

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 January 27, 2009, in Room 136-N of the Capitol.

All members were present except:

Senator Jeff Colyer  
Senator Tom Holland  
Senator Ty Masterson- excused

Committee staff present:

Beverly Beam, Committee Assistant  
Melissa Calderwood, Kansas Legislative Research Department  
Terri Weber, Kansas Legislative Research Department  
Bruce Kinzie, Office of the Revisor of Statutes

Conferees appearing before the committee:

Jarrold Forbes , United Healthcare of the Midwest, Inc.  
Natalie Haag, Security Benefit Group  
Katrin Osterhaus, Legislative Post Audit  
Melissa Calderwood, Legislative Research

Others attending:

See attached list.

Bill introduction

Jarrold Forbes, United Healthcare Insurance Company. Said this bill aims to make sure all insurance carriers operate on a level playing field.

Senator Kelsey moved introduction of the bill. Senator Steineger seconded. Motion carried

Natalie Haag, Security Benefit Group, introduced a bill that would amend the statutes in Chapter 40 regarding custodial authority to add federal home loan banks to the three applicable statutes that currently cover federal and state banks. She said this bill is part of a request that the Kansas Domestic Life Insurance Company had from the Kansas Insurance Department.

Senator Steineger moved introduction. Senator Barnett seconded. Motion passed.

Senator Brownlee requested a committee bill on enacting a controlled insurance program as it relates to the construction industry. She said sometimes they are called wrap around insurance policies or controlled insurance policies. They need to be better regulated than what they are currently, she said. This bill would attempt to add some guidelines as to what can be included in these insurance policies.

Senator Brownlee moved introduction. Senator Steineger seconded. Motion passed.

Legislative Post Audit Report

Katrin Osterhaus reported that through the years, the Legislature has created a number of individual agencies to regulate certain professions or activities and protect Kansas citizens from potential harm. She said although a few of those agencies have been eliminated or consolidated over time, most continue to exist as separate, stand-alone agencies. Many other states have gone much farther in consolidating regulatory agencies, either by broad mission or in total. She said consolidating such agencies offers significant potential for them to reduce their operating costs and increase their administrative efficiencies. She said housing all of the functions of the Credit Union Department and the Offices of the Bank Commissioner and Securities Commissioner within a single agency could result in reduced costs and greater efficiencies, and would more closely align agencies with similar broad missions. Because all three agencies are fee-funded, the savings that could be achieved could be used to increase automation and make other technological improvements, improve other areas of oversight and enforcement, or reduce fees to the regulated industry. She said given the similarities that exist between the regulation of banks, trusts and credit unions, and given that most states

regulate these entities under a single agency, it was concluded that the Department of Credit Unions and the Office of the Bank Commissioner should be consolidated. Combining the regulation of securities with the other two agencies will achieve additional economies of scale, but the precedent for this organizational structure is not as clear cut, she said. She noted that although only six states have a stand-alone office for the securities commissioner, that office frequently is located within a Secretary of State's office or an Attorney General's office.

In conclusion, she said finally officials from the Office of the Securities Commissioner and the Department of Credit Unions have expressed concerns that their functions would be diluted if consolidation occurred, or that the services and protections they provide to the Kansans they serve might be diminished. These concerns should be fully aired in any legislative deliberations about the future organizational structure of the agencies. She said, however, given how common it is in other states for these functions to be combined under a larger agency umbrella, we are certain that agency staff working together to achieve a common goal can find workable solutions to such obstacles.

Melissa Calderwood, Legislative Research, gave a report of the Special Committee on Insurance. She said this committee concluded that it is prudent at this time to take no action on the legislative proposals during the 2009 Legislative Session, and instead await action at the federal level, in order to make good, sound judgment in future consideration of these issues and their impact on Kansas. She said the Committee notes its discussion in both October and December on this topic, including a roundtable discussion held with interested health insurers, underwriters and agents, business association representatives, and state agencies' representatives.

She said also that the committee recommended that the House and Senate Insurance Committees hold a hearing regarding colon cancer screening mandates, including any proposed legislation, during the 2009 Session.

In conclusion, she said the Special Committee on Insurance also considered the proposed legislation and a relevant model law from the National Association of Insurance Commissioners and recommended that the Kansas Insurance Department report at Turnaround to the standing Committees on Insurance.

The next meeting is scheduled for January 28, 2009.

The meeting was adjourned at 10:25 a.m.