

Approved February 6, 1986
Date

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 February 5, 1986 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:

Tom Robison, Beneficial Finance
Ron Todd, Kansas Insurance Department

The minutes of February 4 were approved as corrected. Corrections were: to change Kansas Association of Finance Companies, represented by Stan Lind, to Kansas Association of Financial Services; to add "ordinarily" in paragraph four; and to change "registration of interest" to "regulation of interest" in paragraph seven.

The hearing began on SB 454 concerning credit property insurance. Tom Robison, Beneficial Finance, testified in support of the bill. He said the intent of the bill is to get finance companies back to where they were in 1985. The purpose of the bill is to allow the borrower to purchase credit property insurance on all his household goods. There is a need for this type of insurance for those who have no other insurance.

In reference to lines 39 and 40 of the bill, the Chairman asked if Mr. Robison has a problem with the minimum amount in the statute now, and Mr. Robison said that he did not.

Sen. Strick had a question regarding the prohibition of using personal property insured by a homeowners policy as collateral for this type of loan. Mr. Robison said his companies cannot sell a policy if there is existing coverage on the property, however, they deal with people who are at a last resort and do not carry insurance or who rent their home.

Sen. Kerr asked if the sale of this type of insurance is at a profit, and Sen. Reilly asked if the rates are submitted to the commissioner for approval. Mr. Robison answered both questions in the affirmative.

At this time, Mr. Robison also addressed SCR 1633 concerning credit insurance. He said this is a companion measure to SB 454 and recommends an increase in the amount of insurance the lender can sell from \$1500 to \$3000.

Ron Todd, Kansas Insurance Department, stated that his department has no objections to the regulation change requested in SCR 1633. He explained that the need for the resolution is due to the fact that at this point in time the only way this change can be done this year is by receipt of a resolution from the legislature. In reference to Sen. Strick's questions regarding the possibility of the existence of other insurance, Mr. Todd explained that the purpose of this regulation is to require that a statement is obtained from the insured that he has no other insurance.

In regard to SB 454, Mr. Todd said his department has no objection to the change in this law. He sees no problems for the consumer.

Sen. Werts asked Mr. Todd if he would make sure that the state rules and regulations board accepts the change immediately if SCR 1633 is passed. Mr. Todd and staff determined that it would not be necessary for him to do so, but he would do so anyway.

CONTINUATION SHEET

MINUTES OF THE SENATE COMMITTEE ON FINANCIAL INSTITUTIONS AND INSURANCE,
room 529-S, Statehouse, at 9:00 a.m./~~pm~~ on February 5, 1986

Sen. Burke made a motion to recommend SB 454 favorable for passage. Sen. Gordon seconded, and the motion carried.

Sen. Burke made a motion to recommend SCR 1633 favorable for passage. Sen. Werts seconded, and the motion carried.

Committee discussion began on HB 2137 dealing with contract rate of interest not applicable to certain loans over \$25,000 which was heard yesterday. Sen. Strick asked if there is a cap on the amount of interest over \$25,000 that can be charged. The Chairman said there is except for adjustable rate loans and agriculture and business loans. He added that persons who can qualify for loans over \$25,000 are supposedly more sophisticated borrowers and are not likely to be taken advantage of by lenders.

The Chairman called attention to the amendments which had been offered by Mr. Lind. The first one discussed was on page three of the balloon of the bill reinstating the original language of the bill. Sen. Gordon made a motion to so amend. Sen. Werts seconded. Committee discussion followed as to what the amendment excludes. Upon a call for a vote on Sen. Gordon's motion, the motion carried.

As to the 3% origination fee on page 13 of the balloon, Sen. Werts made a motion to so amend saying that it simply codifies existing practice. Sen. Gordon seconded, and the motion carried.

Sen. Strick made a motion to recommend HB 2137 favorable for passage as amended and that staff make the necessary technical clean-up. Sen. Werts seconded, and the motion carried.

The meeting was adjourned.

SENATE COMMITTEE

ON

FINANCIAL INSTITUTIONS AND INSURANCE

OBSERVERS
(Please print)

DATE	NAME	ADDRESS	REPRESENTING
	Tom Todd	Topeka	Ins. Dept
2-5	Tom Rubin	Jefferson City, Mo	Beneficial
"	Stan Lund	ICC Ks.	Ks. Assn. of Fin. Cos.
"	Carl W. D'Agostino	Topeka	Ks. Dept. of Banking