adkins previous concerns had been addressed satisfactorily and she would entertain a motion to move **HCR 5027** to the consent calender.

Senator Barnett made the motion to move the resolution to the consent calender. Senator Steineger seconds. Motion passed.

The Chair wished to work a bill that was heard yesterday. **SB 546–Insurance:transfer and novation of insurance contracts and group life**. There were some amendments that were suggested. Ken Wilke referenced the balloon that was attached to Mr. Smoot's bill. The language inserted after line 24 that would increase the definition of policyholder. There are a couple of minor technical changes and then staff feels the bill is complete. The Chair asked for a motion to accept the bill and amendment and move it out.

Senator Helgerson made the motion to pass the bill out favorably as amended. Senator Brungardt seconds. Motion passes.

The meeting adjourned at 10:31 A.M.

The next meeting is scheduled for March 16th, 2004.

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