

February 18, 2020

The Honorable Robert Olson, Chairperson
Senate Committee on Financial Institutions and Insurance
Statehouse, Room 236-E
Topeka, Kansas 66612

Dear Senator Olson:

SUBJECT: Fiscal Note for SB 402 by Senate Committee on Financial Institutions and Insurance

In accordance with KSA 75-3715a, the following fiscal note concerning SB 402 is respectfully submitted to your committee.

SB 402 would require a resident agent and business entity to submit a renewal application to the Insurance Commissioner and pay a biennial renewal application fee of \$4. The bill would change the definition of biennial due date to the last day of the birth month of an agent and the last day of the month of the initial licensure for a business.

The bill would increase the number of continuing education credit hours required for a biennial license renewal from 12 to 24 for agents qualified for any combination of the following lines of authority: life, health, property, casualty, accident, and personal. Of the education credits, the bill would increase the hours of insurance ethics from one to three hours and would require that no more than six hours would be in insurance management.

Under current law, an insurance company can appoint agents individually or they can appoint an agency which automatically appoints the affiliated agents. SB 402 would remove the automatic appointment of affiliated agents for companies.

Each producer or entity would be required to report to the Commissioner within 30 days any name or demographic changes, disciplinary actions, violations of insurance laws, criminal convictions, or termination of a business relationship. The Commissioner could deny, suspend, revoke or refuse renewal of a license if the applicant or license holder failed to respond to an

inquiry from the Commissioner within 15 business days. SB 402 would define factors the Commissioner would use to determine granting or renewing a license. The bill would also define periods for reapplying after a license is denied or revoked. The bill would define the process for handling late license renewals.

The Commissioner could require a person applying for a public adjuster license to be fingerprinted for a state and national criminal history record check, background check, or both. Any associated costs of the check would be paid by the applicant. The bill would increase the minimum continuing education courses for a public adjuster from 12 to 24 hours. The bill would no longer require 11 hours of property/casualty or general continuing education course. SB 402 would also increase the number of ethics hours from one to three.

Estimated State Fiscal Effect				
	FY 2020 SGF	FY 2020 All Funds	FY 2021 SGF	FY 2021 All Funds
Revenue	--	--	--	(\$4,727,138)
Expenditure	--	--	--	\$295,000
FTE Pos.	--	--	--	--

The Kansas Insurance Department states that enactment of the bill would reduce revenues into its Insurance Department Service Regulation Fund. Because the bill would remove the affiliated agent requirement, the Department believes that insurance companies would no longer retain 45.0 percent of its agents. Under current law, the agency estimates 40,833 agents are estimated to pay a \$2.00 renewal fee in FY 2021, for a total of \$81,666. For nonresident agents, an estimated 2,107,982 individuals are estimated to pay a renewal fee of \$5.00 in FY 2021, for a total of \$10,539,910. Given the estimated decrease in retained agents, for FY 2021, the resident revenue would be reduced by \$36,750 ($\$81,666 \times 0.45$) and the nonresident revenue would be \$4,742,960 ($\$10,539,910 \times 0.45$). Therefore, the total estimated revenue decrease into its fund would be estimated at \$4,779,710 ($\$36,750 + \$4,742,960 = \$4,779,710$).

However, the Kansas Insurance Department would receive additional revenues into its Insurance Department Service Regulation Fund because the bill would add a \$4.00 biennial renewal application fee for resident agents and business entities. For FY 2021, the agency estimates that half the 23,190 (or 11,595) resident agents and 3,096 (or 1,548) agencies would renew. As a result, the agency would receive an additional \$52,572 ($11,595 \text{ resident agents} + 1,548 \text{ agencies} \times \$4 \text{ renewal fee} = \$52,572$) in fee fund revenues. In addition, because of the aggregate changes in the bill, the Department would need to make computer programming changes for two of its systems at a cost of \$295,000 that would be paid from its Insurance Department Service Regulation Fund.

The Kansas Bureau of Investigation would experience additional fees from fingerprint fees; however, any additional funds received would be offset by associated expenditures for processing

the fingerprints. Finally, a fiscal response has been requested from the Department of Revenue as the bill eliminates the affiliated agent requirement which would affect the retaliatory statement of the insurance premium tax filing. However, a response has not been received by the Division of the Budget. Any fiscal effect associated with SB 402 is not reflected in *The FY 2021 Governor's Budget Report*.

Sincerely,

A handwritten signature in black ink, appearing to read "L. L. Campbell". The signature is fluid and cursive, with a large initial "L" and a long, sweeping underline.

Larry L. Campbell
Director of the Budget

cc: Bobbi Mariani, Insurance
Paul Weisgerber, KBI
Trey Cocking, League of Municipalities
Jay Hall, Association of Counties