

Approved 3-5-87  
Date

MINUTES OF THE House COMMITTEE ON Insurance

The meeting was called to order by Rep. Dale M. Sprague at  
Chairperson

3:30 ~~xx~~ a.m./p.m. on March 3, 1987 in room 531-N of the Capitol.

All members were present except:  
Rep. King, Rep. Littlejohn, Rep. Schauf, all excused

Committee staff present:  
Emalene Correll, Chris Courtwright, Research Department  
Bill Edds, Revisor's Office  
Deanna Willard, Committee Secretary

Conferees appearing before the committee:  
Wayne Morris, Security Benefit Life  
Richard Harmon, Kansas Association of Property and Casualty  
Companies, Kansas Life Association  
Bill Sneed, American Investors Life Insurance Company  
Rick Wilborn, Alliance Insurance Companies  
William Mitchell, Alliance Insurance Companies

The meeting was called to order by the Chairman.

Rep. Sprague distributed an analysis of the suggested amendments to HB 2109. (Att.1.)

Mr. Dick Brock, Kansas Insurance Department, was asked if it is conceivable that an individual school district would have to stand for a loss if the pool assets and reinsurance are exhausted; he answered in the affirmative.

Rep. Neufeld made a motion to include municipalities under the pooling regulations of HB 2109. Rep. Cribbs seconded the motion.

Rep. Brady made a substitute motion that the bill be tabled for the time being and that the Chairman write the LCC requesting an interim study; Rep. Turnquist seconded the motion.

The Chairman said that SB 250 is scheduled for a hearing tomorrow; it relates to interlocal agreements, which pertain to school boards. We are probably looking at them selling whether we pass the bill or not, but some regulation is needed.

It was suggested that we go on the premise there will be a substitute bill and that a subcommittee be appointed to make general recommendations.

It was stated that though there is some uneasiness on the part of some committee members, some school superintendents are excited about getting the bill out. Some have been notified that their districts won't be renewed next year except at higher premiums.

The motion to table the bill carried.

The Chairman appointed a subcommittee to study the bill: Rep. Beauchamp, chairman; Rep. Brown, and Rep. Turnquist.

Hearing on: HB 2455 - Insurance; conversion of mutual to stock

CONTINUATION SHEET

MINUTES OF THE House COMMITTEE ON Insurance,  
room 531-N, Statehouse, at 3:30 xx a.m./p.m. on March 3, 1987

company

Mr. Wayne Morris, SBL, presented testimony supporting the bill as technical and clarifying amendments to SB 262, the "demutualization" law. He said the time involved to carry out a conversion would be about four to five months, including development of the plan and getting commissioner approval. If there were a significant delay and change from the value at the end of the calendar quarter, that could be raised in the hearing.

(Attachment 2)

Mr. Richard Harmon, Ks. Assoc. of Property and Casualty Ins. Co., Inc., and Kansas Life Assoc., said that both associations have studied and support the bill.

Hearing on: HB 2456 - Life insurance companies; authorized investments

Mr. Bill Sneed, American Investors Life Insurance Company, presented testimony in support of the bill as being necessary to facilitate orderly safe investment operations. (Att. 3.) He suggested the bill be amended by inserting the words "at least" after "Poor's" and "Moody's" on Line 53.

Mr. Dick Brock stated that the Insurance Department has no problem with the bill. He suggested that it be amended to make it applicable to property and casualty companies, also.

Mr. Mark Heitz, American Investors Life, stated that they feel the bill will aid in the protection of their policyholders. He said there is an effort to keep the life and other-than-life investment codes the same, that the property and casualty companies would likely have no problem with their being amended into the bill.

Hearing on: HB 2460 - Investment in holding corporations by insurance companies other than life

Mr. Rick Wilborn, Alliance Insurance Companies, gave testimony in support of the bill as it would provide the flexibility of increasing capital through a holding corporation without having to invest in it a majority of the surplus. (Att. 4.)

Mr. Richard Harmon said that the bill is supported by the Kansas Association of Property and Casualty Companies, Inc. On behalf of the Kansas Life Association, he offered an amendment which would make the bill applicable to life companies, also. (Att. 5.) It adds a new Section 2 with identical language as Section 1, except that it relates to life.

