

## MINUTES OF THE SENATE FINANCIAL INSTITUTIONS AND INSURANCE COMMITTEE

The meeting was called to order by Chairman Ruth Teichman at 9:30 a.m. on March 12, 2009, in Room 136-N of the Capitol.

All members were present except:

Senator Jeff Colyer-absent

Senator Tom Holland- excused

Committee staff present:

Bruce Kinzie, Office of the Revisor of Statutes

Melissa Calderwood, Kansas Legislative Research Department

Terri Weber, Kansas Legislative Research Department

Beverly Beam, Committee Assistant

Conferees appearing before the Committee:

Melissa Calderwood, Principal Analyst, Research Dept.

Representative Raj Goyle ([Attachment 1](#))

Ron Gaches, Consumer Data Industry Association ([Attachment 2](#))

Brad Smoot, Explorer Information Services ([Attachment 3](#))

Maren Turner, State Director of AARP Kansas ([Attachment 4](#))

Lee Urban, Assistant State Attorney General ([Attachment 5](#))

Dave Hanson, Property Casualty Insurers Association of America ([Attachment 6](#))

Representative Clark Shultz ([Attachment 7](#))

Chris St. John (written only) ([Attachment 8](#))

Others attending:

See attached list.

The Chair called the meeting to order.

Hearing on

**HB 2292 - Requests for security freeze on consumer reports.**

Melissa Calderwood, Principal Analyst, Research Department, gave an overview of the bill.

Ms. Calderwood stated that current law allows victims of identity theft to place a security freeze on their consumer report. She said **HB 2292** would allow all consumers to place a security freeze on their consumer report. The bill details different ways a consumer can contact consumer reporting agencies. She said this bill also details the time frames agencies would have to temporarily lift a freeze upon the request of the consumer. She said agencies would be able to charge up to \$5 for placing, temporarily lifting, or removing each freeze; or replacing a previously requested personal identification number. She said agencies would not charge fees to victims of identity theft if the consumer provides a copy of a police document verifying the theft.

Representative Raj Goyle testified in support of **HB 2292**. Rep. Goyle said one of the main problems for victims of identity theft is freezing access to their credit reports so that the damage done by identity thieves can be stopped as soon as it's discovered. He said the current process for victims is cumbersome, requiring a police report and certified mail to file a complaint. He noted that this bill is an important step to simplify the procedures for victims of identity theft and it eliminates the \$10 fee normally charged by credit agencies for freezing the report and ensures that the process is done in a timely manner. He added that this bill also provides identical protections for consumers who are not victims of identity theft but wish to freeze their credit reports, although for these consumers, the fee will be \$5. ([Attachment 1](#))

Ron Gaches, on behalf of the Consumer Data Industry Association, testified in support of **HB 2292**. Mr. Gaches said passage of this bill will allow anyone to place a security freeze on the credit account, whether or not they are a victim of identity theft. He said those who are a victim of identity theft or believe they may be a victim of identity theft are entitled to place a security freeze on their credit account for free, and to have a lift on the freeze for free. He said the only requirement is that they file a police report of the crime. He said this bill tries to simplify the process for filing such a claim by allowing the report to be filed with the Attorney

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General's office. Mr. Gaches said his client proposes two amendments that are fundamental to support for the bill. He said the first change is on page two, lines 38-39 where they ask that the language be restored as it originally read, "relating to the extension of credit." He said restoring this language will ensure that any individual is still able to place a security freeze on their credit report to protect against identity theft without limiting the use of the consumer's consumer report or credit score for a wide variety of other legitimate uses. He said the second change is on page 4, line 14-16 where it asks that the phrase that begins with the last word on line 14, "and if received outside of these hours, by 6:15 a.m. the following day in the central time zone" be eliminated. ([Attachment 2](#))

