

MINUTES OF THE SENATE COMMITTEE ON COMMERCIAL AND FINANCIAL INSTITUTIONS

The meeting was called to order by Sen. Neil H. Arasmith at
Chairperson

9:00 a.m./~~p.m.~~ on February 23, 1983 in room 529-S of the Capitol.

All members were present except:

Senator Hess - Excused

Committee staff present:

Bill Wolff, Legislative Research
Bruce Kinzie, Revisor's Office

Conferees appearing before the committee:

Ron Todd, Kansas Insurance Department

The minutes of February 22 were approved.

The hearing began on SB 157 with the testimony of Ron Todd, Kansas Insurance Department, in support of the bill. Mr. Todd said that the main purpose of the requested changes is to allow more flexibility for domestic insurance companies in their investments so that they can compete with other financial institutions. Mr. Todd answered questions from the committee regarding the competitiveness of insurance companies. He then proceeded to go through the eight major proposed changes with the committee, (See Attachment I), and answered questions from the committee. The committee had several questions about the change on lines 203 and 204 as to what would be a reasonably competitive rate of interest. The chairman said that perhaps it would be better to put in "a rate no more favorable than the prevailing rate in the area" or "a rate not more favorable than any other customer". Mr. Todd said that there are fluctuations in the prevailing rate which might complicate matters and that he feels that the wording in the bill is fine and would not favor officers of the company.

The chairman asked what the effect of the stricken language on pages 7 and 8 of the bill would be. Mr. Todd answered that it would do nothing except delete old language about practices not used anymore. Sen. Pomeroy asked why the words "by loans" were used in lines 558 and 559. Mr. Todd said that there is no need for them. The chairman suggested that they be deleted. Sen. Werts, had a question as to "admitted assets" as seen on lines 566, 570, and 579 concerning the distinction between the two places where it is used. Mr. Todd said that on lines 566 and 570 it assures that the asset is not to be for personal use and that on line 579 the type of asset not to be used is defined. The chairman asked the effect of striking the language on lines 382-385 and on lines 395-396. Mr. Todd explained the reasons for striking this language and said that he would not be able to say immediately what the effect would be on the policy holders. He said that the companies would have more flexibility to invest more which would result in increased income for the company. The company could use this increased income for more investments or it could use it to lower rates for premiums.

There being no further time, the chairman announced that the hearing on SB 157 would be continued to the next meeting on February 24 after the hearing on SB 206.

The meeting was adjourned.

SENATE COMMITTEE

ON

COMMERCIAL AND FINANCIAL INSTITUTIONS

OBSERVERS
(Please print)

DATE	NAME	ADDRESS	REPRESENTING
2/23/83	BETSY KOHLER	TOPEKA	OBSERVER
"	L. M. CORNISH	"	Ks Domestic Ins Co
"	Mark Heitz	"	SBL
"	Susan Somers	"	American Investment Co
"	Jerry Banaka	"	Ks. Ins DEPT.
"	Cathy Gaeckler	Laurance	Sen. Renorn.
"	Linda Snyder	Topeka	Close-Up Kansas
"	Angela Vaughn	Topeka	Close-Up Kansas

SENATE BILL NO. 157

Summary of Major Changes Proposed in
Domestic Insurance Company Investment Laws

1. Increases amounts that can be invested in preferred stocks from 20% to 25% of its assets - Life Insurance Companies (Section 6);
2. Increases amounts that can be invested in common stocks from 10% to 15% of its assets - Life Insurance Companies (Section 7);
3. a) Increases amounts that can be invested in real property mortgage loans from 75% to 80% of the market value (Section 3 & Section 8);
b) Allows investment in mortgages for personal residences occupied by an officer of the insurance company (New Sections 3 and 8);
4. Increases amounts that can be invested in real estate from 10% to 20% of assets (Sections 4 and 9);
5. Increases amounts that can be invested in Leeway Clause (anything not otherwise permitted) from 5% to 10% of company's assets (Sections 5 and 10);
6. Allow insurance companies to invest in certain specified types of personal property up to 5% of the company's assets (Sections 12 and 16);
7. Establishes a specific category for investments in open-end regulated investment companies up to 10% of insurance company's assets (Sections 14 and 15);
8. Allows life insurance companies to specifically invest in stock of an insurance agency and a holding corporation. This same authority already exists for fire and casualty companies (Section 13).

Attachment I