

MINUTES OF THE SENATE COMMITTEE ON FINANCIAL INSTITUTIONS AND INSURANCE

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

9:00 a.m./~~p.m.~~ on March 20, 1985 in room 529-S of the Capitol.

All members were present except:

Committee staff present:

Bill Wolff, Legislative Research
Myrta Anderson, Legislative Research
Bruce Kinzie, Revisor of Statutes

Conferees appearing before the committee:

Jim Maag, Kansas Bankers Association
Julia Young, Kansas Banking Department

The minutes of March 19 were approved.

The chairman began the meeting by calling the committee's attention to the resolution regarding insurance coverage of diabetic equipment in regard to SB 274 which staff had drafted at his request. Sen. Francisco, author of SB 274, had asked that the gathering of information relative to insurance costs which might be involved be approached in this manner. The chairman said there is no need for a hearing on the resolution because the bill had been heard.

Sen. Kerr made a motion to introduce the resolution requesting the insurance department to study the cost of requiring coverage for the installation and use of an insulin infusion pump or other equipment or supplies in the treatment of diabetes and coverage of diabetic self-management education programs. Sen Warren seconded, and the motion carried.

Sen. Karr made a motion to recommend the resolution favorably, Sen. Strick seconded, and the motion carried.

The hearing began on HB 2138 dealing with distribution of assets of an insolvent bank or trust company. Jim Maag, Kansas Bankers Association, appeared in support of the bill. (See Attachment I.) He noted that it was drafted under the guidelines of surrounding states and the FDIC.

The chairman asked what procedure is used now for priority of claims, and Mr. Maag answered that there is no procedure. After the secured claims and public funds are paid, it is a matter of litigation in determining who is paid. In response to Sen. Karr's question regarding the standing of payments to local governments, Mr. Maag said that the local governments will not receive any different treatment under the bill than under the present law.

Julia Young of the Kansas Banking Department testified in support of HB 2138. She said that in the six state bank failures in Kansas last year, the FDIC was appointed receiver and that the bill would give the FDIC a guideline in the distribution of assets in this type of situation. This also would be an aid to unsecured depositors (not covered by insurance or pledges) in receiving payment. The FDIC supports the bill.

Sen. Karr asked if in the six bank failures she mentioned, all were paid as listed in the bill. Ms. Young said that they were paid but that the question involved is who gets paid first.

The chairman asked if the same payment order would be used in the case of new charters and acquisition of banks. Ms. Young said that in cases of bank failure, the assuming bank assumes the deposits and a certain number of liabilities and opens its door the next day with a new name. This is called a purchasing assumption agreement, and in this case the receiver, usually FDIC, takes the bad loans and no pay out is involved.

Sen. Gannon asked for more information on the bidder's list mentioned by Ms. Young in her testimony. She explained that if a bank or individuals want to be on the list,

CONTINUATION SHEET

MINUTES OF THE SENATE COMMITTEE ON FINANCIAL INSTITUTIONS AND INSURANCE,
room 529-S, Statehouse, at 9:00 a.m./~~p.m.~~ on March 20, 1985

they can make application; and if the FDIC approves, they will be placed on the list. She was not certain of the criteria used by the FDIC for approval. This concluded the hearing on HB 2138.

Sen. Burke made a motion to report HB 2138 favorable for passage. Sen. Kerr seconded, and the motion carried.

Sen. Reilly reported on the subcommittee's actions on SB 283 concerning preferred provider agreements. He said the Insurance Department has come up with a compromise which has, hopefully, removed the objectional portions of the bill. He will have the report ready soon.

The meeting was adjourned.

SENATE COMMITTEE

ON

FINANCIAL INSTITUTIONS AND INSURANCE

OBSERVERS
(Please print)

DATE	NAME	ADDRESS	REPRESENTING
3-20	M. C. Gmholz	Topeka	KCUL
3-20	Julia Young	Topeka	Ks Banking Dept
	Ron Bator	Topeka	Visitor
	Robert S. Ackerson	Stockton	Visitor
	Phyllis and Donald Ross	Wichita KS	VISITOR
3-20	Betty Jo Denton	Minneapolis	visitor
3-20	Gloria Jean Hampton	Dodge City	visitor
	Jim May	Topeka	KBA
"	DENNIS DEHN	"	SEN. WERTS' INTERN



The KANSAS BANKERS ASSOCIATION
A Full Service Banking Association

March 20, 1985

TO: Senate Committee on Financial Institutions and Insurance

FROM: James S. Maag
Kansas Bankers Association

RE: HB 2138

Mr. Chairman and members of the Committee:

Thank you for this opportunity to appear on HB 2138. This bill was recommended by the State Affairs Committee of the Kansas Bankers Association and amends the State Banking Code to clarify how the assets of an insolvent bank or trust company would be distributed. Current Kansas law does not designate that the individual depositor would have any prior position over any other creditors or depositors of an insolvent bank or trust company. This bill simply sets forth by category which creditors and depositors shall have priority in the distribution of the assets. First priority would go the costs and expenses of the receivership while second priority would be claims which are secured by assets of the banks such as local and state public funds or claims which have been given priority by other statutes such as certain provisions of the wage and hour laws. The claims of all unsecured depositors would then be placed above all remaining claims as well as claims on capital notes and debentures.

The bill further provides that if there are insufficient assets for the claims within a given category to be paid, such claims shall be paid in the order provided by other existing law or shall be paid pro rata.

The legislature and the banking industry cannot ignore the fact that the present condition of the agricultural economy in our state has placed pressures on all lending institutions, including banks. We believe that it is incumbent on the legislature and the banking industry to assure depositors in Kansas banks that the deposits are secure, but that in the event that a failing bank would be declared insolvent and subsequently closed, this bill would assure that the assets of the bank would be distributed in an orderly fashion which would give the average depositor priority over most other claims on the assets of the bank. Passage of this legislation would bring Kansas banking statutes into line with those which surrounding states have passed concerning this key aspect of banking law.

We appreciate very much the opportunity to appear on this very important issue and we strongly urge the committee to take favorable action on HB 2138.

Office of Executive Vice President • 707 Merchants National Building
Eighth and Jackson • Topeka, Kansas 66612 • (913) 232-3444

*Atch. I
3/20/85*

I