Mr. Wayne Morris, SBL, gave testimony in support of the bill. (Att. 6.) He said it provides another option that mutual companies might be interested in.

Mr. Brock said the Insurance Department has no problem with the bill. They worked with the sponsors and feel it has the needed controls. He suggested that amendment might be made on Line 63 to

CONTINUATION SHEET

MINUTES OF THE House COMMITTEE ON Insurance

room 531-N, Statehouse, at 3:30 ~~XX~~/p.m. on March 3, 1987.

require officers and directors to divest if they exceed the 25% level.

Mr. William Mitchell, Alliance Insurance Companies, expressed concern that individuals should have the right to own as much of the stock as they could afford. He explained that rather than disrupt the arrangement of the mutual company by stocking it, there would be a downstream holding company that is able to sell stock to capitalize. It would give a company more strength by selling interest in the existing company through bonds, stocks, and other securities. This will affect only Kansas companies, only two or three property and casualty ones.

Action on: HB 2455 - Insurance; conversion of mutual to stock company

Rep. Bryant made a motion that the bill be recommended favorably; Rep. Harper seconded the motion. The motion carried.

Action on: HB 2456 - Life insurance companies; authorized investments

Rep. Harper made a motion that the words "at least" be inserted on Line 53 following "Poor's" and "Moody's"; Rep. Cribbs seconded the motion. The motion carried.

Rep. Harper made a motion that the bill be applicable to property and casualty companies; Rep. Brown seconded the motion. The motion carried.

Rep. Cribbs made a motion that the bill be recommended favorably as amended; Rep. Neufeld seconded the motion. The motion carried.

Action on: HB 2460 - Investment in holding corporations by insurance companies other than life

Rep. Bryant made a conceptual motion to adopt the amendment suggested by the Kansas Life Association--Att. 5; Rep. Neufeld seconded the motion. The motion carried.

Rep. Gross made a motion to recommend the bill favorably as amended; Rep. Cribbs seconded the motion. The motion carried.

Action on: HB 2404 - Establishing nonprofit pharmacy service corporations

Rep. Harper made a motion that the words "pharmacists" and "pharmacist" be replaced with "pharmacies" and "pharmacy" and that the last six words on Line 44 be stricken; Rep. Sawyer seconded the motion. (Att. 7.) The motion carried.

Rep. Brown made a motion that the bill be recommended favorably as amended; Rep. Cribbs seconded the motion. The motion carried.

The meeting was adjourned at 5:05 p.m.



HB 2109 - Suggested Amendments Analysis

Bill Sec.	KASB	IIAK
1		1. <u>Policy</u> : Include municipalities 2. Conform to IIAK #1 policy
2 (e)		3. <u>Policy</u> : Require \$1.5M total premiums plus \$250,000 premiums for each type insurance. Relates to minimum capital requirements.  <u>Policy</u> : Notification to Commissioner if premiums below minimums.
2 (f)		4. <u>Policy</u> : Joint and several liability mandate.
2 (i)		5. <u>Policy</u> : Approval of Commissioner on adequate excess insurance or surplus plus notification to Commissioner if below minimums.
New 2 (j)		6. <u>Policy</u> : Proof of payment of 25% of premium.
4 (b)	1. <u>Policy</u> : Add "affairs" review to power of oversight of Commissioner	
5 (a)		7. <u>Policy</u> : Delete ability to file rates based on filings of other companies.
5 (a)		8. <u>Policy</u> : Prior rate approval required.
5 (c)		9. <u>Policy</u> : Require Commissioner's approval before refunds to member districts
8	2. Assure annual payment of premium taxes on August 31st.	

Bill Sec.	KASB	IIAK
9 (b) & (d)	3. <u>Policy</u> : Delete 9(b) on assigned risk. <u>Policy</u> : Delete 9(d) on excess lines.	
10(b)		10. <u>Policy</u> : Limited cancellation and non-renewal provisions.
11	4. <u>Policy</u> : Permit trustees board membership to include non-pool members.	
11		11. <u>Conformity</u> : If adopt IIAK #1, need to enact.
11 (c)		12. <u>Policy</u> : Should trustees or Commissioner determine audit standards?
12	5. Reword to clarify.	13. Not opposed to KASB. Other suggested language.
13	6. Effective Kansas Register.	
New 13		14. <u>Conformity</u> : If adopt IIAK #1, sample "looping" section.



