

Approved February 13, 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 12, 1986 in room 529-S of the Capitol.

All members were present except:

Sen. Reilly, Excused

Committee staff present:

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

Conferees appearing before the committee:

Bud Grant, Kansas Chamber of Commerce and Industry
Rex Hester, Montgomery Ward
Ron Todd, Kansas Insurance Department
Richard Harmon, Kansas Association of Property and Casualty Insurance Companies
Larry Magill, Independent Insurance Agents of Kansas
Tom Slattery, Association of General Contractors of Kansas

The minutes of February 11 were approved.

The hearing began on SB 502 dealing with the uniform commercial code as to the exemption from filing for certain purchase money security interest. Bud Grant, Kansas Chamber of Commerce and Industry, appeared in support of the bill and introduced Jim Lawson and Rex Hester of Montgomery Ward to testify and answer any questions. Mr. Hester testified. (See Attachment I).

Sen. Werts asked Mr. Hester what would be the evidence of purchase money security interest, and Mr. Hester said that it would be the sales contract that the individual had signed with Montgomery Ward. The chairman asked if the bankruptcy court would recognize the purchase money contract as proof of debt, and Mr. Hester said that it would.

Sen. Strick stated that he feels that it is not the problem of the legislature to relieve companies of the cost of doing business. Mr. Hester responded that his company has elected not to pass this cost on to the consumer or to inconvenience him.

In a discussion regarding the effect the bill would have on finance companies begun by Sen. Werts, it was determined that finance companies have no objection to the bill. The chairman said that he had been informed that they want the bill. There being no further conferees, the bill was taken under advisement.

The hearing began on SB 512 concerning the cancellation or nonrenewal of property and casualty insurance policies. Ron Todd, Kansas Insurance Department, testified in support of the bill. He said the bill applies only to commercial property and casualty insurance. Section I contains restrictions for cancelling policies mid-term. Section II would require insurance companies to give a 90 day notice anytime they would not be able to renew these policies. Mr. Todd said the department feels there is a need for this bill now. When similar legislation was passed dealing with private passenger cars, there was not a need for this, but now there is a "hard market" situation in this area. The legislature can help the consumer solve the problem of having time enough to find replacement coverage. He continued that the biggest problem with the bill is that many companies feel that 90 days notice may be too long. However, the department does know that 30 days notice is too short of a time and recommends a period of time between 30 and 90 days.

The chairman asked to what "business or professional needs" refer, and Mr. Todd answered that it refers to any professional insurance as opposed to homeowners, fire, etc.

CONTINUATION SHEET

MINUTES OF THE Senate COMMITTEE ON Financial Institutions and Insurance,
room 529-S, Statehouse, at 9:00 a.m./~~p.m.~~ on February 12, 1986.

Sen. Gannon began a discussion of Section 1 (d). He commented that he failed to see why an insurance company could cancel a policy for the reason of claims being filed which is the purpose of having insurance. Mr. Todd explained that the language here has been in the statute dealing with private passenger auto insurance for over ten years and was included to handle a situation where the insurance company was not aware of a risk when issuing a policy. He conceded that from a consumer's standpoint, it would be better if this language were not included, however, it has not been abused by insurance companies.

Sen. Karr asked for a clarification of Section I (e). Mr. Todd explained that under another section of law, action can be taken against the insurance company if it is felt that it is becoming insolvent.

Richard Harmon, Kansas Association of Property and Casualty Insurance Companies, followed with testimony in opposition to Section II of SB 512 requiring a 90 day notice of intent to not renew. He feels that 90 days is too long because when policies are reviewed, they would have to be pulled four to five months before renewal, and this is too far ahead to assess the risk. He feels 30 days would be better because it would allow companies time for a responsible decision.

Sen. Karr asked for a response from Mr. Harmon as to the term "unfavorable" in Section I (d). Mr. Harman said he could only say that insurance companies do not like to cancel, and there is a certain amount of ambiguity in this term.

Larry Magill, Independent Insurance Agents of Kansas, testified in support of the bill if the 90 day requirement in Section II were changed to 60 days. He is in agreement with Mr. Harmon's comments. He added that he feels there is a need to maintain Kansas as a good place to do business, and the 90 day notice requirement would discourage businesses from coming to Kansas.

