

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 21, 1984 in room 529-S of the Capitol.

All members were present except:

Sen. Hess - Excused

Committee staff present:

Bill Wolff, Legislative Research  
Bruce Kinzie, Revisor of Statutes

Conferees appearing before the committee:

John Wurth, Securities Commissioner's Office  
Don Schnacke, Kansas Independent Oil and Gas Association  
Senator Don Montgomery  
Dan W. Musil of Frankfort, Kansas  
Charles D. Baxter, Farm Bureau Mutual Insurance Company  
L. M. Cornish, Kansas Association of Property and Casualty Companies

The minutes of February 20 were approved.

The chairman called attention to SB 413 which had been introduced at the request of the Securities Commissioner during the 1983 session but had been carried over due to a lack of time to work the bill. He called on John Wurth of the Securities Commissioner's office to give testimony.

Mr. Wurth outlined the amendments in the bill. The first change occurs in subsection (h) where repetitious language is deleted. The next changes occur in subsection (m) where the time period in which a transaction can occur is more clearly defined and where restrictions for advertising are defined. The final changes occur in subsection (p) where the definition of public advertising which is restricted is defined further and where the method of counting the number of partners is defined. In regard to the counting of partners, Mr. Wurth explained that currently each person in an organization is counted towards the limit of 15. The new language in the bill would allow the organization to be counted as one person which in effect allows more persons to offer sales.

Sen. McCray asked how people learn about the sale of the securities if the advertising is restricted. Mr. Wurth answered that the sales are done by personal contacts with those who would be interested rather than by bringing in outsiders.

The chairman asked if a husband and wife could be counted as two partners rather than as one. Mr. Wurth replied that the option is there, but the legislative intent was to count them as one to allow more exemptions for sales.

Sen. Karr asked if, basically, the bill broadens the counting process for exemptions. Mr. Wurth answered that this is true but that also the bill is more restrictive in the language dealing with advertising. Larry Christ of the Securities Commissioner's office outlined the three policy areas changed for Sen. Karr.

The chairman called on Don Schnacke, Kansas Independent Oil and Gas Association, for his testimony on SB 413. Mr. Schnacke said that he concurs with the bill only in regard to limited advertising. He added that he would like to include something in the bill restricting telephone solicitations by the use of banks of telephones.

Sen. Feleciano commented that he feels that the bill is not simple because it would broaden the count of limited partners to include huge corporations to be counted as one.

Sen. Karr asked Mr. Schnacke if the problem of solicitation also involves the mails. Mr. Schnacke answered that he feels the problem is confined only to telephone pressure sales.

CONTINUATION SHEET

MINUTES OF THE SENATE COMMITTEE ON COMMERCIAL AND FINANCIAL INSTITUTIONS,  
room 529-S, Statehouse, at 9:00 a.m./~~p.m.~~ on February 21, 1984.

The hearing on SB 413 was concluded. The chairman announced that committee discussion of the bill would be at a later time.

The hearing on SB 632 began with Sen. Don Montgomery introducing Dan Musil of Frankfort, Kansas, who had requested that Sen. Montgomery have the bill introduced. Mr. Musil said that he was President of the Marshall County Farm Bureau in 1962-63 and that during the first year, they paid out more on hail insurance than they took in. Also, in his work he found at one time that no dividends were paid on car insurance by a company because the money went to pay on hail insurance. He said that he feels this is unfair competition to those companies that write only hail insurance and, thus, have no other areas in which to draw money to pay dividends. Mr. Musil said that although he has found that it is legal to pay dividends on one form of insurance from the surplus of another kind, he feels that it is a legal way to cheat. In his opinion, dividends should be paid not from surplus but from the type of insurance held.

The chairman called on Charles Baxter, Farm Bureau Mutual Insurance Company, to give his testimony in opposition to SB 632. Mr. Baxter said that he feels that Mr. Musil had failed to understand the extremely competitive market in the insurance field. He explained that his company sets rates for all types of insurance but not for hail insurance which is set by the Insurance Department which does not allow companies to deviate from the rate. He informed the committee that in twenty-two years the average underwriting profit on hail for his company has been 11.2%, and they have been paying an average of 5% dividends. He added that mutual insurance companies are more conservatively managed than other companies because they cannot sell stock but have to borrow from banks. The provisions of the bill would hinder their ability to compete with giant industries. Mr. Baxter said he opposes the bill because it is possibly unconstitutional in that it is a restraint of free trade. Also, it would not be in the best interest of policyholders, and it would be unfair to mutual insurance companies in the competitive market.

Sen. Werts asked why the Insurance Department was so rigid on crop hail insurance. Mr. Baxter answered that it is because we cannot control hail and that he feels that Farm Bureau offers an excellent medium other than premiums.

L. M. Cornish, Kansas Association of Property and Casualty Companies, began testimony in opposition to SB 632. He stated that he feels the bill is unnecessary and restricts the rights of mutual companies to return money to policyholders. In his opinion, it is unfair and discriminatory. Also, he feels there would be many problems in developing a policy to meet the requirements of the bill.

Sen. Karr asked Mr. Cornish if he felt crop hail insurance is handled too rigidly by the Insurance Department. Mr. Cornish replied that he would have no judgement on that but that he has two companies that write hail insurance exclusively and would get their opinion. With this comment, the hearing on SB 632 was concluded.

The chairman announced that he would like to work SB 551 dealing with foreign insurance companies' qualifications to do business in Kansas.

Sen. Pomeroy made a motion to amend SB 551 as suggested by Mark Heitz to permit the payment of premium tax on annuities as is done now. Sen. Feleciano seconded, and the motion carried.

Sen. Feleciano made a motion to amend provisions of SB 505 which was tabled in the House committee into SB 551.

Sen. Werts said that a House Bill is needed to accomplish that. The chairman expressed concern that this action would affect the passage of SB 551. There was no second to Sen. Feleciano's motion.

Sen. Werts made a motion to report SB 551 favorably as amended. Sen. Reilly seconded, and the motion carried.

The meeting was adjourned.

SENATE COMMITTEE

ON

COMMERCIAL AND FINANCIAL INSTITUTIONS

OBSERVERS  
(Please print)

DATE	NAME	ADDRESS	REPRESENTING
	<i>Rose Musil</i>	<i>Frankfort</i>	
	DAN. W. MUSIL	FRANKFORT	
	<i>John White</i>	<i>Topeka</i>	<i>Ks. Securities Com.</i>
	<i>Larry Christ</i>	<i>Topeka</i>	<i>"</i>
	<i>Jerel Wright</i>	<i>"</i>	<i>KCUL</i>
	<i>Mervin Umbolter</i>	<i>"</i>	<i>KUL</i>
	<i>Ray Stoddard</i>	<i>Topeka</i>	<i>Dept. of Ins.</i>
	<i>Charles D. Taylor</i>	<i>Manhattan</i>	<i>Farm Bureau Mutual Ins. Co.</i>
	L M CORNISH	<i>Topeka</i>	<i>Ks Assoc of P/C Cos.</i>
	<i>Tom Fritzen</i>	<i>Lawrence</i>	<i>Sen Hess</i>
	<i>Don Schumaker</i>	<i>Topeka</i>	<i>KIIGA</i>