# Security Benefit Life Insurance Company

A Member of The Security Benefit Group of Companies

DATE: March 3, 1987

TO: The Honorable Dale Sprague, Chairman, and Honorable Members, House Committee on Insurance

FROM: Wayne Morris

RE: H.B. 2455--Conversion of Mutual Insurer into a Stock Insurer

I am Wayne Morris, Assistant Counsel for Security Benefit Life Insurance Company.

I appreciate this opportunity to support the passage of H.B. 2455. This bill would make several technical and clarifying amendments to K.S.A. 40-4003 and 40-4004. These sections are part of the mutual company conversion law, also known as the "demutualization" law, that was enacted by the Legislature in 1985 with the passage of S.B. 262.

As the name implies, this law permits domestic mutual insurance companies to convert into domestic stock insurance companies. The law also sets forth the detailed procedure for carrying out such a conversion. First, the board of directors of the company, by a two-thirds majority vote, must adopt a resolution setting forth the reasons for converting from a mutual to a stock company and, by another two-thirds majority vote, adopt a detailed plan for the conversion. Once the plan is adopted, it must be submitted to the Commissioner of Insurance for the Commissioner's approval. Finally, the plan approved by the Commissioner would be submitted to a vote of the policyholders at a meeting called for that purpose and conducted pursuant to the by-laws of the company. A majority vote of the policyholders, voting in person or by proxy, would be needed to adopt the conversion plan.

H.B. 2455 would amend this law by: 1) clarifying that the conversion value shall be determined as of the end of the calendar quarter immediately preceding the date of the adoption of the board's initial resolution; 2) making consistent references to eligible policyholders when referring to distribution of the conversion value; and 3) requiring that written notice of the Commissioner's hearing on the plan be for all policyholders, not just eligible policyholders.

H.B. 2455

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These changes are all intended to be clarifying only, and do not change the intent of the original legislation. We continue to strongly believe that the original law protects all of the various interests that would be affected by a mutual company conversion, and we hope that these technical improvements can be enacted.

Thank you again for the opportunity to explain and express our support for the bill. I will be happy to attempt to answer any questions you may have.

WDM/lg

- Wayne



KANSAS HOUSE OF REPRESENTATIVES

INSURANCE COMMITTEE

The Honorable Dale M. Sprague, Chairman

March 3, 1987

STATEMENT

OF

WILLIAM W. SNEED

On behalf of AmVestors Financial Corporation and its wholly owned subsidiary, American Investors Life Insurance Company, we are pleased to support House Bill 2456.

The amendments of the investment statutes are necessary to facilitate orderly safe investment operations in the current investment market place. There are three basic amendments: (1) an amendment to 40-2b05 which would provide for the acquisition and holding of investment grade bonds without requiring the interest coverage requirements of 40-2b05 as currently written and changing the current requirement that the issuing company must have had a 1 1/2 times coverage one of the last two years, replacing the requirement with a requirement that the issuing company must have had a profit two of the last three fiscal years; (2) amend 40-2b24 aggregating the amount that a company can invest under 40-2b24 and 40-2b07; and (3) amend the statutes to provide that the various percentage limits pertaining to a company's admitted assets be based on the last financial report as filed with the commissioner.

The specific reasons for the three proposed amendments are covered in the next three paragraphs. We have numbered the paragraphs to correspond with the item numbers of the preceding paragraph.

(1) 40-2b05, as currently written, oftentimes restricts a company from being able to own a bond which is rated investment grade by Standard and Poor's and/or Moody's. These rating agencies take more than just interest coverages into account when rating issuers, and an investment grade rating from either of these companies is an indication of a company's overall stability. We believe that the coverage

requirement should be maintained for "non-investment-grade" bonds. We would recommend though, that the requirement that a company have 1 1/2 times coverage in one of the last two years be replaced with a requirement that the issuer have shown a profit in two of the last three years. We believe that this change is needed to reduce the emphasis on short term profitability while still requiring that the issuer have good long term coverage. In recent years, we have seen several industries struck by tremendous hardships. With the current requirements we must wait for the companies in such an industry to recover to a year of 1 1/2 times coverage before we can buy their bonds. These changes would allow Kansas companies to acquire any investment grade bond while still applying strict coverage requirements on the unrated or lower grade bonds and thus the change should improve the overall quality of bonds owned.

