

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 29, 1984 in room 529-S of the Capitol.

All members were present except:

Senators McCray and Hess - Excused

Committee staff present:

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

Conferees appearing before the committee:

None

The minutes of February 28, were approved.

The author of SB 707 scheduled for hearing did not arrive, and the committee began discussion of bills previously heard.

In regard to SB 560, the chairman informed the committee that there were no objections from the insurance companies because of the grandfather amendments. He said there is a need to increase the capital requirements to offer more protection in cases of insolvency.

Sen. Pomeroy made a motion to allow the grandfather amendments to SB 560, Sen. Werts seconded, and the motion carried.

Sen. Pomeroy made a motion to amend SB 560 further on lines 382, 385, 386, and 389 by striking "paid up capital stock" and line 393 by striking "paid up capital" and adding commas where appropriate. Sen. Gordon seconded, and the motion carried.

Sen. Pomeroy made a motion to amend page nine of the bill and other appropriate places in the bill pointed out by Mr. Todd by striking "and" and inserting "or creditors or both". Sen. Karr seconded, and the motion carried.

Sen. Pomeroy made a motion to amend line 51 by striking "wise" and inserting "way" to modernize the language. Sen. Feleciano seconded, and the motion carried.

Sen. Werts questioned the meaning of the word "makes" as used on line 52 of SB 560. It was explained by Dick Brock of the Insurance Commissioner's office that it is synonymous with "writes" and is used throughout the insurance code.

Sen. Gordon made a motion to recommend SB 560 favorably as amended. Sen. Reilly seconded, and the motion carried.

The chairman began a discussion on SB 765 saying that there are two proposed amendments with which the proponents and opponents agree. The first amendment would be on line 22 where "insolvency or" is stricken. The second amendment occurs on line 24 where after the word "period", the words "subject to limits and provisions of the policy" would be inserted before the period. Sen. Pomeroy made a motion to so amend SB 765. Sen. Feleciano seconded, and the motion carried.

Sen. Feleciano made a motion to recommend SB 765 favorably as amended. Sen. Pomeroy seconded the motion, and it carried.

The chairman called the committee's attention to SB 743. He said that there had been a new turn of events on this proposal. He reminded the committee of a question asked at the hearing regarding the possibility that the federal government would reverse its thinking and enforce capital requirements again. He read from a publication, "Washington Financial Reports", to the committee as follows: "The agency is proposing revised regulations which would require thrifts (and other institutions) to maintain their net worth at a level equal to at least 3 percent of any increase in new deposit liabilities."

## CONTINUATION SHEET

MINUTES OF THE SENATE COMMITTEE ON COMMERCIAL AND FINANCIAL INSTITUTIONS,  
room 529-S, Statehouse, at 9:00 a.m. ~~xxx~~ on February 29, 1984.

He said the federal bill may be more restrictive than SB 743, and asked the committee how it wished to treat SB 743.

Sen. Pomeroy made a motion to report SB 743 adversely. Sen. Gannon seconded, and the motion carried.

Discussion began on SB 413 which would amend the Kansas securities act. The chairman reminded the committee that the only objection to the bill was raised by Sen. McCray who objected to the definition of "persons" in that it would make a drastic expansion. The only other amendment suggested was from Don Schnacke who felt something should be included in the bill to restrict telephone solicitations by the use of banks of telephones. Committee members and staff could not determine how this amendment could be worded or where to put it in the bill. Sen. Werts suggested that Mr. Schnacke be contacted to submit the proper language. Due to the confusion on these points, no action was taken on the bill. The chairman said he would contact Mr. Schnacke and also speak to Sen. McCray about his concerns.

The committee turned its attention to SB 697 dealing with non-profit dental corporations. Sen. Pomeroy made a motion to report SB 697 favorably. Sen. Karr seconded, and the motion carried.

Sen. Feleciano said he felt the committee should discuss SB 549 concerning a consumer savings disclosure act. He feels that in light of the deregulated banking industry, constituents should be well informed and that the bill will simplify the process.

Sen. Pomeroy was concerned with the aspect of the testimony of giving a specific example in New York which has such a law. Sen. Feleciano replied that the use of cents per hundred does simplify the computation for the public as demonstrated by Dr. Morse and that the process does need to be so simplified.

The chairman was concerned because he felt that Dr. Morse had assumed that everyone knows as much about calculators as he does and because he would not know how to calculate as Dr. Morse had done.

Sen. Karr felt that the unit concept for comparable shopping is an admirable idea and wondered if there would be an alternative to Dr. Morse's suggestion to accomplish this. No one could offer any alternatives.

Sen. Pomeroy asked for the meaning of "truncated" on line 206 of the bill, and it was explained that this is a term meaning to calculate to four decimal places in the case of the bill and that it is a basic accounting procedure.

Sen. Feleciano made a motion to recommend SB 549 favorably as a means of providing constituents to better cope with the rates offered by the financial community. Sen. Karr seconded the motion.

Sen. Gannon commented that he failed to understand why banks have not taken this upon themselves because it would be to a bank's competitive advantage to eliminate the consumer's confusion. The chairman noted that he had not heard from confused consumers.

Sen. Werts commented that the bill would cause terms to be used in advertisements that consumers would not understand and could think of no way to inform consumers to enable them to understand the terms.

Sen. Feleciano replied that the bill would reduce confusion by standardizing and simplifying the process. It would serve a useful purpose in our society and help the unsophisticated person in the general public. Also, he feels it will stimulate competition.

The chairman called for a vote on Sen. Feleciano's motion, and the motion carried.

With this action on SB 549, Sen. Pomeroy made a motion to report SB 213 dealing with a consumer savings disclosure act adversely. Sen. Reilly seconded, and the motion carried.

The chairman began discussion on SB 704 concerning continuation and conversion of group insurance. He told the committee that Sen. Meyers and staff had an amendment

CONTINUATION SHEET

MINUTES OF THE SENATE COMMITTEE ON COMMERCIAL AND FINANCIAL INSTITUTIONS,  
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which would alleviate the concerns expressed by Jack Roberts of Blue Cross-Blue Shield. Also, he informed them that there is a six month requirement in the statutes at present but that it does not apply to Blue Cross-Blue Shield.

Staff explained that on page three of SB 704 the total amendment would be stricken, and it would return to 80% for everybody. Also, the problem of "and" and "or" expressed by Sen. Pomeroy would be resolved.

Sen. Feleciano made a motion to amend SB 704 as suggested on page three and in other appropriate places. Sen. Pomeroy seconded, and the motion carried.

Sen. Feleciano made a motion to recommend SB 704 favorably as amended. Sen. Reilly seconded, and the motion carried.

The meeting was adjourned.