Brad Smoot, representing Explore Information Services, testified in support of **HB 2292**. Mr. Smoot said Explore produces violation monitoring reports for insurance companies writing business in Kansas based on data received from the Kansas Department of Motor Vehicles. Mr. Smoot stated that this bill, as amended, would limit Explore's ability to provide this service to insurance companies in Kansas. He said as a consumer reporting agency, Explore and its customers would be adversely affected under the amended bill. He asked that the Committee consider the proposed amendment that would limit the freeze to credit information as originally proposed in **HB 2292**. ([Attachment 3](#))

Maren Turner, Director of AARP Kansas, testified in support of **HB 2292**. Ms. Turner stated that **SB 644** was brought to the attention of Chairperson Teichman who agreed that if all parties could agree on the contents of a bill that this committee would work the bill to expand consumer protections. She said since then, and after extensive collaboration between AARP Kansas, Consumer Data Industry Association, Lobbyist Ron Gaches, Kansas Attorney General Staff and a number of bipartisan Representatives supporting **HB 2292**, this expansion of the Kansas Security Freeze law is a good step forward to include protections for all Kansas consumers. ([Attachment 4](#))

Lee Urban, Kansas Assistant Attorney General, testified in support of **HB 2292**. Mr. Urban testified that this bill contains compromise language developed by the Attorney General's office and industry representatives. He said it is believed to be a good step forward for Kansas consumers. He said this bill modifies existing "security freeze" provisions to do the following: (1) Place a \$5 cap on fees for non identity theft victims for placing, lifting, or removing each freeze. He said this is a 50% reduction in fees for each action the consumer takes, compared to the existing fee structure. (2) It mandates 15 minute turnaround time from a consumer's request to temporarily lift the freeze so the consumer can access credit. He said this increases safe and secure accessibility to credit for consumers who have a security freeze on their credit reports. (3) It offers regular mail as an option to place a security freeze. He said if a consumer is without internet access, existing law only permits consumers to place a freeze by certified mail. He said eliminating the certified mail requirement reduces the unnecessary burden of going to the post office and decreases the cost to consumers. He said this provision is particularly important for the elderly who may not have access to the internet or have difficulty traveling to the post office. ([Attachment 5](#))

Dave Hanson, on behalf of Property Casualty Insurers Association of America, submitted written testimony in support of **HB 2292**. ([Attachment 6](#))

The Chair closed the hearing on **HB 2292**.

Hearing on

### **HB 2054 - Title insurance, annual audits.**

Melissa Calderwood gave an overview of the bill. She said under current law, title insurance agents submit an audit of their escrow, settlement and closing deposit accounts to the Kansas Insurance Department within 160 days of the calendar year close when the audit is required on either an annual, biennial, or triennial basis. She said an audit is considered current if dated within 12 months prior to the submission of the audit. She noted that **HB 2054** would require each title insurance agent to submit an annual audit within 30 days of the calendar year close and removes the provision regarding when an audit is considered current.

Representative Clark Shultz testified in support of **HB 2054**. Rep. Shultz said current law requires abstract

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and title companies to have their escrow account audited according to a schedule based on the population size of the county in which they reside. He said by this schedule, a company in a county with a population less than 20,000 is required to have an audit completed once every three years. He said the company then has an additional six months before the completed audit report is required to be filed with the Kansas Department Insurance. He noted that this means there can be a period of up to three and one-half years between audit reports being filed for the smallest of companies. He said this bill makes three changes to current law. They are (1) Each company would be required to have their escrow account audited annually regardless of the population size of the county in which the company resides. (2) The completed audit report would be required to be filed with the Department of Insurance by the end of January each year. (3) The company would no longer be required to send a copy of the completed audit report to each of their underwriters. He concluded by stating that **HB 2054** is a common sense bill that takes action to further protect the consumer while not overburdening business. (Attachment 7)

Chris St. John, Kansas Land Title Association, presented written testimony in support of **HB 2054**. (Attachment 8)

The next meeting will be on call of the Chair.

The meeting was adjourned at 10:30 a.m.