(2) The amendments to 40-2b24 are requested to allow a company which chooses not to invest 15% of its assets in the direct ownership of common stocks to use the portion of the portfolio which could be so invested to invest in the stock of open-end investment companies. This change would not allow any more of a company's portfolio to be in stocks than is presently allowed but would simply aggregate the 15% limit of 40-2b07 and the 10% limit of 40-2b24 so that companies which prefer to invest through open-end investment companies may do so. In American Investors' case, we believe investment through the open-end investment companies provides professional management and greater liquidity on these funds. We would further recommend that the current restrictions as to the amount which may be acquired in one investment company (5%) and the amount of insurance company admitted assets which may be invested in any one investment company (2%) be changed to 15% and 10% respectively. With over \$300,000,000 in investments, to not be able to put more than \$6,000,000 in any one investment company results in our having to have too many different accounts in order to have any meaningful amount invested in such accounts.

(3) As a rapidly growing company, we have found that all percentage ownership requirements being based on prior year-end assets are very restrictive to sound investment practices. For example: if sound practice provides that 15% of our assets should be invested in common stocks during 1986 the 15% at January 1, 1986, would have been reduced to a 5% position at December 31, 1986. This kind of restrictive legislation could result in a company being forced to make investment decisions which are detrimental to the company's policyholders and stockholders. We would like to see restrictive provisions tied to admitted assets at the time of acquisition. We believe that management is clearly aware of total assets on an ongoing basis. However, since this is not

considered practical from the department's viewpoint, we believe that total assets as per last financial report filed with the commissioner is an acceptable alternative.

In addition, you should be advised that my client has worked with the Kansas Insurance Department on the proposed amendment encompassed in House Bill 2456. It is our understanding that the Insurance Department is satisfied that these changes would not adversely affect our policyholders or the general public.

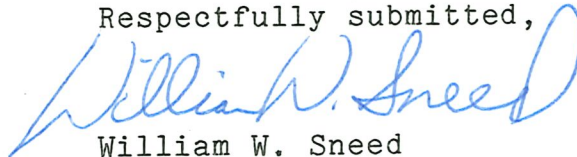
Finally, after reviewing the bill further, we believe that the language found on line 0053 may not be specific enough, and therefore are suggesting the following amendment:

0053 Poor's (at least BBB-) or Moody's (at least Baa3) corporate bond guides at the

With the above addition, it would negate any confusion as to whether or not you could only invest in those types of bonds. It was our intent when designing the amendment that insurance companies be allowed to invest in those rated investments which are rated BBB-, Baa3 or above.

I appreciate the opportunity to appear before the Committee, and would be happy to answer any questions.

Respectfully submitted,



William W. Sneed

MR. CHAIRMAN, MEMBERS OF THE COMMITTEE; I AM RICHARD WILBORN, VICE-PRESIDENT OF ADMINISTRATIVE SERVICES FOR THE ALLIANCE INSURANCE COMPANIES, MCPHERSON, KANSAS.

ON FEBRUARY 17, 1987, I REQUESTED A BILL TO BE INTRODUCED BY THE INSURANCE COMMITTEE. THE AMENDMENT WAS TO KANSAS STATUTE 40-2a09, "INSURANCE STOCK-HOLDING CORPORATION". SINCE THEN HOUSE BILL 2460 WAS INTRODUCED. THE REASON FOR OUR INTEREST IN THIS PARTICULAR BILL IS THAT 55% OWNERSHIP BY THE PARENT COMPANY VERSUS 75% WOULD ENABLE US TO FORM A HOLDING COMPANY ARRANGEMENT WITHOUT COMMITTING A MAJOR PORTION OF OUR ASSETS TO OWNERSHIP OF THE HOLDING COMPANY.

