

SESSION OF 2024

**SUPPLEMENTAL NOTE ON SENATE BILL NO. 423**

As Amended by House Committee on Insurance

**Brief\***

SB 423 , as amended, would grant the Commissioner of Insurance (Commissioner) the ability to decrease the number of appointed board members on certain boards that fall under the Commissioner's appointing authority. The bill would also remove a requirement for the Committee on Surety Bonds and Insurance to meet at least once per month and make technical changes.

The bill would be in effect upon publication in the *Kansas Register*.

***Board Membership***

The bill would provide for a reduction in membership for five governing boards under the jurisdiction of the Commissioner, including:

- The governing board for the Kansas Automobile Insurance Plan;
- The Kansas Workers Compensation Insurance Plan Governing Board;
- The governing board for the Kansas Automobile Assigned Claims Plan;
- The Health Care Provider Insurance Availability Plan Board of Directors; and

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\*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>

- The Kansas Underground Storage Tank Liability Plan Board of Directors.

For each governing board, with the exception of the Kansas Automobile Assigned Claims Plan, the bill would provide for the terms of members appointed and serving on the governing board as of July 1, 2024, to expire on December 31, 2024.

#### *Kansas Automobile Insurance Plan*

The bill would provide for a reduction in membership for the governing board of the Kansas Automobile Insurance Plan from seven members to five members.

The Commissioner would appoint a governing board for the plan, which would serve on and after January 1, 2025, and would have the same duties and functions as its predecessor. On and after January 1, 2025, the members of the governing board would serve three-year terms, except that members would be removable by the Commissioner for inefficiency, neglect of duty, or malfeasance. The governing board would consist of five members to be appointed as follows:

- Three members would be representatives of insurers;
- One member would be a representative of independent insurance agents; and
- One member would be a representative of the general public.

In making appointments to the governing board, the Commissioner would consider if foreign and domestic insurers are fairly represented.

*Kansas Workers Compensation Insurance Plan Governing Board*

The bill would provide for a reduction in membership for the Kansas Workers Compensation Insurance Plan Governing Board from seven members to five members.

The Commissioner would appoint a governing board that would serve on and after January 1, 2025, and would have the same duties and functions as its predecessor. On and after January 1, 2025, the members of the Kansas Workers Compensation Insurance Plan Governing Board would serve three-year terms, except that members would be removable by the Commissioner for inefficiency, neglect of duty, or malfeasance. The governing board would consist of five members to be appointed as follows:

- Three members would be representatives of insurers;
- One member would be a representative of independent insurance agents; and
- One member would be a representative of the general public.

In making appointments to the governing board, the Commissioner would consider if foreign and domestic insurers are fairly represented.

*Kansas Automobile Assigned Claims Plan*

The bill would state that on and after January 1, 2025, the governing board for the Kansas Automobile Assigned Claims Plan would consist of five members, who would be removable by the Commissioner for inefficiency, neglect of duty, or malfeasance. Members would be appointed as follows:

- Three members would be representatives of insurers;
- One member would be a representative of independent insurance agents; and
- One member would be a representative of the general public.

The Commissioner would be required to consider whether foreign and domestic insurers are fairly represented in selecting the members.

[*Note:* Effective January 1, 2024, the Kansas Automobile Assigned Claims Plan is now managed by AIPSO, a national, not-for-profit corporation formed by the insurance industry to provide services to automobile insurance residual markets throughout the country.]

*Health Care Provider Insurance Availability Plan Board of Directors*

The bill would provide for a reduction in membership for the Health Care Provider Insurance Availability Plan Board of Directors from nine members to five members.

The Commissioner would appoint a governing board that would serve on and after January 1, 2025, and would have the same duties and functions as its predecessor. On and after January 1, 2025, the members of the Health Care Provider Insurance Availability Plan Board of Directors would serve four-year terms, except that members would be removable by the Commissioner for inefficiency, neglect of duty, or malfeasance. The governing board would consist of five members to be appointed as follows:

- One member would be a representative of foreign insurers;

- One member would be a representative of domestic insurers;
- One member would be a health care provider;
- One member would be a licensed insurance agent engaged in the solicitation of casualty insurance; and
- One member would be the chairperson of the Board of Directors or the chairperson's designee.

*Kansas Underground Storage Tank Liability Plan Board of Directors*

The bill would provide for a reduction in membership for the Kansas Underground Storage Tank Liability Plan Board of Directors from five members to three members.

The Commissioner would appoint a governing board that would serve on and after January 1, 2025, and would have the same duties and functions as its predecessor. On and after January 1, 2025, the members of the Kansas Underground Storage Tank Liability Plan Board of Directors would serve three-year terms, except that members would be removable by the Commissioner for inefficiency, neglect of duty, or malfeasance. The board would meet at least annually to review and prescribe operating rules of the plan. The board would consist of three members to be appointed as follows:

- One member would be a representative of domestic or foreign insurers;
- One member would be a representative of independent insurance agents; and
- One member would be a representative of underground storage tank owners and operators.

### ***Board Meetings***

The bill would remove a requirement for the Committee on Surety Bonds and Insurance to meet at least once per month. Meetings would remain at the call of the chair.

### **Background**

The bill was introduced by the Senate Committee on Financial Institutions and Insurance at the request of a representative of the Kansas Insurance Department (Department).

[*Note:* A similar bill, HB 2714, has been introduced in the House. HB 2714 was stricken from the House Calendar by Rule 1507 on February 23, 2024.]

### ***Senate Committee on Financial Institutions and Insurance***

In the Senate Committee hearing, a representative of the Department provided **proponent** testimony, stating reductions in board membership under the Commissioner's jurisdiction would result in an immediate cost savings. The proponent also stated there is currently not a mechanism for removal of board members other than their terms expiring, and the bill would provide an appropriate level of oversight to the Commissioner.

Written-only neutral testimony was provided by a representative of Kansas Association of Property and Casualty Insurance Companies.

No other testimony was provided.

The Senate Committee amended the bill to make a technical change.

### ***House Committee on Insurance***

In the House Committee hearing, a representative of the Department provided **proponent** testimony, which mirrored the testimony provided during the Senate Committee hearing.

No other testimony was provided.

The House Committee amended the bill to take effect upon publication in the *Kansas Register*.

### **Fiscal Information**

According to the fiscal note prepared by the Division of the Budget on the bill, as introduced, the Department states that enactment of the bill would have no fiscal effect.

Insurance; board membership; meetings; Commissioner of Insurance