

SESSION OF 2017

SUPPLEMENTAL NOTE ON HOUSE BILL NO. 2067

As Amended by Senate Committee on Financial
Institutions and Insurance

Brief*

HB 2067, as amended, would amend a provision in the Uniform Insurance Agents Licensing Act concerning application requirements for resident agent licensure to authorize the fingerprinting of resident insurance agent applicants for the purposes of obtaining a state and national criminal history record check.

Under the bill, the Insurance Commissioner (Commissioner) would be permitted to:

- Require an applicant to be fingerprinted and submit to a state and national criminal history record check. The fingerprints would be used to identify the applicant and to determine whether the applicant has a record of criminal arrests and convictions in Kansas or in other jurisdictions:
 - The Commissioner would be authorized to submit the applicant's fingerprints to the Kansas Bureau of Investigation (KBI) and the Federal Bureau of Investigation for the respective criminal history record checks. As part of this procedure, local and state law enforcement officers and agencies would be required to assist the Commissioner in taking and processing an applicant's fingerprints and release all records of an applicant's arrests and convictions to the Commissioner; and

*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 Commissioner would be authorized to conduct, or have a third party conduct, a background check on the applicant.

The bill would further provide that whenever the Commissioner requires fingerprinting, a background check, or both, any of the associated costs for this process must be paid by the applicant. The bill would also state the Commissioner is permitted to only use the information obtained from a background check, fingerprinting, and the applicant's criminal history for the purposes of verifying the identification of any applicant and in the official determination of the fitness of the applicant to be issued a license as an insurance agent.

Finally, the bill would specify a person applying for a license who was fingerprinted and submitted to a state and national criminal history record check within the past 12 months in connection with the successful issuance or renewal of any other state-issued license would be permitted to submit proof of good standing to the Commissioner instead of submitting to the new fingerprinting and criminal history record check requirements provided in the bill.

Under current law, the Commissioner is permitted to determine if an applicant has committed delinquent acts. Additionally, the law allows any applicant whose application is denied the opportunity for a hearing in accordance with the provisions of the Kansas Administrative Procedure Act.

Background

The bill was introduced by the House Committee on Insurance at the request of the Kansas Insurance Department (Department). In the House Committee hearing, the Deputy Insurance Commissioner stated the bill would give the Department additional resources to make certain newly licensed insurance agents are properly vetted. He indicated current law only permits a criminal background check (e.g.

access to arrest records and convictions in Kansas). Information later provided by Department officials to the House Committee indicated 27 states and the District of Columbia have similar fingerprinting requirements in law. A representative of the Kansas Association of Insurance Agents (KAIA) noted the fingerprint provisions in the bill are permissive and, if the Commissioner chooses to require fingerprinting, it will be accessible and affordable. The representative also indicated the bill is a positive measure in sustaining a commitment to the values of honesty and integrity for professional agents and brokers and could prevent bad actors from obtaining an insurance license. No other testimony was provided.

The House Committee modified the language authorizing the fingerprinting of agents for the purposes of conducting a national criminal history record check to include similar language permitting state background checks. The amendment was requested by the Department.

In the Senate Committee on Financial Institutions and Insurance hearing, the Deputy Insurance Commissioner testified in favor of the bill. Written-only proponent testimony was submitted by KAIA. No other testimony was provided.

The Senate Committee amended the bill to provide an option for resident insurance agent applicants to either:

- Comply with the fingerprinting and state and national criminal history check requirements specified in the bill; or
- Submit proof of good standing to the Commissioner, if the applicant has been fingerprinted and submitted to a state and national criminal history record check within the past 12 months in connection with the successful issuance or renewal of any other state-issued license.

According to the fiscal note prepared by the Division of the Budget on the bill, as introduced, the KBI states the cost to process the fingerprints and return the results to the Department would be covered by the record check fee paid by the applicant. The Department estimates 750 applications for insurance agent licenses would be submitted each year, and the KBI estimates a record check fee of \$47 would be charged to the applicant. With enactment of the bill, additional revenues to the Record Check Fee Fund of the KBI totaling \$35,250 would occur each year along with additional corresponding expenditures. Any fiscal effect associated with the bill is not reflected in *The FY 2018 Governor's Budget Report*.