WE HAVE TALKED TO VARIOUS INVESTMENT BANKERS. THEY HAVE INDICATED IT WOULD NOT BE FEASIBLE TO HAVE A PUBLIC STOCK OFFERING OF TEN MILLION DOLLARS OR LESS. UNDER THE PRESENT LAW, THE TEN MILLION DOLLARS WOULD EQUATE TO THE 25% PUBLIC OFFERING. THE 75% WOULD REQUIRE US TO INVEST APPROXIMATELY THIRTY MILLION DOLLARS INTO THE HOLDING COMPANY.

OUR POLICYHOLDER'S SURPLUS STANDS AT APPROXIMATELY THIRTY-ONE MILLION DOLLARS. WE WOULD LIKE TO INVEST A MAJORITY OF OUR POLICYHOLDER'S SURPLUS INTO THE HOLDING COMPANY.

BY CHANGING THE 75% OWNERSHIP REQUIREMENT TO 55% OWNERSHIP, IT WOULD REQUIRE OUR COMPANIES TO INVEST APPROXIMATELY TWELVE MILLION DOLLARS. AS YOU CAN SEE, THIS WOULD ALLOW US THE FLEXIBILITY OF NOT HAVING TO INVEST A MAJORITY OF OUR SURPLUS IN THE HOLDING COMPANY. AT THE SAME TIME, WE COULD INCREASE OUR CAPITAL THROUGH THE HOLDING CORPORATION AND BE A MORE VALUABLE ENTITY BOTH TO OUR POLICYHOLDERS AND TO THE STATE OF KANSAS FROM AN ECONOMIC DEVELOPMENT STANDPOINT.

IT WOULD ALSO GIVE US AN OPTION OTHER THAN DEMUTALIZATION TO RAISE CAPITAL FOR FUTURE EXPANSION. INCLUDED IN THE AMENDMENTS OF THIS STATUTE ARE THE PROVISIONS THE KANSAS INSURANCE DEPARTMENT RECOMMENDED AS IT RELATES TO OVERSIGHT AND REGULATION OF THE HOLDING COMPANY ARRANGEMENTS.

HOUSE BILL 2460

By Committee on Insurance

2-23

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0017 AN ACT relating to insurance companies other than life; con-  
0018 cerning investment in holding corporations; amending K.S.A.  
0019 40-2a09 and repealing the existing section.

0020 Be it enacted by the Legislature of the State of Kansas:  
0021 Section 1. K.S.A. 40-2a09 is hereby amended to read as fol-  
0022 lows: 40-2a09. Any insurance company other than life heretofore  
0023 or hereafter organized under any law of this state may invest with  
0024 the direction or approval of a majority of its board of directors or  
0025 authorized committee thereof, any of its funds, or any part  
0026 thereof in:

0027 (a) Stock in any insurance company notwithstanding sub-  
0028 section (e) of K.S.A. 40-2a08, and amendments thereto. Before  
0029 more than 5% of the outstanding shares of stock of any insurance  
0030 company is acquired, or a tender offer made therefor, prior  
0031 written approval of the commissioner of insurance must be  
0032 secured;

0033 (b) stock in an incorporated insurance agency: (1) If 5% or  
0034 less of the outstanding shares of stock of such agency is acquired,  
0035 the provisions of K.S.A. 40-2a08, and amendments thereto, shall  
0036 apply; (2) if more than 5% of the outstanding shares of such  
0037 incorporated agency is acquired, or a tender offer is made there-  
0038 for, the prior approval of the commissioner of insurance shall be  
0039 required and the provisions of subsection (d) of K.S.A. 40-2a08,  
0040 and amendments thereto, shall apply. In valuing the stock of the  
0041 agency, the assets of the agency shall be valued as if held directly  
0042 by an insurance company; and (3) if majority interest in an  
0043 incorporated insurance agency results from the organization of  
0044 an agency by the insurance company to which this act applies,  
0045 such investments shall be subject to the provisions of K.S.A.  
0046 40-2a16, and amendments thereto, until it has produced earnings  
0047 for three out of five consecutive years. Such stock shall not be  
0048 eligible for deposit with the commissioner of insurance as part of  
0049 the legal reserve of such insurance company;

