

Approved March 19, 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 18, 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:

Jim Turner, Kansas League of Savings Institutions

The minutes of March 5 were approved.

The meeting began with a staff review of House bills in committee as follows:

- HB 2251 - Concerning Continuing care contracts and requiring continuing care providers to register with the Insurance Commissioner.
- HB 2290 - Requiring insurers to give notice of termination of coverage not later than 45 days after the premium due date.
- HB 2490 - Making diversion agreements entered into by DWI persons subject to the open records act and entering into a diversion agreement constituting a conviction for the purpose of allowing insurance companies to cancel automobile insurance liability policies.
- HB 2499 - Amends the authority of the Insurance Commissioner in dealing with companies in hazardous condition.
- HB 2645 - A result of an interim study dealing with uninsured and underinsured motorists.
- HB 2737 - Mandates coverage for mental conditions, alcohol or drug abuse.
- HB 2741 - Permits insurance companies to invest in obligations issued by the African Development Bank.
- HB 2749 - Concerns payment of dividends on guarantee stock by state chartered savings and loan associations.
- HB 2750 - Striking a comma on line 29.
- HB 2751 - Concerns the conversions of mutual state chartered savings and loan associations to stock associations.
- HB 2797 - Would prohibit the Insurance Commissioner from making refund of overpayment of taxes and fees.
- HB 2798 - Concerning insurance agents' licenses, examinations, and fees.
- HB 2837 - Enacting a new law for a bank to change its name.
- HB 2838 - Deletes the requirement that insolvent banks be examined by the Commissioner if the FDIC is the receiver and clarifies that the penalty for failure of a receiver of a failed bank to report to the Commissioner does not apply to the FDIC.
- HB 3007 - Allows investment income of insurance companies to be used as a deposit by law and requires insurance companies to report at the first of each year interest due and accrued and allows the Commissioner to reappraise property.
- HB 3008 - Relating to the property and casualty insurance act regarding the offset of premiums.
- HB 3018 - Eliminating one section of the UCCC dealing with real estate mortgages.
- HB 3049 - Requires agents who write insurance on growing crops to take an examination.
- HB 3088 - Assigned to the committee yesterday, dealing with the Kansas Life and Health Insurance Guaranty Association Act.
- SB 729 - Coming from the Federal and State Affairs subcommittee and regarding property and casualty liability insurance, requiring companies to report losses and expenses to the Insurance Commissioner.

CONTINUATION SHEET

MINUTES OF THE SENATE COMMITTEE ON FINANCIAL INSTITUTIONS AND INSURANCE,
room 529-S, Statehouse, at 9:00 a.m./~~pm~~ on March 18, 1986.

The hearing on HB 2750 followed with the testimony of Jim Turner of the Kansas League of Savings Institutions. (See Attachment I.)

Sen. Werts made a motion to recommend HB 2750 favorably and that it be placed on the Consent Calendar. Sen. Gannon seconded, and the motion carried.

There being some time left, the chairman asked Mr. Turner to present his testimony on HB 2749 which had been scheduled for hearing at a later date. Mr. Turner said the bill regards guarantee stock as related to a special order issued by the Insurance Commissioner on May 31 equalizing state chartered institutions with federal associations. He said that some state chartered institutions wanted to change to federally chartered to get out from under this order. The bill would conform state chartered to federally chartered to relieve the problem. (See Attachment II.)

Sen. Werts asked for clarification of "stock dividends" on line 31. Mr. Turner said it means dividends in the form of stock.

Sen. Harder made a motion to report HB 2749 favorable for passage, Sen. Werts seconded. The motion carried.

The chairman asked Mr. Turner if he wished to testify on HB 2751. Mr. Turner said that an amendment had been added in the House by Rep. Francisco. Mr. Turner is planning to meet with him to resolve a problem arising from the amendment. Mr. Turner explained that the bill modernizes the current statute as it relates to mutual state chartered associations converting to stock form. In the process of modernizing the language, the proxy language with the six month provision was deleted. Sen. Francisco took this section out of the bill so the six month proxy provision still remains. Mr. Turner continued that the bill is an attempt to try to get the state statute to function in the same manner as for federal institutions because as it is now, proxy solicitation is an expensive process. He would like to see Section I put back in the bill and add language that would allow for continuous proxy at a mutual prior to a conversion and an eleven month proxy for a stock association following conversion. Since the bill is complicated, the hearing on it will be continued to the hearing date already set.

