

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 26, 1985 in room 529-S of the Capitol.

All members were present except:

Committee staff present:

Bill Wolff, Legislative Research  
Bruce Kinzie, Revisor of Statutes

Conferees appearing before the committee:

Representative David Heinemann  
Tom Groneman, Wyandotte County Register of Deeds  
Ron Todd, Kansas Insurance Department

The minutes of March 25 were approved.

The hearing began on HB 2354 dealing with exemption to mortgage registration fee for federally-guaranteed mortgages. Rep. David Heinemann, author of the bill, testified in support of it. He called the committee's attention to line 63 of the bill and explained that it is referring to the Small Business Administration 503 program. Also, he said that the additional language beginning on line 66 clarifies that there is a case law in this instance.

Committee discussion and questions regarding the bill followed. Sen. Karr asked how much money would be involved, and Rep. Heinemann said that last year there would have been \$10,000 statewide if a mortgage fee had been paid in all. He agreed that this is an insignificant amount statewide but added that it is a consistent way of handling the payment of the fee. Sen. Gordon asked for an explanation for the difference between certified development corporations and debentures and if there are many certified development corporations in Kansas. Rep. Heinemann answered that a certified development corporation is a group of local people certified by the SBA whereas the debenture comes from the SBA and that there are becoming more and more certified development corporations in Kansas. Rep. Heinemann then discussed the difference in interest rate in banks from SBA debentures.

Tom Groneman, Wyandotte County Register of Deeds, appeared to answer any questions the committee might have. He said he had originally opposed the bill because it exempted too many programs, but as it has been revised, he does not oppose it. It would not affect his county, but there may be a few affected. With this, the hearing on HB 2354 was concluded.

The hearing began on HB 2171 dealing with reinsurance of risks of and by Kansas insurance companies which had been requested by the Insurance Department. Ron Todd of the Insurance Department testified in support of the bill. He explained that the bill amends K.S.A. 40-221a to specify what domestic insurance companies can do in regard to reinsurance of business transferred to a non-authorized insurer. He pointed out the two minor changes found on Lines 50 and 66 of the bill which deal with reinsurance with companies not admitted to do business in Kansas and which add that requirements already in the statute have to be contained in the reinsurance agreement. He said the bill merely allows what is already law to work better and that he does not know of any objections to the bill.

Mr. Todd confirmed a statement by the chairman that there is no responsibility on a domestic company to notify the Insurance Department when a letter of credit is removed, and he added that the company is responsible for putting funds in reserve when the letter of credit is not renewed.

Sen. Werts began a discussion as to if the requirement in the bill that banks issuing letters of credit be members of the federal reserve system would eliminate many state banks which are not members of the federal reserve system. He felt that

CONTINUATION SHEET

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room 529-S, Statehouse, at 9:00 a.m./~~p.m.~~ on March 26, 1985

perhaps it should be changed to FDIC insured. Mr. Todd said that the bill is referring to banks not in Kansas and that the wording in the bill seemed appropriate for this purpose. The present language has not caused any problems in the past. This concluded the hearing on HB 2171.

Sen. Werts made a motion to change the wording of the bill to read that the banks be insured by FDIC rather than being a member of the federal reserve system.

Sen. Kerr asked then if any bank in the country under FDIC would be included, and Sen. Werts said that, yes, this would broaden the bill.

Sen. Gannon seconded the motion made by Sen. Werts, and the motion carried.

Sen. Strick made a motion to report HB 2171 favorable as amended, Sen. Reilly seconded, and the motion carried.

The chairman called for action on HB 2354. Staff noted that the language stricken on lines 26 and 27 may have been a printer's error, but he would need authority to change it if it was not. Sen. Werts made a motion that the language be stricken if needed, Sen. Karr seconded, and the motion carried.

Sen. Gordon made a motion to report HB 2354 favorable for passage, Sen. Karr seconded, and the motion carried.

The meeting was adjourned.

