

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 February 4, 2004 in Room 234-N of the Capitol.

All members were present except:
Senator David Adkins- excused

Committee staff present:
Bill Wolff, Legislative Research
Ken Wilke, Office of the Revisor of Statutes
Nancy Shaughnessy, Committee Secretary

Conferees appearing before the committee:
David Hanson-Kansas Insurance Association
Richard Willborn-Farmers Alliance
Lee Wright, Farmer's Insurance
Bill Sneed-State Farm Insurance
Brad Smoot-AIA
Jerry Wells, Kansas Insurance Department

Others attending:
See Attached List.

Bill Introduction:

Kevin Glendening, Deputy Commissioner, Office of the State Banking Commissioner requested an introduction of a bill to amend Article 11 of Chapter 50 of the Kansas statutes pertaining to Credit Services Organizations.(Attachment 1) This bill would expand the definition of a CSO to include those entities who offer debt management services to consumers, increase our ability to supervise those activities and provide additional consumer protection.

Motion to introduce the bill by Senator Barnett. No second. Motion passed.

Bill Hearings:

SB 339--Insurance; prohibiting loss of coverage of homeowners insurance for filing one weather related claim.

Jerry Wells of the Kansas Insurance Department testified as a proponent.(Attachment 2) The essence of the bill is that it will be unlawful for any insurance carrier to non-renew based on one very narrow category. If it is shown that any carrier has nonrenewed for the sole reason that they have had a claim for a single weather related incident (tornado or otherwise) then that is not a sufficient reason to cancel or nonrenew the policy. The KID feels strongly that this matter goes to the heart of what insurance is all about and that it is unfair and unacceptable for this to occur.

Senator Corbin wished to know if any reason was given to the claimant regarding the policy cancellation. Senator Barnett inquired whether or not any other states had passed similar kind of legislation and will rates be affected by a chance such as this? Mr. Wells indicated that there are carriers who will use such an excuse and try to raise rates. Mr. Wells is unaware of any legislation similar to this in place in the Midwest. Senator Steineger wished to know who and how "weather-related" would be defined? Mr. Wells indicated that it would surround definitions like unanticipated or no forewarning and definitions would be fine tuned and included in rules and regulations.

David Hanson, Kansas Property & Casualty Insurers, stated that it's always difficult to be in opposition to the Insurance Commissioner.. His group feels that when legislation is proposed which will interrupt providing the most affordable rates, they have a responsibility to let you know how it will impact them. This association has expressed concerns about similar legislation that was proposed in 1996, 1997,1998, and 2000. This is not an industry practice and is a result of 13 complaints primarily involving one company. They have concerns about what this legislation will do to the market.(Attachment 3) Mr. Hanson also provided written testimony from Ann Weber, Regional Manager(Attachment 4),Richard Turano, Regional Counsel(Attachment 5), in support of opposition to **SB339**.

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Rick Willborn, Farmer's Alliance Mutual Insurance Company, which is a domestic company, meaning their home office is in Kansas. The way the legislation is currently written it restricts the ability of the insurance company to book business or sever a relationship with a client when necessary. There are many complicated issues that become dicey. It is not just the single loss issue. Mr. Willborn indicated that the industry would be more than happy to work with the Insurance Department to craft some language that would be palatable to everyone and also acceptable for consumers. As the legislation is written now they are opposed. ([Attachment 6](#))

Lee Wright, Farmers, Insurance Company, Opponent stated that Farmer's has no problem with the language in Sec.2 if there intent is to protect a policyholder from losing a claims loss and have a favorable claims history. Farmer's objects if the intention is to deny their ability to non-renew an insured that doesn't reasonably maintain their property, files many claims and prefers using a insurance as a maintenance policy. If there most recent claim happens to result from an act of nature, are insurance companies then precluded from taking underwriting action on that insured despite their poor loss history and morale risk? They have a serious concern about how an "act of nature" is defined. ([Attachment 7](#))

Bill Sneed, State Farm Insurance Company appears as an opponent and stated, as the bill is drafted , it is very, very suspect. For example, the Department used words like "sole reason" and we do not find those words in the legislation. History has indicated that the Department and the industry have different interruptions on what "sole" means. In the State of Kansas it is relatively easy to procure insurance. If you legislate barriers for what companies can and cannot do after the fact you create barriers to the ease of procuring insurance. ([Attachment 8](#))

Brad Smoot, AIA, opponent, indicated that the bill had been up many times with many players involved and at no time has any progress been made on moving this legislation forward. We recognize that insurance is a highly regulated industry, we also acknowledge that homeowner's insurance is a private contract and like most other private contracts require a willing buyer and a willing seller. If one party no longer wishes to continue for whatever reason the legislature might wish to ask themselves as their predecessors have, what is the business of government to force the continuation of that agreement? ([Attachment 9](#))

Senator Barnett stated that he could understand how an open-ended renewal would be a concern for insurance companies. He questioned if the industry would be open to a time frame of a year or a certain amount of time? Mr. Hanson responded that he would check with companies on their response, but that any time there was a time limit the harder it is to get off the risk. Answer: Certainly a time limit would help define it, but there is also concern about other underwriting factors and other claims experience.

Senator Buhler questioned the industry reps on whether most of the contracts were revocable at will? The response indicated that is not the case, but at the end of a policy the company does have the option whether to renew or not, however the policy cannot be canceled midterm.

Senator Teichman closed the hearing on **SB 339** and stated that the bill would not be worked today.

Bill Introduction:

Mary Ellen Conlee, Via Christi Health Systems stated that the issue in the bill she is presenting relates to the State's granting of non-assignability provisions to Blue Cross/Blue Shield, which confers "special powers" upon one select corporation and violates Kansas public policy. ([Attachment 10](#))

Senator Steineger made a motion to accept the bill. Senator Barnett seconded. Motion passed.

Meeting adjourned at 10:35 am

Next meeting scheduled for February 5, 2004.

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