

MINUTES OF THE House COMMITTEE ON Insurance

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

3:30 xx a.m./p.m. on March 25, 1986 in room 521-S of the Capitol.

All members were present except:

Rep. Lacey, excused

Committee staff present:

Ms. Melinda Hanson, Research Department
Mr. Gordon Self, Revisor's Office
Ms. Deanna Willard, Committee Secretary

Conferees appearing before the committee:

Mr. Jerry Banaka, Kansas Farm Bureau Life Insurance Co.
Mr. Ron Todd, Kansas Insurance Department
Mr. Ron Smith, Kansas Bar Association

The meeting was called to order by the Chairman.

Hearing on: SB 661 - Concerning the holding of securities of an insurance company

Ms. Hanson explained that this bill amends several statutes to allow all domestic insurance companies to adopt a nominee name in which to register their securities and allows banks to deposit securities being held for insurance companies with clearing companies.

Mr. Jerry Banaka, Kansas Farm Bureau Life Insurance Company, spoke for this bill, which was requested by his company. His statement is attached. (Attachment 1.)

Mr. Ron Todd spoke on behalf of the Kansas Insurance Department. He said this bill changes the investment code administered by the Insurance Department but that they don't feel it imposes any problem with safeguards. They have tried to build into the bill that the same restrictions be imposed when securities are assigned to a clearinghouse as when securities are held in definitive form by a bank.

He was asked if this bill would turn Insurance Department control over to the SEC, but he said they don't have that much control over what investments are; this would just allow them to be held in clearinghouses. Also, securities would not necessarily be in the name of Farm Bureau, for instance, but could be in a nominee name.

Rep. King moved that SB 661 be recommended favorably; Rep. DeBaun seconded the motion. The motion carried.

Hearing on: SB 408 - Reporting of employee-related losses--state agencies

This bill was recommended by the Special Interim Committee on Financial Institutions and Insurance as a result of the 1985 Interim Study Proposal 15--Bonding of State Employees.

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Mr. Todd spoke on behalf of the Committee on Surety Bonds and Insurance, which is chaired by the commissioner of insurance. He said this bill is needed and that it can be done with existing personnel. They can never get anybody to bond state agencies at reasonable prices until they know past losses, but there is no mechanism for accumulating this information. They have dropped a dishonesty bond due to the high cost. He was asked to define securities and said he's talking about any kind of note, stock, or bond (money items); this does not deal with equipment loss. All state agencies except those under the board of regents have bond coverage, and they already are reporting losses that are over the insurance deductible. Currently the regents are "self-insured."

Rep. Blumenthal asked what would preclude the Secretary of Administration from doing this and why the bill was needed. He was answered that the bill would require that the reporting be done but that the Department of Administration would probably be able to compile the data, if asked to do so.

Rep. Sprague moved that SB 408 be recommended favorably and put on the consent calendar; Rep. Gjerstad seconded the motion. Rep. Blumenthal made a substitute motion that the bill be tabled until tomorrow to determine if this could be handled by the Department of Administration; Rep. Lowther seconded the motion. The motion failed.

Rep. Turnquist made a substitute motion that SB 408 be recommended favorably; Rep. DeBaun seconded the motion. The motion carried.

Hearing on: HB 3104 - Examination of policies and reports

Mr. Todd said this bill was drafted as a result of hearings by the special joint subcommittee on insurance problems. It addresses the recent rate increases in certain types of policies which were felt by many people to have been brought on by insurance companies previously cutting rates to obtain investment income. Mr. Todd stated that if it is the desire of the legislature to impose stricter controls to make sure companies are charging the exact rates they have filed, this bill would accomplish this by establishing the requirement of an audit bureau. When a policy is written (probably mostly commercial), a staff would make sure it was issued properly and in compliance with state law, order, and regulation. He said this would likely add to the cost of the policy, though it would not increase the cost to the state.

Mr. Todd was asked whether he felt there was a problem, and he replied that there didn't appear to be that much of one.

Mr. Ron Smith, Kansas Bar Association, said that though the general insurance statutes provide that rates not be too excessive or too low, there are methods by which agents and

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companies can lower prices. He felt this bill would serve to provide information as to what the situation actually is in Kansas.

HB 3062 has now been referred to this committee from the Committee on Ways and Means. Rep. Lowther moved that identical action be taken on the bill as was taken unofficially March 20; Rep. Blumenthal seconded the motion. The motion carried. (Attachment 2.)

The meeting was adjourned at 4:35 p.m. by the Chairman.



Kansas Farm Bureau Life Insurance Company, Inc.

2321 Anderson Avenue, Manhattan, Kansas 66502 / (913) 537-2261

M E M O R A N D U M

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

FROM: Jerry Banaka
Kansas Farm Bureau Life Insurance Company, Inc.

DATE: March 25, 1986

RE: Senate Bill 661

The primary purpose of Senate Bill 661 is to allow an insurance company through its designated bank to utilize the services of a clearing corporation (securities depository) as defined in KSA 84-8-102(3) with the approval of the Commissioner of Insurance. There are two primary reasons why such authority is being sought.

First, Rule 387 of the New York Stock Exchange, which became effective January 1, 1983 will, when fully implemented, require securities brokers who are members of the New York Stock Exchange to trade depository eligible securities on a book entry basis which, in essence, requires that a clearing corporation be utilized. We are, therefore, in a position whereby most of the brokers with whom we do business are expected to trade in a manner that requires the services of a clearing corporation.

Secondly, by utilizing the services of a clearing corporation and thereby reducing the need to transfer securities in definitive form, we can consummate trades much more efficiently; eliminate the costs associated with transferring securities in definitive form; assure prompt payment of interest, dividends, and proceeds from sales; improve management of our cash flow and investment portfolio; and eliminate the chance of losing securities in transit.

In addition, this bill would allow an insurance company to obtain a nominee name in which to register its securities if it is determined that the use of such a name would be helpful in its securities transactions.

We sincerely appreciate the consideration given this bill by your committee and earnestly urge its passage. Thank you for the opportunity to appear before your committee.

Attachment 1
House Insurance
3-25-86

JB/jn

HOUSE BILL No. 3062

By Committee on Public Health and Welfare

2-26

0016 AN ACT concerning insurance; relating to disability income
0017 protection coverage; Alzheimer's disease.

0018 *Be it enacted by the Legislature of the State of Kansas:*

0019 Section 1. (a) Every insurer, which issues any individual or
0020 group policy providing disability income protection coverage,
0021 must provide for ~~coverage and reimbursement or indemnity~~
0022 ~~equal to that provided for any other covered disability under~~
0023 ~~such policy for Alzheimer's disease~~ and diseases of a related
0024 type.

0025 (b) For the purposes of this section: (1) "Alzheimer's dis-
0026 ease" means a brain disorder characterized by a progressive
0027 dementia that occurs in middle or late life. The pathologic
0028 characteristics are degeneration of specific nerve cells, presence
0029 of neuritic plaques and neurofibrillary tangles; and
0030 (2) "diseases of a related type" means any progressive neu-
0031 rological disorder which has ~~dementia~~ *dementia* as one of its manifesta-
0032 tions. This includes but is not limited to multi-infarct dementia,
0033 Parkinson's disease and Huntington's disease.

0034 Sec. 2. This act shall take effect and be in force from and
0035 after its publication in the statute book.

such coverage on the same basis as any other disabling disease
when the insured is disabled by

Attachment 2
House Insurance
3-25-86