0050 (c) stock in a holding corporation: (1) If 5% or less of the  
0051 outstanding shares of stock of such holding corporation is ac-  
0052 quired, the provisions of K.S.A. 40-2a08, and amendments  
0053 thereto, shall apply; (2) if at least ~~75%~~ 55% of the holding  
0054 corporation's voting stock is acquired, the prior approval of the  
0055 commissioner shall be required and the provisions of K.S.A.  
0056 40-2a08, and amendments thereto, shall not apply. No insurer  
0057 may purchase in excess of 5% of the outstanding voting stock of a  
0058 holding corporation unless such insurer acquires at least ~~75%~~  
0059 55% of such stock, nor shall the officers and directors of an  
0060 insurer collectively own or control, directly or indirectly, more  
0061 than 25% of such stock. The commissioner may direct an insurer  
0062 to divest of its ownership in a holding corporation acquired  
0063 pursuant to this subsection if it appears to the commissioner that  
0064 the continued ownership or operation of the holding corporation  
0065 is not in the best interest of the policyholders, or if the insurer's  
0066 ownership in the holding corporation is less than ~~75%~~ 55% of the  
0067 outstanding voting stock of the holding corporation, or if the  
0068 officers and directors of the insurer collectively own or control,  
0069 directly or indirectly, more than 25% of such stock. A holding  
0070 corporation acquired pursuant to this subsection shall not ac-  
0071 quire any investment not permitted for insurance companies  
0072 other than life pursuant to article 2a of chapter 40 of the Kansas  
0073 Statutes Annotated, and amendments thereto. In valuing the  
0074 stock of any holding corporation acquired under this subsection  
0075 in the annual financial statement of the insurer, value shall be  
0076 assigned to the holding corporation's assets as though the assets  
0077 were owned directly by the insurer. A percentage of the holding  
0078 corporation's assets exactly equal to the insurer's ownership  
0079 interest in the holding corporation will be added to the assets of  
0080 the insurer in application of the insurer's investment limitations  
0081 set forth in article 2a of chapter 40 of the Kansas Statutes  
0082 Annotated, and amendments thereto. Stock in a holding corpo-  
0083 ration acquired under this subsection shall not be eligible for  
0084 deposit with the commissioner of insurance as part of the legal  
0085 reserves of such insurer.

3

and 40-2b23 are

0151 Sec.[2]. K.S.A. 40-2a09 [is] hereby repealed.  
0152 Sec.[3]. This act shall take effect and be in force from and  
0153 after its publication in the statute book.

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0086 Section 2. K.S.A. 40-2b23 is hereby amended to read as fol-  
0087 lows: 40-2b23. Any life insurance company heretofore or  
0088 hereafter organized under any law of this state may invest with  
0089 the direction or approval of a majority of its board of directors or  
0090 authorized committee thereof, any of its funds, or any part  
0091 thereof in:

0092 (a) Stock in any insurance company notwithstanding sub-  
0093 section (e) of K.S.A. 40-2b07, and amendments thereto. Before  
0094 more than 5% of the outstanding shares of stock of any insurance  
0095 company is acquired, or a tender offer made thereof, prior  
0096 written approval of the commissioner of insurance must be  
0097 secured;

0098 (b) stock in an incorporated insurance agency: (1) If 5% or  
0099 less of the outstanding shares of such incorporated agency is acquired,  
0100 the provisions of K.S.A. 40-2b07, and amendments thereto, shall  
0101 apply; (2) if more than 5% of the outstanding shares of such  
0102 incorporated agency is acquired, or a tender offer is made there-  
0103 for, the prior approval of the commissioner of insurance shall be  
0104 required and the provisions of subsection (d) of K.S.A. 40-2b07,  
0105 and amendments thereto, shall apply. In valuing the stock of the  
0106 agency, the assets of the agency shall be valued as if held directly  
0107 by an insurance company; and (3) if majority interest in an  
0108 incorporated insurance agency results from the organization of  
0109 an agency by the insurance company to which this act applies,  
0110 such investments shall be subject to the provisions of K.S.A.  
0111 40-2b13, and amendments thereto, until they have produced earnings  
0112 for three out of five consecutive years. Such stock shall not be  
0113 eligible for deposit with the commissioner of insurance as part of  
0114 the legal reserve of such insurance company;

