

MINUTES OF THE HOUSE COMMITTEE ON INSURANCE.

The meeting was called to order by Chairperson Patricia Barbieri-Lightner at 3:30 on March 18, 2003 in Room 526-S of the Capitol.

All members were present.

Committee staff present: Bill Wolff, Legislative Research
Ken Wilke, Revisor of Statutes
Renaë Hansen, Secretary

Conferees appearing before the committee: **Bill Sneed**, Legislative Council, State Farm
Dave Hanson, Legislative Counsel, National Association of Independent Insurers
Brad Smoot, Legislative Council, The American Insurance Association
Martha Neu Smith, Executive Director, Kansas Manufactured Housing Association
Karen Hiller, Executive Director of Housing and Credit Counseling, Inc
Jarrold Forbes, Kansas Insurance Department

Others attending: 34 total, some of whom signed the roll.

Continued Hearing on:

Sub SB 144- Enacting the Kansas Insurance Score Act.

Proponents:

Bill Sneed, Legislative Council, State Farm, (Attachment #1), spent time talking about the opponents studies and refuting the position that was talked about on March 13, 2003, and allowed the committee to read his proponent written testimony. Also a company brochure explaining credit scoring and how it is used for auto insurance was passed out which can be obtained from the conferee. Additionally, proposed amendments also attached were discussed and an explanation as to why the amendments were offered.

Questions were posed by: Representatives Mario Goico, Nile Dillmore, Nancy Kirk, Patricia Barbieri-Lightner, and Scott Schwab.

Dave Hanson, Legislative Counsel, National Association of Independent Insurers, (Attachment #2), commended the Insurance Committee for putting together the task force to study Credit Scoring and working

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diligently to consider the bill presented by that task force. He believes this is a significant piece of legislation and that all parties involved worked hard to come to the table and make some compromises on both sides in order to help this bill come together in an acceptable form to all.

Questions were posed by: Representative Eber Phelps.

Brad Smoot, Legislative Council, The American Insurance Association, (Attachment #3), presented testimony explaining how the credit scoring task force came about, and then why it is important to pass this legislation to regulate credit scoring. Included were two brochures presented to the representative that would help them explain to the public about credit scoring: what it is, and how it works. Credit scoring gives people who deserve to have the best deal, the best deal. They endorse the NCOIL model legislation of which Sub **SB144** models. This bill is a compromise between the parties involved. This bill provides the insurance department ability and authority to enforce credit scoring and to educate the public on its use. Provisions that deal with thin files, and medical files, inaccurate information, disclosure requirements insurance companies must provide to their customers, and an appeals process for the consumer.

Questions were posed by: Representatives Eber Phelps, Nile Dillmore, and Nancy Kirk.

Written testimony was presented on behalf of, Larry Magill, Kansas Association of Insurance Agents, (Attachment #4).

Opponents:

Martha Neu Smith, Executive Director, Kansas Manufactured Housing Association, (Attachment #5), is registered as an opponent to **Sub SB 144**, but their true opposition is to the practice of insurance credit scoring. Points were presented that stated their opposition to credit scoring. Since Credit Scoring will not be eliminated recommendations for the bill before you were presented.

Questions were posed by: Representatives Eber Phelps, Scott Schwab, and Ray Cox.

Comments were offered by Representative Nancy Kirk.

Karen Hiller, Executive Director of Housing and Credit Counseling, Inc., (Attachment #6), commended the insurance committee for addressing this issue of insurance credit scoring. They believe that credit scoring does in fact bring up insurance rates for a certain sector of the population in a way that does not correlate to their behavior for insurance claims. In addition, is it appropriate to endorse the practice of credit scoring by regulating it.

Questions were posed by: Representatives Nile Dillmore, Mario Goico, Ray Cox, and David Huff.

Two written opponent testimonies were presented: Barb Conant, Kansas Trial Lawyers Association (Attachment #7), and Mark and Faith D. Loretto, Kansas Constituent, (Attachment #8).

Jarrod Forbes, Kansas Insurance Department, responded to comments made by the opponents of **Sub SB 144**.

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He stated that there is a correlation between good behavior in taking care of your credit and the responsibility with which you will carry out your relationship with insurance companies. The bill allows for the correction of unfair reporting by allowing the consumer a process to contest the report and change or repair its contents. In addition, if the rate is changed due to this process companies have to give the difference back to the consumer. If nothing changes except your credit report they can not change your rate. There has to be another factor involved. This bill asks for education to consumers on credit reporting. Jarrod continued to reiterate the Insurance Departments position.

Questions were posed by: Representatives Nancy Kirk, Ray Cox, and Nile Dillmore.

The hearing was closed on **Sub SB 144.**

SB 66- Title Insurance; prohibiting certain actions.

Representative Stephanie Sharp moved to amend SB66, seconded by Representative Bonnie Sharp.

Discussion: Stephanie Sharp- This bill removes the 80/20 split and it says that a title insurance company cannot have complete reliance on one real estate company for its business.

Representative Joe Humerickhouse was recognized for discussion. Due to the controversial nature of this bill, the total vertical integration allowed on by the bill, and the lack of accountability as far as costs and service to the average customer, controversy as to whether it will help or stifle competition, controversy as to the impact it will have on the average customer and the cost, along with the fact that there is an attorney generals opinion due on this issue, a motion was made.

Representative Joe Humerickhouse made a substitute motion to table the SB66 until the first day of session 2004, seconded by Representative Bob Grant.

A discussion followed on whether a substitute motion would be heard. It was decided that since the motion had received a second, a vote would be called.

The motion to table passed 9-8.

Meeting Adjourned.

Next meeting March 20, 2003.