



KANSAS INSURANCE DEPARTMENT

Vicki Schmidt, Commissioner

Proponent Testimony for SB 78 – Administrative Efficiencies and Statutory Cleanup

February 3, 2021

Chairman Longbine and Members of the Committee,

Thank you for the opportunity to testify in support of SB 78.

SB 78 seeks to improve efficiencies at the Kansas Insurance Department, eliminate unnecessary government regulation and address statutory inconsistencies. Section one of SB 78 is not an expansion of substantive regulatory authority, but rather a process improvement. The Commissioner's authority to subpoena would remain tied to the authority to regulate outlined in Chapter 40. In the process of investigating a violation of Chapter 40, there are times an entity that does not fall under the Department's jurisdiction could have valuable information to assist in the investigation. Entities would still maintain their right to due process and would have the ability to obtain relief from a district court.

Section two and section ten relate to repealing the auto club services act pertaining to registration. The requirement to register may have been valuable at some time, but in the Department's view there is no reasonable justification to continue this practice.

Section three relates to excess lines and taxes. The statute already defines the rate adjustment as tied to the consumer price index and adjusted on a five-year basis. Rather than adopt this rate via the cumbersome rules and regulations process, the Department is proposing to simply publish the rate as the formula is already pre-defined. Section four deals with an adjustment to the nonforfeiture rate on annuities. The current low interest rate environment necessitates lowering the nonforfeiture rate to allow companies to support the nonforfeiture guarantees in their deferred annuity contracts.

Sections five, six and seven deal with repealing the requirement of the Commissioner to appoint members to a committee on utilization review. This committee has not met since 2013 and this service is already being provided by the private sector. Section eight addresses an inefficiency in statute. Professional Employer Organizations (PEOs) are required to file audited financials within sixty days after the end of the PEO's fiscal year. In practice, this is not practical. By adjusting from sixty to 120 days, this will better align with when this data is available.

Thank you for the opportunity to appear in support of SB 78 and I will be happy to stand for questions.

Lee Modesitt
Director of Government Affairs and Communication