

January 20, 2021

The Honorable Steve Johnson, Chairperson
House Committee on Insurance and Pensions
Statehouse, Room 276A-W
Topeka, Kansas 66612

Dear Representative Johnson:

SUBJECT: Fiscal Note for HB 2074 by House Committee on Insurance and Pensions

In accordance with KSA 75-3715a, the following fiscal note concerning HB 2074 is respectfully submitted to your committee.

HB 2074 would require a resident agent and business entity to submit a renewal application to the Insurance Commissioner and pay a biennial renewal application fee of \$4. The bill would change the definition of biennial due date to the last day of the birth month of an agent and the last day of the month of the initial licensure for a business.

The bill would require certain producers to biennially obtain a minimum of 18 continuing education credit hours that would include at least three hours of insurance ethics, which could include regulatory compliance. Under current law, an insurance company can appoint agents individually or they can appoint an agency which automatically appoints the affiliated agents. HB 2074 would remove the automatic appointment of affiliated agents for companies.

Each producer or entity would be required to report to the Commissioner within 30 days of any name or demographic changes, disciplinary actions, violations of insurance laws, criminal convictions, or termination of a business relationship. The Commissioner could deny, suspend, revoke or refuse renewal of a license if the applicant or license holder failed to respond to an inquiry from the Commissioner within 15 business days. HB 2074 would define factors the Commissioner would use to determine granting or renewing a license. The bill would also define periods for reapplying after a license is denied or revoked. The bill would define the process for handling late license renewals. The bill would also eliminate the six-month waiting period for retaking an exam after a third failed attempt.

The Commissioner could require a person applying for a public adjuster license to be fingerprinted for a state and national criminal history records check, background check, or both. Any associated costs of these checks would be paid by the applicant. The bill would increase the minimum continuing education courses for a public adjuster from 12 to 18 hours. HB 2074 would also increase the number of required ethics hours from one to three.

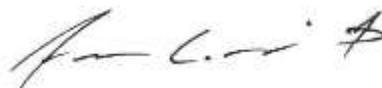
| Estimated State Fiscal Effect | | | | |
|-------------------------------|----------------|----------------------|----------------|----------------------|
| | FY 2021 SGF | FY 2021 All Funds | FY 2022 SGF | FY 2022 All Funds |
| Revenue | -- | -- | -- | (\$5,231,394) |
| Expenditure | -- | -- | -- | \$295,000 |
| FTE Pos. | -- | -- | -- | -- |

The Kansas Insurance Department states that enactment of the bill would reduce revenues into the Insurance Department Service Regulation Fund. Given that the bill would remove the affiliated agent requirement, the Department believes that insurance companies would no longer retain 49.5 percent of its agents. Under current law, the agency estimates 40,833 agents are expected to pay a \$2.00 renewal fee in FY 2022, for a total revenue of \$81,666. For nonresident agents, an estimated 2,107,982 individuals are expected to pay a renewal fee of \$5.00 in FY 2022, for total revenue of \$10,539,910. Given the anticipated decrease in retained agents for FY 2022, the resident revenue would be reduced by \$40,425 ($\$81,666 \times 0.495$) and the nonresident revenue reduction would be \$5,217,255 ($\$10,539,910 \times 0.495$). Therefore, the total estimated revenue loss would be \$5,257,680 ($\$40,425 + \$5,217,255 = \$5,257,680$).

Under the provisions of the bill the Kansas Insurance Department would receive additional revenue into its Insurance Department Service Regulation Fund from the new \$4.00 biennial renewal application fee for resident agents and business entities. For FY 2022, the agency estimates that half the 23,190 (or 11,595) resident agents and 3,096 (or 1,548) agencies would renew. As a result, the agency would receive an additional \$26,286 (11,595 resident agents + 1,548 agencies x \$4 renewal fee/2 fee collected biennial = \$26,286) in fee fund revenues. In addition, because of the aggregate changes in the bill, the Department would need to make computer programming changes for two of its systems at a cost of \$295,000 from the Insurance Department Service Regulation Fund.

The Kansas Bureau of Investigation have additional expenditures for processing the fingerprint checks; however, those expenditures would be offset by the required fees. The Department of Revenue states that the bill would have no fiscal effect on agency operations or State General Fund revenue. Any fiscal effect associated with HB 2074 is not reflected in *The FY 2022 Governor's Budget Report*.

Sincerely,



Adam Proffitt
 Director of the Budget

cc: Bobbi Mariani, Insurance
 Paul Weisgerber, KBI
 Wendi Stark, League of Municipalities
 Jay Hall, Association of Counties