0115 (c) stock in a holding corporation: (1) If 5% or less of the  
0116 outstanding shares of stock of such holding corporation is ac-  
0117 quired, the provisions of K.S.A. 40-2b07, and amendments  
0118 thereto, shall apply; (2) if at least ~~75%~~ 55% of the holding  
0119 corporation's voting stock is acquired, the prior approval of the



0120 commissioner of insurance shall be required and the provisions of K.S.A.  
0121 40-2b07, and amendments thereto, shall not apply. No insurer  
0122 may purchase in excess of 5% of the outstanding voting stock of a  
0123 holding corporation unless such insurer acquires at least ~~7%~~  
0124 55% of such stock, nor shall the officers and directors of an  
0125 insurer collectively own or control, directly or indirectly, more  
0126 than 25% of such stock. The commissioner of insurance may direct an insurer  
0127 to divest of its ownership in a holding corporation acquired  
0128 pursuant to this subsection if it appears to the commissioner that  
0129 the continued ownership or operation of the holding corporation  
0130 is not in the best interest of the policyholders, or if the insurer's  
0131 ownership in the holding corporation is less than ~~7%~~ 55% of the  
0132 outstanding voting stock of the holding corporation, or if the  
0133 officers and directors of the insurer collectively own or control,  
0134 directly or indirectly, more than 25% of such stock. A holding  
0135 corporation acquired pursuant to this subsection shall not ac-  
0136 quire any investment not permitted for life insurance companies  
0137 pursuant to article 2b of chapter 40 of the Kansas  
0138 Statutes Annotated, and amendments thereto. In valuing the  
0139 stock of any holding corporation acquired under this subsection  
0140 in the annual financial statement of the insurer, value shall be  
0141 assigned to the holding corporation's assets as though the assets  
0142 were owned directly by the insurer. A percentage of the holding  
0143 corporation's assets exactly equal to the insurer's ownership  
0144 interest in the holding corporation will be added to the assets of  
0145 the insurer in application of the insurer's investment limitations  
0146 set forth in article 2b of chapter 40 of the Kansas Statutes  
0147 Annotated, and amendments thereto. Stock in a holding corpo-  
0148 ration acquired under this subsection shall not be eligible for  
0149 deposit with the commissioner of insurance as part of the legal  
0150 reserves of such insurer.



# Security Benefit Life Insurance Company

A Member of The Security Benefit Group of Companies

Date: March 3, 1987

To: The Honorable Dale Sprague, Chairman, and  
Honorable Members, House Committee on Insurance

From: Wayne Morris, Legal Department

Re: H.B. 2460--Investments in Holding Companies

I am Wayne Morris, Assistant Counsel for Security Benefit Life Insurance Company.

Security Benefit Life joins with other members of the Kansas Life Association in support of the type of amendment contained in H.B. 2460. We would respectfully request that the bill be amended to make the same amendments to the identical section in the life insurance company investment law, K.S.A. 40-2b23.

Thank you for this opportunity to support the bill and its amendment. Please let me know if you have any questions.

sl

*Wayne*

## Proposed Amendment to HB 2404

On page 1, in line 27, by striking "pharmacists" and inserting "pharmacies"; in line 43, by striking "pharmacists" and inserting "pharmacies"; in line 44, by striking all after "Any"; in line 45, by striking "pharmacist" and inserting "pharmacy";

On page 2, in line 49, by striking "pharmacists" and inserting "pharmacies"; in line 63, by striking "pharmacists" and inserting "pharmacies"; in line 65, by striking "pharmacists" and inserting "pharmacies"; in line 68, by striking "pharmacists" and inserting "pharmacies"; in line 70, by striking "pharmacist" and inserting "pharmacy"; in line 72, by striking "pharmacist" and inserting "pharmacy"; in line 73, by striking "pharmacist" and inserting "pharmacy";

On page 4, in line 121, by striking "pharma-"; in line 122, by striking "cists" and inserting "pharmacies"; in line 138, by striking "pharmacists" and inserting "pharmacies";

On page 7, in line 242, by striking "pharmacists" and inserting "pharmacies";

In the title, in line 19, by striking "pharmacists" and inserting "pharmacies";