Tom Slattery, Association of General Contractors of Kansas, testified in support of SB 512, including the 90 day notice requirement. He said the cost of liability insurance has become a major problem in his industry, and Section II will be a help to his industry and give it an opportunity to make business decisions with forethought. In reference to previous testimony, he said 60 days would be better than 30. This concluded the hearing on SB 512.

The chairman called attention to SB 455, which had been previously heard, dealing with banks holding real estate taken in the satisfaction of a debt.

Sen. Burke made a motion to recommend SB 455 favorably. Sen. Werts seconded.

Sen. Karr began a discussion regarding the inclusion of other financial institutions in the bill. The chairman reminded him that during the hearing, Jim Turner of the Kansas League of Savings Institutions had said that they did not want to be included in the bill. Staff said that there is a potential conflict between corporate farm law and this bill if it is changed to include all financial institutions. The chairman determined that there should be no action on the bill until further discussion. The motion and second were withdrawn, and the meeting was adjourned.

SENATE COMMITTEE

ON

FINANCIAL INSTITUTIONS AND INSURANCE

OBSERVERS
(Please print)

DATE	NAME	ADDRESS	REPRESENTING
2/12	Ron Jedd	Topoka	Ins Dept.
2/12	Richard E. Nelson	McPherson	Farmers Alliance
2/12	Donna Smith	Topoka	K. Bar A.
2/12	Jim Max	"	KBA
2/12	Tom Slattery	Top	Assoc Gen. Contractors
2/12	Lee WRIGHT	MISSION	FARMERS INS. GROUP
2/12	Richard Harmon	Topoka	KS Assn. Prop/Cas Cos.
2/12	Jim Lawson	K.C. Ks	Montgomery Ward
2/12	Rex Hester	Olathe	Montgomery Ward
2-12	John Wine	Topoka	Sec. of St.
2-12	LARRY MCKILL	TOPEKA	IHA OF Ks
2-12	Mary Hager	Healy	
2-12	Carol M. [unclear]	Topoka	Dept. of Banking
"	Janel Wright	"	KCUA
2-12	Steve Bogart	Hays, Ks	Farmer CU
	M.C. Umbreit	Topoka	KUCC

Credit Service Center

913-676-4000

Since the time the Uniform Commercial Code was enacted in 1972, the world of consumer finance has changed considerably. Bankruptcies in Kansas have increased 247% from 1972 to 1985, the cost of consumer finance has had dramatic cost increases due to increased competition in the marketplace, and due to legislation, such as truth in lending and fair credit billing requiring expanded technology in computerization to comply with federal and state laws.

We acknowledge the needs that existed at the times truth in lending and fair credit billing were enacted and support these changes 100%. We also recognize that competition is healthy for the consumer and the economy in general. However, we do feel that some relief is needed in the bankruptcy area. Even though work is being done at the federal level to gain relief in the bankruptcy problem, we are appealing to the State of Kansas to assist consumer financiers in relief at this level.

The bill we are asking you to consider will allow us to recover part of our losses in bankruptcy without adding additional costs by having to file a financing statement to recover unpaid merchandise. We sold the merchandise in good faith and have signed contracts by the consumer acknowledging their acceptance of the merchandise and their agreement to pay according to the contract terms. We feel this should entitle us to recovery of those unpaid goods without the expense of filing financing statements.

The cost of filing the financing statement is of great concern, but equally important is the inconvenience to the consumer to be delayed at the cash register to complete the necessary paper work or the inconvenience of being referred to the credit office to complete the paper work. Kansas and Oklahoma were two of the few states where an unfiled agreement was not

Montgomery Ward

2-12-86

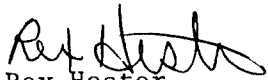
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Attachment I

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recognized as being secured. In May of 1985, Oklahoma made a change in their interpretation of the Uniform Commercial Code by recognizing purchase money security interest as a valid entity without the need to file. This leaves Kansas as the only midwest state not recognizing the validity of purchase money security interest.

In closing, we appeal to your fair sense of play by asking you to take the same course of action as our neighbor, Oklahoma, by interpreting purchase money security interest as a valid security without the necessity to file a financing statement.



Rex Hester
Collection Manager
Montgomery Ward & Co., Inc