

## 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 9, 2006 in Room 234-N of the Capitol.

All members were present.

## Committee staff present:

Melissa Calderwood, Kansas Legislative Research Department  
Terri Weber, Kansas Legislative Research Department  
Ken Wilke, Office of Revisor of Statutes  
Bev Beam, Committee Secretary

## Conferees appearing before the committee:

Rep. Rob Olson  
Harlan Parker, State Farm Ins.  
Bill Sneed, State Farm Ins.  
Rick Wilbourn, Farmers' Alliance  
Lee Wright, Farmers' Insurance  
Willy Richert, Farmers' Insurance  
Larry Magill, KAIA  
Jarrod Forbes, Kansas Insurance Dept.  
Jim Hanni, AAA  
Carmen Aldritt, Director of Vehicles  
Bill Brady, AAA

## Others attending:

See attached list.

The Chair called the meeting to order. The Chair called on Melissa Calderwood for an overview of **(HB 2553) - an act pertaining to the Kansas Department of Revenue; concerning the division of vehicles; prohibiting certain contracts relating to drivers' license renewal.** Ms. Calderwood said **(HB 2553)** would enact new law to prohibit the Kansas Department of Revenue, on and after the effective date of the act, from entering into, or renewing, any contract that authorizes the renewal of drivers' licenses at any office or other business location of any insurance provider who sells or is authorized to sell motor vehicle liability insurance in Kansas. Insurance producer is ascribed its statutory definition, KSA 40-4902, as any person licensed under the laws of another state to sell, solicit, or negotiate insurance. The defined term "insurance agent" includes the term "insurance producer" and means any person required to be licensed under the provisions of Chapter 40 in the Kansas Statutes Annotated to sell, solicit, or negotiate insurance.

The Chair called on Representative Rob Olson who introduced the bill for his testimony. Rep. Olson said the contract between the Kansas Department of Revenue and the American Automobile Association (AAA) represented a serious violation of free market principles and created an unfair advantage. The bill is also supported by the Kansas Insurance Department who suggested that if the contracts were continued, they should be issued to each and every group seeking them. Other supporters of the bill include American Family Insurance, Farmers Insurance Group, State Farm Insurance Companies, the Kansas Association of Insurance Agents, the Kansas Association of Property and Casualty Insurance Companies, the Kansas County Treasurer's Association, and two independent insurance agents, he said.

The Chair called on Harlan C. Parker, Auto-Life-Health-Home and Business, for his testimony. Mr. Parker said he understands the Department of Revenue's attempt to save taxpayers money and provide prompt and convenient service to Kansas consumers; however, this pilot program is designed to provide renewal services in under served areas. The Department of Revenue is providing this service to Kansas consumers to the detriment of other Kansas businesses, he said. He said it is disheartening to know that the State of Kansas is providing AAA and its insurance agents an unfair competitive advantage and asked that the committee favorably consider legislation which would stop the continuation of this program. (Attachment 1)

The Chair called Bill Sneed, State Farm Insurance. Mr. Sneed said this is a very simple issue dealing with fairness. He said any appearance, directly or indirectly, of one agency having a foothold over another is

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simply not fair, particularly if such an appearance is put forth by the government. Mr. Sneed urged the committee's favorable action on **(HB 2553)**. (Attachment 2)

The Chair called Richard E. Wilborn, Farmers Alliance, for his testimony. Mr. Wilborn said the insurance market in Kansas is very competitive and a level playing field is essential to maintaining a competitive market. If all producers are not given equal opportunity to provide the same services, then none should be allowed at all. **(HB 2553)** reflects this position by not allowing contracts for renewal of drivers' licenses at any office or business location or any insurance producer selling motor vehicle liability insurance. This would not prohibit the department of revenue from contracting with other non insurance businesses in order to make such services more accessible to Kansas citizens. (Attachment 3)

The Chair called Lee Wright, Governmental Affairs Representative, Farmers Insurance Group. Mr. Wright said Farmers Insurance believes the current AAA/DMV contract to permit driver license renewal facilities in AAA offices puts our agents at a competitive disadvantage in the marketplace. By promoting a sizeable increase in walk-in traffic for AAA offices, state government is essentially partnering with AAA, and their agents, to provide insurance customer leads. **(HB 2553)** would prohibit this arrangement. (Attachment 4)

