

Approved 3-21-85
Date

Rex B. Hoy

MINUTES OF THE House COMMITTEE ON Insurance

The meeting was called to order by Rep. Rex B. Hoy at
Chairperson

3:30 ~~am~~p.m. on Wednesday, March 20, 1985 in room 521-S of the Capitol.

All members were present except:

Committee staff present:

Emalene Correll - Legislative Research
Melinda Hanson - Legislative Research
Gordon Self - Revisor's Office
Helen Carlson - Secretary

Conferees appearing before the committee:

Mr. Bud Cornish - Domestic Property and Casualty and Life Companies
Mr. Bill Mitchell - Alliance Insurance Companies
Mr. Wayne Morris - Security Benefit Group
Sen. James Francisco
Mr. Ron Todd - State Insurance Dept.

The Chairman called the meeting to order and asked Ms. Hanson of Staff to explain SB 262.

Ms. Hanson said the bill provides a mechanism to allow the conversion of a domestic mutual insurance company into a stock insurance company. The bill sets out specific requirements for conversion, and was requested by the Kansas Life Assn. and the Kansas Assn. of Property and Casualty Insurance Companies.

Mr. Cornish spoke in support of SB 262 saying it would permit a domestic mutual insurance company to convert to a domestic stock insurance company. He said the bill only concerns domestic mutual insurance companies, there being 14 Kansas mutual property and casualty insurance companies and four mutual life insurance companies. Mr. Cornish said 28 states now have conversion statutes and that the purpose of conversion is to permit mutuals to raise additional capital. He said he knew of no domestics that are actively considering conversion, but that it would be useful for the legislature to provide a statutory mechanism should companies later seek to do so.

Mr Mitchell of Alliance Insurance Companies, spoke in support of SB 262.

Wayne Morris testified in support of SB 262 saying the bill sets out detailed, concise plans if the need for conversion arises. His testimony is attached. (Attachment I)

Mr. Todd of the Insurance Department said he, as well as many others, had spent lots of hours working on this bill and he can see no problems with it. He said there was not a Fiscal Note on SB 262 as they planned to use the expertise of their present staff.

Sub. for

SB 121 - The Chairman announced that Sen. James Francisco was present to answer any questions from the Committee concerning Substitute for SB 121. Discussion followed.

Mr. Todd questioned the ability of the Insurance Department to comply with the effective date and Sen. Francisco said he had no objections to extending the effective date.

SB 285 - Ms. Hanson of Staff was asked to explain the bill. She stated that the bill would extend provisions of the Uniform Unauthorized Insurance Act to apply to nonprofit dental service, optometric service and medical and hospital service corporations, HMO's and third party administrators. The Insurance Commissioner would, thus, have jurisdiction over these entities.

CONTINUATION SHEET

MINUTES OF THE House COMMITTEE ON Insurance,
room 521S, Statehouse, at 3:30 ~~xxx~~ a.m./p.m. on Wednesday, March 20, 19⁸⁵.

Mr. Todd said the purpose of the bill is to try to subject all organizations dealing with insurance to the regulatory jurisdiction of the Insurance Dept. and have uniform regulation. He said the State would have a little more jurisdiction over companies out of State doing business in the State by mail. Mr. Todd proposed an amendment on P. 2, line 68, after the word "and" insert the following "Organizations pre-empted from state jurisdiction as a result of compliance with both the Employees Retirement Income Security Act, 1974, as amended (including all bonding provisions) and Internal Revenue Service Code 501 (c) (9)." Mr. Todd said the amendment would provide a statutory exemption for certain types of organizations already exempted by federal pre-emption.

Rep. Cribbs made a motion, seconded by Rep. Weaver, that the amendment to SB 285 be adopted. Motion carried.

Rep. Bryant made a motion, seconded by Rep. DeBaun, that SB 285, as amended, be reported favorably for passage. Motion carried.

SB 262 was again brought to the Committee's attention.

Rep. Littlejohn made a motion, seconded by Rep. Neufeld, that SB 262 be reported favorably for passage. Motion carried.

Approval of the minutes of Tuesday, March 19th was called for. Rep. Neufeld noted an error in the date and also that he was recorded as absent in error. The minutes were approved as corrected and such corrections have been made on original copy of minutes.

Meeting adjourned.



Security Benefit Life Insurance Company

A Member of The Security Benefit Group of Companies

Date: March 20, 1985

To: The Honorable Rex Hoy, Chairman, and Honorable Members,
House Committee on Insurance

From: Wayne Morris, Assistant Counsel

Re: S.B. 262 -- Demutualization

Security Benefit Life Insurance Company, one of the four Kansas mutual life insurance companies, is vitally interested in S.B. 262, a bill which would allow mutual insurance companies to convert to stock insurance companies. We join both the Kansas Life Association and the Kansas Association of Property and Casualty Companies in strong support of S.B. 262.

We believe that demutualization, or conversion to the stock form of ownership, may result in significant benefits for a company's policyholders, the converted company, and the entire state's economy. Senate Bill 262 contains procedures to ensure that these various interests would be protected and furthered.

The demutualization of any company will be a long process, and S.B. 262 is needed so that mutual companies may at least begin to investigate the feasibility and desirability of changing their corporate form. As you all know, the entire financial services industry is undergoing dramatic changes. Kansas insurance companies need this legislation as a potential tool to enable them to continue to compete and grow in our changing economy.

I appreciate the opportunity to express these views, and I would be happy to answer any further questions you may have.

WM/afd