

MINUTES OF THE SENATE FINANCIAL INSTITUTIONS AND INSURANCE COMMITTEE

The meeting was called to order by Chairperson Jeff Longbine at 9:30am on Thursday, January 28, 2016, 546-S of the Capitol.

All members were present

Committee staff present:

Theresa Allen, Kansas Legislative Committee Assistant
Melissa Renick, Legislative Research Department
Whitney Howard, Legislative Research Department
Eileen Ma, Office of Revisor of Statutes

Conferees appearing before the Committee:

Josh Ney, Securities Commissioner
Ken Selzer, Kansas Insurance Department
Zac Anschutz, Advisors Excel
Derek Schmidt, Kansas Attorney General
Roger Walter, (Former General Counsel, Securities Commission

Others in attendance:

No list available

Possible bill introductions

Steve Kearney, KPA requested an introduction of a bill concerning insurance, relating to certain health benefit plans; prescription drug refills. There being no objections the bill was introduced.

Hearing on: SB340 — Providing the appointing authority of the securities commissioner from the governor to the commissioner of insurance.

Chair Longbine opened the hearing on **SB340**. Eileen Ma, Staff Revisor, provided an overview of the bill.

(Proponents)

Josh Ney spoke in favor of the bill on behalf of the Kansas Office of the Securities Commissioner. Josh stated this bill was drafted in December, 2015 as a proposal to balance the need for smart budgetary efficiencies among state agencies with the importance of retaining a distinct, robust, and independent regulatory culture for the sale of securities in Kansas. ([Attachment 1](#))

Ken Selzer spoke in favor of the bill on behalf of the Kansas Insurance Department. Ken stated by statutorily coordinating some of the functions of the Office of the Kansas Securities Commission and the Kansas Insurance Department, we will join approximately a dozen other states that have already taken the step to better serve their citizens. ([Attachment 2](#))

CONTINUATION SHEET

MINUTES of the Committee on Financial Institutions and Insurance at 9:30am on Thursday, January 28, 2016 in Room 546-S of the Capitol.

Zac Anshutz spoke in favor of the bill on behalf of Advisors Excel. AE believes the benefit of working with one office creates regulatory efficiencies that outweigh the siloed approach of the past. This is accomplished through streamlined administrative functions and the opportunity to interact with one regulatory body as opposed to two. ([Attachment 3](#))

Senator Hawk referenced the Post Audit in 2008 of the savings pros and cons. Mr. Ney responded that the fiscal notes references the actual estimate of savings. Further discussed the many states that operate together.

Senator Schmidt asked why Josh has not reached out to AG Schmidt. Mr. Ney responded he should have and that falls on me for not communicating with him.

Senator Olson asked are savings going to come because of the duplication of audits and why can't the departments stay separate, but still do one audit, reports, etc. Mr. Ney responded that this is what we are trying to accomplish by having examiners cross training and coordination of these departments.

Senator Kelly asked how will moving appointment authority impact the efficiencies and regulatory requirements. Mr. Ney stated by statutorily putting this language in is just a recommendation, unless there is some sort of indirect accountability measures to work together. (See above testimony attached).

Chair Longbine requested to move on to further testimony.

(Proponents) Written only

Proponents written only submitted:

John Guyot, Security Benefit ([Attachment 4](#))

Jesse Hill, Edward Jones ([Attachment 5](#))

(Opponents)

Derek Schmidt, Attorney General spoke in opposition of **SB340**. Mr. Schmidt agrees that a possible restructuring of our state's apparatus for regulating securities may be in order for the purpose of strengthening enforcement and protecting consumers who invest in that marketplace, as well as gaining efficiencies in government. If the committee would like to pursue this, I would be happy to offer specific suggestions on how that should be accomplished, but this bill is not it. The regulation and enforcement of securities in Kansas should be performed by an appointed regulator who is accountable to an elected official, and if that elected official is not to be the governor then it should be the attorney general. ([Attachment 6](#))

Roger Walter spoke in opposition of **SB340**. Mr. Walker stated that he anticipates the goal of this consolidation and cross appointment of employees is budgetary savings. Mr. Walter thinks this would

Unless specifically noted, the individual remarks recorded herein have not been transcribed verbatim. Individual remarks as reported herein have not been submitted to the individuals appearing before the committee for editing or corrections.

CONTINUATION SHEET

MINUTES of the Committee on Financial Institutions and Insurance at 9:30am on Thursday, January 28, 2016 in Room 546-S of the Capitol.

be extremely modest. The two agencies have two completely separate functions. Mr. Walter further discussed these differences and explains his serious concerns that consolidating these agencies will dilute and blur its focus on protecting investment fraud, and undermine its independence, effectiveness and ability to act quickly without bureaucratic interference. ([Attachment 7](#))

Senator Schmidt asked AG Schmidt if any other confirmation that the senate does that is not appointed by the governor. Mr. Schmidt responded yes, I appoint the director of the KBI, members of the victims compensation board and there are others.

Senator Kelly asked AG Schmidt about moving some of the legal work to your shop. If that is the regulatory work, could that be moved to the insurance department. Mr. Schmidt responded yes that is something that could be discussed. Mr. Schmidt further discussed the responsibility of the AG Office.

(Opponents) Written Only

Opponents written only testimony:

Larry Cook, (Former Director of Enforcement
Security Commissioner) ([Attachment 8](#))

David Brant (Former Securities Commissioner)
([Attachment 9](#))

Rock Fleming (Former Attorney, Kansas Securities
Commission) ([Attachment 10](#))

Diane Nygaard, Attorney Private Practice
([Attachment 11](#))

Chair Longbine stated we were out of time. With no further conferees or questions, Chair Longbine closed the hearing on **SB340**.

Chair Longbine adjourned the meeting at 10:29am.

NOTE: No one signed the guest list