

INTERIM JOINT COMMITTEE ON BANKING AND INSURANCE

Minutes of the Second Meeting of the 2025 Interim

October 14, 2025

Call to Order and Roll Call

The second meeting of the Interim Joint Committee on Banking and Insurance was held on October 14, 2025, at 9:30 AM in Room 149 of the Capitol Annex. Senator Jared Carpenter, Chair, called the meeting to order, and the secretary called the roll.

Present were:

Members: Representative Michael Meredith, Co-Chair; Senator Jared Carpenter, Co-Chair; Senators Donald Douglas, Greg Elkins, Rick Girdler, Jason Howell, Steve Rawlings, and Brandon Smith; and Representatives Chad Aull, Josh Bray, Adrielle Camuel, Jim Gooch Jr., Deanna Gordon, Daniel Grossberg, Erika Hancock, Shawn McPherson, Michael Sarge Pollock, Steven Rudy, and Tom Smith.

Guests: Sharon P. Clark, Commissioner, Department of Insurance (DOI); Shaun Orme, Executive Advisor, DOI; Marni Rock Gibson, Commissioner, Department of Financial Institutions (DFI); Matt Overturf, Assistant Vice President, State Affairs, National Association of Mutual Insurance Companies (NAMIC); Chris Nolan, Executive Director, Insurance Institute of Kentucky (IIK); Lisa Pierce, Legislative and Regulatory Counsel, Allstate Insurance; Kyle Hagerty, Senior Vice President and Chief Advocacy Officer, Kentucky's Credit Unions; Jim Kasch, President and Chief Executive Officer, Kentucky's Credit Unions; Jason Suman, President and Chief Executive Officer, Members Choice Credit Union; and Ray Springsteen, President and Chief Executive Officer, Abound Credit Union.

LRC Staff: Jessica Sharpe, Breanna Patterson, Anita Zipfel, and Sasche Allen.

Approval of September 16, 2025, Minutes

A motion to approve the minutes from the September 16, 2025, meeting was made by Senator Douglas, seconded by Representative Bray, and approved by voice vote.

Department of Insurance Update

Sharon P. Clark, Commissioner, DOI, and Shaun Orme, Executive Advisor, DOI, gave an update on the department's activities and the insurance market.

Local government premium taxes generated \$508 million in 2024, up from \$448 million in 2023. Insurance premium volume and licensees have increased, indicating market stability.

The department's Consumer Protection Division has received 14,468 complaints as of September 2025, resulting in nearly \$10 million being recovered on behalf of consumers. Fraud referrals have increased, with 2,182 referrals for the year and 66 open cases. Commissioner Clark described common fraud activities and noted challenges in prosecuting fraud due to limited action by local prosecutors.

Workers' compensation premiums will decrease in 2026, marking the twentieth consecutive year of rate reductions.

The property and casualty insurance industry is experiencing a hard market due to increased weather-related losses, economic pressures, litigation trends, and reinsurance costs. Despite these challenges, the marketplace is stable.

Commissioner Clark discussed the upcoming health insurance rate increases across all insurers on the exchange as well as in the small group market. Rate increases are a nationwide issue. Commissioner Clark identified the primary cost drivers as rising healthcare costs, specialty drug prices, workforce shortages, and the pending expiration of federal enhanced premium tax credits.

In response to Chair Carpenter, Commissioner Clark stated approximately 330,000 people in Kentucky are enrolled in the commercial insurance market, with the remainder covered under Medicaid, the Kentucky Children's Health Insurance Program (KCHIP), or Employee Retirement Income Security Act (ERISA) self-insured plans.

In response to Co-Chair Meredith, Commissioner Clark stated that state law requires insurance companies to report insurance fraud to the DOI. The DOI then investigates the report and prepares a prosecutor's notebook. There has been limited prosecution by some Commonwealth's Attorneys, particularly in urban areas.

In response to Representative Aull, Commissioner Clark stated that the department cannot provide the number of individuals covered under Medicare, Medicaid, or ERISA plans because it does not have regulatory authority over those programs and plans. Last year, it was estimated that 5.3 percent of Kentuckians were uninsured. The total approximate increase that will be experienced by those who have enhanced premium tax credits will depend on various factors.

In response to Representative Smith, Commissioner Clark stated she has seen health insurance rates decrease in previous years. Approximately 90 percent of individuals with insurance coverage on the exchange are eligible for the enhanced federal premium tax credit. Those individuals will lose the credit and will also experience rate increases. Regulators and insurers are facing uncertainty due to these changes.

In response to Representative Bray, Commissioner Clark said the department's attorneys are reviewing the enforcement of 2024 RS SB 188, relating to pharmacy benefit managers.

