



KANSAS INSURANCE DEPARTMENT

Vicki Schmidt, Commissioner

Proponent Testimony for SB 78 – Administrative Efficiencies and Statutory Cleanup

March 17, 2021

Chairman Johnson and Members of the Committee,

Thank you for the opportunity to testify in support of SB 78. SB 78 passed the Senate 39-0 and is very similar to HB 2136. The only difference between the two bills is the definition of what an automobile club service contract is.

Section one and section nine 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 two 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 three 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 four, five and six 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