

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 25, 2006 in Room 234-N of the Capitol.

All members were present.

Committee staff present:

Melissa Calderwood, Kansas Legislative Research Department
Terri Weber, Kansas Legislative Research Department
Ken Wilke, Office of Revisor of Statutes
Bev Beam, Committee Secretary

Conferees appearing before the committee:

Maren Turner, State Director of AARP
Senator Derek Schmidt
Randy L. Rogers, Kansas Sheriff's Association (written testimony only)
Lee Wright, Farmers' Insurance
Rich Wilborn, Farmers' Alliance
Bill Sneed, State Farm

Others attending:

See attached list.

The Chair welcomed back Maren Turner, State Director of AARP Kansas, to continue testimony on Medicare Part D Prescription Drug Program. Ms. Turner said the Medicare prescription drug program will provide millions of Americans with the opportunity to access affordable prescription drugs. She said AARP is hearing stories of people who have successfully enrolled in the program; however, there are also unacceptable problems with the planning and implementation of the new Medicare Plan, she said. She added, some people have been denied coverage and are not getting the prescription drugs they need when they need them. She said AARP applauds the Governor and participating pharmacies for their bold action in providing a temporary solution to protect our most vulnerable seniors under the new Medicare program. Ms. Turner said AARP is committed to doing what it takes to help solve these problems and will continue to reach out to members and the general public to provide them with information and support that will lead to informed decisions about the Medicare benefit. (Attachment 1)

Introduction of Bills

Jarrold Forbes, Government Affairs Officer, Kansas Insurance Department, introduced legislation that allows a consumer to list a lienholder on an insurance policy covering a motor vehicle. Senator Steineger moved to introduce the Bill. Senator Brownlee seconded the motion. Motion passed. (Attachment 2)

Wendy Harms of the Kansas Aggregate Producers Association, she said it has come to the attention of KAPA through their membership that their industry has been faced with exclusions in their insurance policies regarding silica exposure. Ms. Harms said their members are exposed because they deal with rocks, sand, gravel and concrete on a regular basis and silica is a very fine particle that can be found in those products. We have been working with the Revisor's Office on this bill, and we hope it is a simple bill, to restore these silica exclusions back into our members' insurance policies, she said. Our members are paying high premiums for their insurance policies because those exclusions are in there. Senator Steineger moved introduction. Senator Barnett seconded. Motion passed.

Continued Hearings

(SB 321) – relating to the Kansas Department of Revenue; providing for the development and implementation of an electronic motor vehicle financial security verification system; and

(SB 322) – relating to the Kansas automobile injury reparations act; concerning certain penalties; providing for triple damages

CONTINUATION SHEET

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The Chair said Senator Derek Schmidt, Majority Leader, was present to explain the penalties of **(SB322)**.

Senator Schmidt said the bill provides for two changes to the current law for the third conviction for driving criminally without insurance. First change is, the third conviction will become a low-level felony. I am not under the impression that change in and of itself is particularly controversial, he said. It was one we thought made sense for individuals who are persistent offenders. They just keep doing it and at some point you need to ratchet up the consequences. The other change proposed in the bill is the nature of that felony. The bill as drafted proposes to make that particular felony for third time drivers without insurance an inherently dangerous felony. The committee is aware once a felony is an inherently dangerous felony, if a person is killed during the commission of that felony, the person who committed the felony is subject to prosecution for murder as opposed to for whatever the felony is. That provision only kicks in when somebody dies as a result of an accident, Senator Schmidt said.

The Chair asked for a run down in writing at a future meeting of what those various penalties in **(SB 322)** are.

The Chair told the Committee there is information in their packet from Randy Rogers, Legislative Chair, Kansas Sheriff's Association for them to read at their leisure. (Attachment 3)

Bill Sneed, Legislative Counsel, State Farm Insurance Companies, said since we just concluded with **(SB 322)**, let me start there. Mr. Sneed said his client, State Farm Insurance Companies, respectfully requests that the Committee not act favorably on **(SB 321)** and consider a Senate and/or Concurrent Resolution authorizing a task force whose goal would be to develop an electronic motor vehicle financial security verification system for the State of Kansas. (Attachment 4)

Mr. Sneed said with regard to **(SB 322)**, State Farm Insurance Companies, respectfully requests that the Committee not act favorably on **(SB 322)** and consider a Senate and/or Concurrent Resolution authorizing a task force whose goal would be to develop an electronic motor vehicle financial security verification system for the State of Kansas. (Attachment 5)

The Chair called on Brad Smoot, Legislative Counsel, American Insurance Association, for his testimony. Mr. Smoot said AIA recommends special consideration be given to the problem of commercial auto insurance, which generally applies to fleets of vehicles owned by businesses. Such policies may cover large numbers of cars and trucks. The insurer is not likely to collect and maintain tag numbers or vehicle identification numbers of each vehicle. The insurer will not know which vehicles are added or removed from the fleet during the term of the policy and consequently, would not be able to provide the type of verification that might otherwise be available from a personal auto policy. He said AIA and their member companies would be pleased to offer assistance to the state of Kansas as it explores this issue and would encourage the committee formalize a study process that includes all the interested parties and government agencies. (Attachment 6)

The Chair asked Lee Wright, Governmental Affairs Representative, Farmers' Insurance Group, for his testimony on **(SB 321)**. Mr. Wright said Farmers' Insurance Group supports the idea of having the appropriate government agencies and auto insurers work together to construct a financial security verification system as suggested in **(SB 321)**. Farmers Insurance would also welcome the opportunity to assist in the development of such a system. (Attachment 7)

The Chair called on Richard E. Wilborn, Farmers Alliance, for his testimony. Mr. Wilborn said his company believes a uniform national cost effective approach is the answer. It is important that all of the stakeholders; including insurers, insureds, the Insurance Commissioner, law enforcement officials, representatives from the Department of Motor Vehicles, and other interested parties be included in any discussion of proposed changes to the current system. We do know that the NAIC and other organizations are working on a standardized approach, Mr. Wilborn said. (Attachment 8)

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Following discussion, the Chair said the Committee would take up this Bill next week for final action.

Meeting adjourned at 10:30 a.m.