Since HB 2749 was heard ahead of schedule today, the chairman announced that HB 3088 would be heard in its place on March 20.

The meeting was adjourned.

SENATE COMMITTEE

ON

FINANCIAL INSTITUTIONS AND INSURANCE

OBSERVERS
(Please print)

DATE	NAME	ADDRESS	REPRESENTING
3-18-86	Jim M. Bride	Topeka	Observer
	Marvin Steinert	Topeka	S+L Dept.
	Jim Turner	Topeka	KLST
	Wayne Morris	"	Security Benefit Life
	Richard Harmon	"	KS Assoc. Prop./Casualty
	Lori Callahan	Topeka	Am. Lns. Assn.
	Jerel Wright	Topeka	KS Credit Union League

KLSI Kansas League of Savings Institutions

JAMES R. TURNER, President • Suite 612 • 700 Kansas Ave. • Topeka, KS 66603 • 913/232-8215

March 18, 1986

TO: SENATE COMMITTEE ON FINANCIAL INSTITUTIONS AND INSURANCE
FROM: JIM TURNER, KANSAS LEAGUE OF SAVINGS INSTITUTIONS
RE: H.B. 2750 (TECHNICAL CORRECTION-FINANCE SUBSIDIARY STATUTE)

House Bill No. 2750 would amend K.S.A. 1985 Supp. 17-5572 and correct a clerical mistake contained in L. 1985 Chapter 87 (H.B. 2107) passed last year. The 1985 legislation was in response to a Special Order of the Commissioner issued September 21, 1984, equalizing powers among state-chartered associations with federally-chartered associations in the area of finance subsidiaries. A copy of the Special Order has been attached for committee review.

The clerical mistake is corrected on line 29 of H.B. 2750 by the deletion of a comma. The deletion of the comma makes clear the authority to borrow and issue notes, bonds, etc.....can be direct by the association or through a wholly-owned finance subsidiary. This would maintain parity between state-chartered and federally-chartered institutions.

We would appreciate the committee's earliest consideration of reporting H.B. 2750 favorably for passage with additional consideration to having the bill placed on the Consent Calendar.

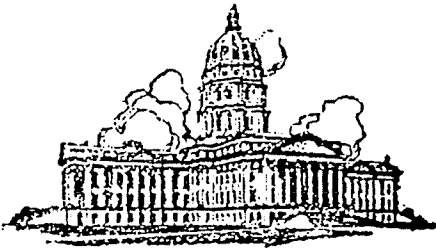
James R. Turner
President

JRT:bw

Encl.

S. FII 3/18/86

Attachment I



Savings and Loan Department

Room 220

503 Kansas Avenue

TOPEKA, KANSAS 66603

JOHN CARLIN, Governor

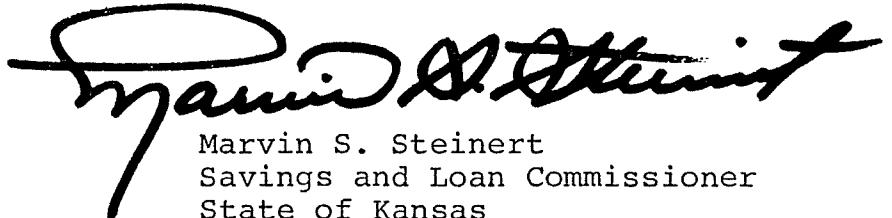
MARVIN S. STEINERT, Commissioner

SPECIAL ORDER OF THE COMMISSIONER

The Savings and Loan Commissioner hereby enters a Special Order pursuant to K.S.A. 17-5601, which provides that the Commissioner may authorize any and all state chartered savings and loan associations to engage in any activity in which such associations could engage were they operating as a federal savings and loan association. The Commissioner hereby finds it is necessary to adopt this Special Order; that this Special Order is reasonably required to preserve and protect the welfare of state chartered savings and loan associations and that it will promote competitive equality of state and federal savings and loan associations. This Special Order hereby grants the following powers to state chartered savings and loan associations to equalize powers granted to federal associations.

