

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 10th, 2004 in Room 234-N of the Capitol.

All members were present except:

Senator David Corbin- excused

Committee staff present:

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

Conferees appearing before the committee:

Brad Smoot, BC-BS
Jarrod Forbes, KID
David Hanson, KS Property & Casualty
Ron Gaches
Bob Tomlinson, KID
Jim Hall, Am. Council of Life Insurers

Others attending:

See Attached List.

The Chair opened the hearing on **SB 546–Insurance; transfer and novation of insurance and group life insurance.**

Brad Smoot stated that Advance Insurance Company, a wholly owned subsidiary of Blue Cross-Blue Shield requesting the legislation.(Attachment 1) The purpose is to establish a new Kansas domestic life insurance company and facilitate the transfer of the Kansas business from the Arizona company to the new Kansas company. Kansas has no statutes establishing a formal process by which one carrier can transfer business to another.

The legislation would also amend Kansas law to allow for the issuance of employee paid group term life insurance through a Kansas based trust to eliminate the current statutory limit (50%) on benefits available to dependents under a group life insurance policy.

Jarrod Forbes testified in support of the bill and that the Kansas Insurance Department wished to be on the record in support of the bill.

Dave Hanson spoke in support of the bill (Attachment 2). He stated the bill would encourage companies to consider Kansas for potential transfers of business, as well as facilitating new business and growth in our state.

The hearing was closed on **SB 546**. The Chair then opened the hearing on **HB 2635 and House Sub 2635–UCCC, additional charges, insufficient check charges, notice.**

Ron Gaches, Kansas Financial Services Corporation testified as a proponent of the bill (Attachment 3). The bill does two things in a very clean manner which balances the interests of the lender community and the consumer community.

The bill allows the lender under the UCCC to charge an amount for an insufficient fund check not to exceed thirty dollars, by giving written notice by first class mail or by clear notice on a regular monthly statement. The bill does not change the amount of the charge levied against the consumer for the insufficient fund check. What the bill does change is the method of notice to the consumer that the charge is being applied.

The second thing the bill does is allows the lender to collect a charge, not to exceed five dollars (\$5), if the borrower makes a single installment payment through an automated clearinghouse procedure on the borrower's checking account.

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He called the Committee's attention to an attached amendment on the bill which the banking commission had not as yet had time to review. Ron asked for a day or so to communicate with the Commission and smooth out the language. They would like to have the bill moved out favorably whether the amendment is added to the bill or not.

Senator Barnett wanted to know if the institution was required to notify the consumer regarding the charge. Mr. Gaches responded that the current language does not require notification but they would have no objection to that language.

The Chair closed the hearing on **HB sub 2635**.

The Chair opened the hearing on **HCR 5027 Concurrent resolution urging the Insurance Department and Commissioner to pursue creation of interstate compact**.

Bob Tomlinson, who was a former legislator, stated that it was odd for him to be standing there recommending a resolution.(Attachment 4). He was not partial to resolutions due to the fact that if it was good enough to be put in a resolution, why in the world wouldn't it be put into law. In this case, the resolution has some validity, is necessary and the law would be premature at this point.

The two policy decisions contained in the resolution, charge the department with negotiating a compact for the marketing of life and annuity products. A compact with clear high standards for product liability and availability is both desirable and obtainable. The second issue is maintaining state regulation of insurance.

Senator Adkins stated that there are several members of the Senate who would appreciate that certain vehicles called HCR never come to the Senate floor. However, the resolution **HCR 5027** seems to be advisory at best. If this isn't passed out, how much heartburn would it cause the Department? Senator Adkins continued and asked what the resolution would give the Department that they don't already have?

Mr. Tomlinson stated that one of the reasons for advancing the resolution is that the Department does not believe it could pass the House at this time, without the standards in place. There is currently activity occurring at the federal level regarding insurance that would completely circumvent state regulations.

Additionally, Kansas does have a seat on the compact negotiating committee, primarily due to the fact that our Insurance Commissioner is an elected official. The resolution gives Kansas leadership in terms of what other Department problems people are having in their home states. It also gives Kansas an edge in negotiation at the compact table.

Jim Hall, American Council of Life Insurers testified as a proponent on the HCR (Attachment 5). The ACLI supports the National Association of Insurance Commissioners (NAIC) Interstate Insurance Product Regulation Compact. The Compact offers the best opportunity to improve state regulation of insurance in the areas of speed to market and uniformity of policy form requirements.

Senator Adkins wanted to know if there was any reason the Legislature wouldn't just pass the Compact? The conferree responded that it wasn't an issue for him, but there might be legislators who had a problem with the Compact, even though there are 195 of them active in the United States today.

The Chair closed the hearing on **HCR 5027**. She then moved the agenda to working bills. The first one was **SB 534-Commercial real estate; co-brokerage agreement**. Copies of a balloon to the bill (Attachment 6) were made by Kansas Real Estate Commission and distributed to the Committee.

Senator Adkins made a motion to adopt the balloon and move the bill out favorably. Senator Barnett seconds. Motion passes.

HB 2580-Banks and banking;general powers brought by the banking Commissioner on Capital investment securities.

Senator Adkins made a motion to move the bill out favorably. Senator Helgeson seconds. Motion passes.

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The third and final bill to be worked is **HB 2781–Pre-arranged funeral agreements, contracts or plans.**

Senator Adkins made a motion to move the bill out favorably. Senator Brungardt seconds. Motion passes.

The meeting adjourned at 10:39 A.M..

The next meeting is scheduled for March 11th, 2004.