Mr. Wright introduced Willi Richert, a Farmers Agent from Wichita, who gave an agent's perspective. Mr. Richert said the primary concern is that of securing leads. He said it is important to grow a business and in doing so, his company subscribes to Lead referral programs. These programs cost money and can be a substantial investment, he said. He urged the committee's support of **(HB 2553)**. (Attachment 5)

The Chair called Sandra Braden, Executive Director of Kansas Association of Insurance and Financial Advisors (KAIFA). Ms. Braden said the Department of Revenue's effort to provide the public a valuable service as being able to renew their driver's licenses through private vendors is commendable. Unfortunately, this also can provide an individual vendor with a competitive advantage when it comes to accessing customers and relating to a particular brand name of product. It also may provide an opportunity to establish a prior relationship in order to be able to contact the person who does come in to renew their drivers license and may decide to sign up for a newsletter or membership of AAA. KAIFA requests the committee's support of **(HB 2553)** to restore the equal marketing opportunity to the field. (Attachment 6)

The Chair called Larry Magill, Kansas Association of Insurance Agents. Mr. Magill said he applauds the Department of Revenue's efforts to provide drivers license renewal services over extended and more convenient hours. He said, however, they should look for a solution that will not involve granting a huge competitive advantage to one insurance agency out of thousands. Mr. Magill said KAIA urges the committee to pass **(HB 2553)** out favorably. (Attachment 7)

The Chair called Jarrod Forbes, Kansas Insurance Department. Mr. Forbes said the Kansas Insurance Department perceives the current contracts issued by the Kansas Department of Revenue that **(HB 2553)** addresses as unfair. He said we believe that if these contracts are to continue, they should be issued to every group that seeks them. He said KID supports **(HB 2553)** on the basis of fairness. (Attachment 8).

The Chair called James R. Hanni, AAA Executive Vice President for his testimony. Mr. Hanni said **(HB 2553)** is an unfriendly bill to constituents and consumers. If this bill becomes law, the State of Kansas has limited itself of options that would be cost-effective and helpful to its citizens. He said if this bill is endorsed for one industry, an industry that has every opportunity to participate in driver license renewal, where do you stop putting up protections. How do you explain the outsourcing of other types of licensing, such as hunting and fishing licenses to private sources that have increasingly different competitors. Mr. Hanni said he is proud that AAA has brought this idea to state government and that it has worked very successfully. He said he urged the committee not to send it to the full Senate. (Attachment 9)

The Chair called Carmen Alldritt, Director, Division of Motor Vehicles. Ms. Alldritt said the mission at the Department of Revenue is to provide accurate, efficient service to all Kansans. She said drivers' license offices work four, ten-hour days, Tuesday through Friday. She said in some locations this can result in lines and can be hard on folks taking time off work and those who have to travel some distance to a full service station.

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She said in May of 2005 the department entered into a pilot project with AAA in Lawrence to process drivers' license renewals. AAA offers renewal service only, she said. They do not issue new licenses, duplicates or do name/address changes. She said the state's investment in the pilot project includes training and support.

She said since this is a pilot project, there is no RFP issued. She said because the ongoing reviews of this project clearly show increased service for drivers' license renewal applicants at low cost to the state, the department believes this has been a win/win project for not only the state, but for the many residents of Lawrence and surrounding communities. She said the Department of Motor Vehicles was prepared to go with an RFP in January of 2006 for Lawrence and to expand service to the Wichita area. With the introduction of this bill, however, we placed the process on hold, she said. She asked the committee's consideration to allow this project to continue. (Attachment 10)

Chair called Bill Brady, AAA, for his testimony. Mr. Brady said let's allow government either at local or state level to be innovative, to experiment with privatization and to create efficiencies that will better serve the citizens of Kansas. (Attachment 11)

The meeting adjourned at 10:30 a.m. The next meeting of this Committee is scheduled for March 14, 2006.