

Approved March 5, 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. ~~pm~~ on March 4, 1986 in room 529-S of the Capitol.

All members were present except:

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

Committee staff present:

Bruce Kinzie, Revisor of Statutes

Conferees appearing before the committee:

Jerry Banaka, Kansas Farm Bureau Life Insurance Company, Inc.
Ron Todd, Kansas Insurance Department

The minutes of February 28 were approved.

The hearing began on SB 661 regarding holding of securities of insurance companies. Jerry Banaka of the Kansas Farm Bureau Life Insurance Company testified in support of the bill which had been requested for introduction by his company. (See Attachment I).

Mr. Banaka confirmed the chairman's statement that the bill would eliminate the necessity of actually depositing securities with the insurance commissioner because the company's designated bank would issue a certificate to the insurance department. As to how often groups of securities change, Mr. Banaka said that it depends on the maturity so it varies. He also agreed with the chairman that the bill would allow for more efficiency because it would save time.

Ron Todd of the Kansas Insurance Department briefly testified in support of SB 661. He said the department has discussed with Kansas Farm Bureau Life and with others at length the changes needed to use holding companies in tune with how stocks are traded now. Things have changed since the passage of the present language which hinders insurance companies. The department feels that the wording of the bill is as safe as possible for policyholders in these times.

In answer to the chairman's question as to if an audit would be done on these certificates, Mr. Todd said that they would be audited annually as is done with securities held by the department. This concluded the hearing on SB 661.

Sen. Burke made a motion to report SB 661 favorable for passage. 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
3/4/86	MARK KNACKENOFFEL	Box 5049 Topeka 66605	- Commerce Bank & Trust - Kansas Bankers Assn - Trust Div.
✓	RALPH W. LASTER	Box 2039 Topeka 66601	AMERICAN INVESTORS LIFE
✓	ROBERT K LARSEN	2321 ANDERSON AVE MANHATTAN 66502	KANSAS FARM BUREAU SERVICES
	Marilyn L. Jensen	PO Box 178 Topeka 66601	Merchants National Bank
✓	Robert W. Green	P.O. Box 178 Topeka 66601	MERCHANTS NATIONAL BANK
	Robert D. Ochs	5040 SW 28 th Topeka 66611	MERCHANTS NAT'L BK
"	Ron Todd	Topeka	INS. Dept.
"	Gene L. Wright	Topeka	Ks Credit Union League



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 Neil Arasmith, Chairman, and
Honorable Members, Senate Financial Institutions and
Insurance Committee

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

DATE: March 4, 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.

JB/jn

S. FII 3/4/86
Attachment I