

Approved February 28, 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 27, 1986 in room 529-S of the Capitol.

All members were present except:

Senators Harder, Reilly, Gannon, and Gordon - Excused, Insurance Subcommittee

Committee staff present:

Bruce Kinzie, Revisor of Statutes

Conferees appearing before the committee:

Ron Todd, Kansas Insurance Department

The minutes of February 26 were approved.

The hearing began on SB 541 dealing with risk retention groups. Ron Todd of the Insurance Department testified. He said the bill is noncontroversial and is requested due to a federal law passed by Congress in 1981 pertaining to risk retention groups to allow groups that sell products to form what otherwise would be an insurance company. In conjunction with this, the federal law allowed that it had to be approved by one state in order to operate in other states. Thus, the National Association of Insurance Companies requested a state law to supplement the federal law, giving the state authority to allow such groups if one of them wants to be domiciled in Kansas. It is a tool to allow what the federal government says the state can do.

Sen. Karr asked if there are groups domiciled in other states active in Kansas, and Mr. Todd answered that there is one domiciled in Delaware and that there are others. Sen. Karr asked further if a risk retention group could sell liability insurance for professionals. Mr. Todd said this would not be possible because a service is not defined as a product. Short committee discussion followed. The chairman commented that the bill is designed to get a handle on reporting and filing requirements should a group be formed in this state. He explained that there is not any real difference between a risk retention group and an insurance company that writes product liability.

Sen. Werts made a motion to report SB 541 favorable for passage. Sen. Karr seconded, and the motion carried.

Attention was turned to SB 528 regarding notice of increase in premiums which had been the subject of discussion previously. The chairman said that there is still confusion about the language in this bill even after seeing the amendment offered by Larry Magill. The use of "rate" was the main point of confusion. He explained that premiums and rates are not one and the same and explained how rates are applied to an existing exposure.

Sen. Werts made a motion to adopt all the amendments offered by Larry Magill and to add "at the rate of the previous period" after "pro rata" for clarification. Sen. Karr seconded, and the motion carried.

After short discussion, it was determined that the bill should be effective upon publication in the Kansas Register.

Sen. Strick made a motion to report SB 528 favorable for passage as amended. Sen. Karr seconded, and the motion carried.

The committee turned its attention to SB 636 dealing with detached auxiliary banking services facilities which had been previously heard. The chairman noted that Section (f) contains the essence of the bill where it allows a bank holding company within contiguous counties to acquire a bank that has been in business for at least five years. He said dealing with banks before they are in trouble is a new concept. He recalled the Independent Bankers concern that the bill would allow hop-scotch branch banking across the state. Since members of the insurance subcommittee were not present, the chairman delayed further discussion of the bill until tomorrow when they could be present.

The meeting was adjourned.

SENATE COMMITTEE

ON

FINANCIAL INSTITUTIONS AND INSURANCE

OBSERVERS
(Please print)

DATE NAME ADDRESS REPRESENTING

2-27-86	Jim Masz	Topeka	KBA
2-27-86	Paul Wright	Topeka	KCUK
2-27-86	Margaret A. Galenwood	Topeka	citizen
"	Ben Todd	"	Ins dept.