

MINUTES OF THE SENATE FINANCIAL INSTITUTIONS AND INSURANCE COMMITTEE

The meeting was called to order by Chairperson Ruth Teichman at 9:30 a.m. on February 11, 2004 in Room 234-N of the Capitol.

All members were present except:

Senator David Corbin- excused

Committee staff present:

Bill Wolff, Legislative Research  
Ken Wilke, Office of the Revisor of Statutes  
Nancy Shaughnessy, Committee Secretary

Conferees appearing before the committee:

Sandy Praeger, Insurance Commissioner  
Dave Hanson KS. Property and Casualty  
Bill Sneed State Farm

Others attending:

See Attached List.

Senator Buhler introduced a group from Douglas County who were shadowing him for the day. The Chair welcomed Senator Buhler's constituents and introduced Commissioner Praeger as the first conferee.

Commissioner Praeger referenced the Committee to her testimony. (Attachment 1) **SB347-prohibiting counting an insurance related inquiry as an insurance claim** would eliminate the reporting of insurance inquiries to CLUE(Comprehensive Life Underwriting Exchange) or other similar databases. CLUE is a valuable database on any given consumer and the property they own.

The Department is not interested in doing away with the CLUE system which has been in place for about ten years. However, the Commissioner believes that we make certain what is being reported to the database is appropriate.

When a consumer/insured makes a claim that information is reported to CLUE. The information is then available to other insurers who may be offering coverage to consumers. The Department agrees that is an appropriate function of the database and does assist in accuracy of basing coverage and rates in evaluating property. However, the Department has seen what they consider a misuse of this process.

She sited an example of a consumer who makes an inquiry of their agent regarding a deductible etc. for a "minor" car accident. The consumer decides to not file a claim and take care of the damages themselves without filing a claim. The agent will report this call to the CLUE database, effecting the consumer's insurability and rate risk in the future. Since the consumer did not file nor did the insurance company pay on the claim the Department strongly believes that cases such as this should not be reported to CLUE.

The purpose of **SB347** is to allow only filed and paid claims to be reported to the database. The information inputted into the database goes unchanged unless a specific request is made by the insured.

Questions from Committee members concerned the frequency of incidents similar to this? *The Commissioner did not have data on that. Did every insurance company use CLUE? The majority of companies do. If a consumer called to check on their deductible only, was that reported? The Commissioner believed that some incident did have to occur albeit it would be small.*

Ken Wilke inquired as to whether the term consumer included anyone other than the policyholder or someone insured under the policy? *The Commissioner replied that the consumer is the policyholder. Mr. Wilke also wanted to know what happened if a company violated this.....what are the penalties? The response was that there were no penalties included and that the regulation would be part of the market conduct activity. The Department is not looking to increase their authority for regulating and therefore any violations would not fall under the unfair trade practice.*

## CONTINUATION SHEET

MINUTES OF THE SENATE FINANCIAL INSTITUTIONS AND INSURANCE COMMITTEE at 9:30 a.m. on February 11, 2004 in Room 234-N of the Capitol.

David Hanson, testified as an opponent of **SB 347**. (Attachment 2) They understand the concerns of the Department on the Bill and have offered some language to Department staff they hope to have brought back that will be acceptable. The industry concerns focuses mostly on who is a consumer and what is an inquiry? The issue really is when should insurance companies be able to use this information?

If it's going to affect the underwriting, the industry likes to know anything that reveals the condition of the property they are about to insure. The industry does not wish to over or under insure or put anyone in the wrong classification. If the property is in poor condition or has prior damage the industry needs to know that and CLUE is one way of gathering that information.

Bill Sneed testified as an opponent on **SB 347**. (Attachment 3) He indicated that the industry does understand some of the Department's concern. CLUE does provide a substantial benefit to the consumer as it may expedite the entire insuring process for the consumer.

Speaking for State Farm only, Mr. Sneed indicated that they use CLUE on the eligibility side only and not on the renewal side and if we are "hamstrung" on the front side, with our due diligence it would add time and inconvenience for the consumer. On the second page of his testimony Mr. Sneed indicated some proposed language changes that would, in his opinion, strike a reasonable balance.

The Chair stated that the industry had indicated they would be willing to work on a compromise with the Department and wanted to know how much time they would need? The industry would put due urgency on meeting with the Department, Mr. Sneed responded.

The Chair would like to have additional information back to the Committee in the next couple days.

The hearing was closed on **SB 347** and the meeting was adjourned at 10:10 a.m.

The next meeting is scheduled for February 12, 2004.