Representative Gooch discussed health care reform legislation in Kentucky and under the federal Affordable Care Act (ACA). Federal premium subsidies were not intended to be indefinite. He predicts that negotiations may look at this issue again so that stakeholders can be heard, but everyone should plan for their eventual expiration.

In response to Senator Elkins, Commissioner Clark stated Commonwealth's Attorneys have cited large workloads and the lower dollar amounts involved in insurance fraud cases as reasons for declining to prosecute. The Attorney General is not involved in the process like in some other states.

In response to Senator Douglas, Commissioner Clark agreed individuals have a personal responsibility to lead healthy lifestyles, which could help drive down health care costs.

Department of Financial Institutions Update

Marni Rock Gibson, Commissioner, DFI, provided updates on the department's depository, securities, and non-depository divisions.

In the depository division, the total number of state-chartered banks and banks with assets under \$100 million has declined in recent years but now appears to have stabilized, with one newly chartered bank in 2025 and a pending de novo application. Despite this, the amount of bank assets and loans have continued to increase. The loss of a credit union charter in 2025 resulted in a substantial decline in total credit union assets and loans.

In the securities division, the number of broker-dealer registrations has been stable in recent years and the number of broker-dealer and issuer agents has steadily increased. The number of investment adviser firms and investment adviser representatives have continued to increase. The department continues to prioritize investment adviser examinations. There has been an influx of enforcement referrals and investigations.

In the non-depository division, licenses for loan originators and money transmitters have increased and the first student loan servicer licenses were issued. The total number of consumer protection complaints decreased in 2024 but fines increased due to a multi-state case.

In response to Senator Howell, Commissioner Gibson stated it is not uncommon to see an increase in internet payday loan complaints during times of economic uncertainty.

Insurance Industry Update

Matt Overturf, Assistant Vice President, State Affairs, NAMIC, gave a brief overview of the organization and state of the industry. Property and casualty insurers continue to be challenged by increased number of claims. In recent years, claims and expenses exceeded premiums but the loss ratio was closer to break even in 2024. Mr. Overturf discussed four areas impacting the property and casualty insurance market, including extreme weather, economic and inflationary pressure, cost drivers, and legislative and regulatory overreach.

Chris Nolan, Executive Director, IIK, discussed insurance legislation enacted by the General Assembly during the past couple of years. Many of these initiatives have become leading policies and been adopted as nationwide models by the National Council of Insurance Legislators. Legislative priorities of IIK include combatting PIP fraud and abuse, lawsuit abuse reform, and the prosecution of insurance fraud.

Lisa Pierce, Legislative and Regulatory Counsel, Allstate Insurance, discussed a potential modification to the state's insurable interest statute that would allow coverage to continue for a brief period after a vehicle is declared a total loss and the insurer has taken possession of the title.

In response to Co-Chair Meredith, Ms. Pierce stated, although internal conversations have not taken place regarding the timeframe, an ideal timeframe to allow coverage to be maintained after a total loss would likely be at least 30 days.

Credit Union Industry Update

Jim Kasch, President and Chief Executive Officer, Kentucky's Credit Unions, explained the structure of credit unions, contrasted the differences between banks and credit unions, and discussed the financial benefit of credit unions. . While credit unions do not pay taxes on deposits or earnings, credit unions do pay significant taxes and fees such as property taxes, payroll taxes, and regulatory fees, and have never received a bail out. In 2024, credit unions in Kentucky delivered \$173 billion in direct financial benefits to consumers.

Ray Springsteen, President and Chief Executive Officer, Abound Credit Union, detailed programs offered to members of the credit union, including the Veterans to Entrepreneurs program, and its investment in veteran and military related education programs.

Jason Suman, President and Chief Executive Officer, Members Choice Credit Union, discussed his perspective on the similarities and differences of banks and credit unions.

Mr. Kasch, Mr. Suman, and Mr. Springsteen discussed recent litigation regarding the ability of credit unions to accept certain public deposits and the organization's request for legislation to clarify the ability of credit unions to accept public deposits. Mr. Hagerty discussed the organization's opposition to a proposal to prohibit banks from selling bank assets to credit unions.

Representative Grossberg expressed his support of credit unions and reminded the speakers that credit unions must abide by the same statutory requirements as banks, including those relating to the discriminatory practice of redlining.

In response to Senator Elkins, Mr. Suman confirmed the Boyd County Clerk is an existing customer of Members Choice Credit Union.

Chair Carpenter stated that the committee will continue to have conversations and work with stakeholders on the issues discussed.

Adjournment

There being no further business before the committee, the meeting adjourned at 11:10 AM.