Notwithstanding any restrictions contained in the statutes of the State of Kansas, a state chartered savings and loan association which is a member of a federal home loan bank may, without limitation as to aggregate amount, borrow, give security, and issue notes, bonds, debentures, or other obligations, or other securities, including capital stock, directly or indirectly through a finance subsidiary, and may invest in, transfer or make available assets to any such finance subsidiary, to the same extent it could if it were a federal savings and loan association, subject to the provisions of 12 C.F.R. Parts 561-571 and 12 C.F.R. 545.82.

Signed and sealed this 21st Day of September, 1984 at Topeka, Kansas.


Marvin S. Steinert
Savings and Loan Commissioner
State of Kansas

SEAL

This Special Order specifically approved by the Savings and Loan Board at a regular meeting held September 21, 1984.

Kansas League of Savings Institutions

JAMES R. TURNER, President • Suite 612 • 700 Kansas Ave. • Topeka, KS 66603 • 913/232-8215

March 20, 1985

TO: SENATE COMMITTEE ON FINANCIAL INSTITUTIONS AND INSURANCE
FROM: JIM TURNER, KANSAS LEAGUE OF SAVINGS INSTITUTIONS
RE: H.B. 2749 (CASH DIVIDENDS BY STOCK ASSOCIATIONS)

House Bill No. 2749 would allow state-chartered guarantee stock associations to pay cash dividends provided they meet the net worth requirements of the Federal Savings and Loan Insurance Corporation (FSLIC). Previous restrictions tied such dividends to a percentage of withdrawable capital and would be deleted by amending K.S.A. 17-5423.

The passage of H.B. 2749 would create equity between state-chartered and federally-chartered in the payment of cash dividends and would reduce the pressure on some state-chartered institutions to switch their charter.

Further, the bill is a response to the Special Order of the Commissioner issued on May 31, 1985, equalizing powers in this area. A copy of the Order has been attached for review by the Committee.

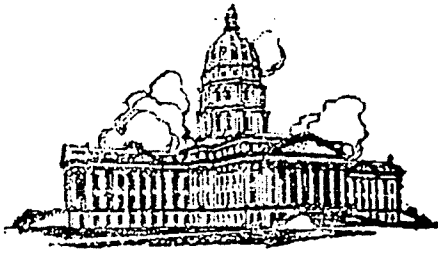
We would appreciate the committee's earliest consideration of reporting H.B. 2749 favorably for passage.

James R. Turner
President

JRT:bw

Encl.

*Received March 19, 1986
S. FZI 3/18/86
Attachment II*



Savings and Loan Department

Room 220
503 Kansas Avenue
TOPEKA, KANSAS 66603

JOHN CARLIN, *Governor*
MARVIN S. STEINERT, *Commissioner*

SPECIAL ORDER OF THE COMMISSIONER

The Savings and Loan Commissioner hereby enters a Special Order pursuant to K.S.A. 17-5601, which provides that the Commissioner may authorize any and all state-chartered savings and loan associations to engage in any activity in which such associations could engage were they operating as a federal savings and loan association. The Commissioner hereby finds it is necessary to adopt this Special Order; that this Special Order is reasonably required to preserve and protect the welfare of state-chartered savings and loan associations and that it will promote competitive equality of state and federal savings and loan associations. This Special Order hereby grants the following powers to state-chartered savings and loan associations to equalize powers granted to federal associations.

Notwithstanding any restrictions contained in the statutes of the State of Kansas, a state-chartered savings and loan association which meets the net worth requirements of the insuring entity providing insurance of accounts as required by K.S.A. 17-5824, may pay cash dividends on its guarantee stock. The rate of dividend shall be fixed by the Board of Directors. Stock dividends may be payable out of otherwise unallocated surplus.

Signed and sealed this Thirty First Day of May, 1985 at Topeka, Kansas.

A large, stylized handwritten signature in black ink, which reads "Marvin S. Steinert".

Marvin S. Steinert
Savings and Loan Commissioner
State of Kansas

SEAL

This Special Order specifically approved by the Savings and Loan Board at a regular meeting held May 31, 1985.