

## MINUTES OF THE HOUSE COMMITTEE ON INSURANCE.

The meeting was called to order by Chairperson Rep. Robert Tomlinson at 3:30 p.m. on March 13, 2001 in Room 527-S of the Capitol.

All members were present except: Representative Nancy Kirk

Committee staff present: Bill Wolff, Kansas Legislative Research  
Ken Wilke, Kansas Legislative Revisor  
Mary Best, Committee Secretary

Conferees appearing before the committee: Mr. LeRoy Brungardt, Kansas Insurance Department  
Mr. John Gann, Kansas Association of Insurance and Financial Advisors  
Mr. Larry Magill, Kansas Association of Insurance Agents  
Mr. David Hansen, National Association of Independent Insurers

Others attending: See Attached Guest List

The subject for the day was **SB 123** - Insurance; model insurance producer licensing act. The first conferee to be recognized by the Chairman was Mr. LeRoy Brungardt, Kansas Insurance Department. Mr. Brungardt gave Proponent Testimony and a copy of such testimony is (Attachment #1) attached hereto and incorporated into the Minutes by reference. Mr. Brungardt gave an overview of the bill to the committee explaining under the Gramm-Leach-Bliley Act, the states were to develop procedures, to make licensing for agents easier and more convenient. They were in all actuality produce a uniform procedure for all of the state to follow, and it was to be completed within three years. November 12, 2002 is the deadline given to be completed. If the states did not comply with this charge, then the National Association of Registered Agents and Brokers would be established and they would not only write the procedure, they would take over all of the licensing procedures of each state insurance department. But, if all of the states or at least twenty-nine of the states could get together and put together a common procedure, then there would be no need for NARAB. Mr. Brungardt continued on to related that there were several interested parties involved in forming the final product. To name a few: state regulators, insurance company and national agent associations representative, and a few others.

Mr. Brungardt continued on to let the committee know that 75-80 percent of the procedures were already being followed here in Kansas. He continued on to relate their proposal which is to “meld the model act into our current pertinent statutes and repeal the statutes no longer necessary.” He then listed the key benefits to adopting the bill. He also offered some changes to the current statute of which there were four changes. They also found a duplication in Sec. 13 and suggested striking lines 20-25 and then move the subsequent sections up so that (e) becomes (d) and so on. There are currently four states that have passed the model act, and thirty-four more that are in the same mode as Kansas. They will be introducing the act to their legislatures in this same time period and the remainder states are looking to introduce it next year. Mr. Brungardt explained that they feel this will give an edge to insurance regulators, industry and agent. The conferee summarized his report and asked for the committee’s support. Questions were asked by Grant, Boston, Phelps, Huy. Questions covered Gramm-Leach-Bliley, “termination for cause and not for cause”, and effective date.

The next conferee to come before the committee was Mr. John Gann, Kansas Association of Insurance and Financial Advisors. A copy of the testimony is (Attachment #2) attached hereto and incorporated into the Minutes by reference. His members are in favor of the bill changing the reference from “producer” back to “agent” where ever the word “producer” appears in the bill. They agree there should be uniformity with the other states in licensing, commissions related to the sale of the insurance policy, how regulators, companies and agents report and resolve “not for cause and for cause terminations,” and finally uniformity should be created to process both resident and non-resident applications. His members also feel those who are involved in “ex-dating” should be licensed.

Current guidelines do not make such requirements. He also stated the supported the guidelines set down by the Kansas Insurance Department regarding this matter. Mr. Gann spoke of an amendment to the bill which had yet to be presented, but one that had been accepted by parties involved. This was the balloon to eliminate the word “producer” and insert “agent.” Mr. Gann stood for questions. Questions were asked by Representatives Mayans, Phelps, Boston, and comments by the Chairman. Questioning consisted of x-dating, elimination of broker licenses, definition of “broker”, where the bill came from.

Mr. Larry Magill, Kansas Association of Insurance Agents, was the final conferee to present Proponent Testimony. A copy of the testimony is (Attachment #3) attached hereto and incorporated into the Minutes by reference. Mr. Magill stated his members supported the bill and felt it would streamline licensing and modernize the way things were done. They supported the definition of who should be licensed, but were opposed to licensing inside people. They were opposed to watering down telemarketing laws. They supported the “broker” changes, and the wording changes for “producer” to “agent”. He stated they were also comfortable with today’s wording regarding the controversy surrounding “sharing commissions.” He stated they were also for a uniform bill because it would eliminate the need for an agent to hold multiple licenses when practicing outside of the state. Mr. Magill stood for questions. Questions were asked by Representative Mayans and Boston.

Mr. David Hanson, National Association of Independent Insurers, was last to come before the committee. Mr. Hanson gave Opponent Testimony and a copy of the testimony is (Attachment #4) attached hereto and incorporated into the Minutes by reference. He stated that “the bill as presented does not contain an essential provision necessary for many insurance companies to provide basic customer service to insurance policyholders in Kansas.” He address Gramm-Leach-Bliley Act of 1999, and the possibility of establishing NARAB to create a uniform policy if the companies could not do so on their own. The NAI is opposed to such organizations “because it displaces state authority over nonresident producer licensing and is contrary to the principle of state regulation of insurance.” They feel the Model Act addresses several issues,(who must be licensed, who is exempt, requirements to appointing agents and for terminating appointments and setting standards for suspending or revoking licenses.)

He continued on to state that he and his clients offered an exemption. This exemption is bolded and contained within his testimony, and reads, “Employees of an insurer or of an insurance producer who respond to requests from existing policyholders on existing policies provided that those employees are not directly compensated based on the volume of premiums that may result from these services.” With this Mr. Hanson stood for questions. There were none. Public hearings on the bill were closed.

The meeting was adjourned at 4:40 p.m.

The next meeting will be held March 15, 2001.