

Approved February 13, 1987  
Date

MINUTES OF THE SENATE COMMITTEE ON FINANCIAL INSTITUTIONS AND INSURANCE

The meeting was called to order by Sen. Neil H. Arasmith at  
Chairperson

9:30 a.m. ~~p.m.~~ on February 12, 1987 in room 529-S of the Capitol.

All members were present except:

Sen. Harder - Excused

Committee staff present:

Bill Wolff, Legislative Research  
Myrta Anderson, Legislative Research  
Bill Edds, Revisor of Statutes

Conferees appearing before the committee:

Judy Stringer, Consumer Credit Commissioner  
Bud Grant, Kansas Chamber of Commerce and Industry  
Rex Hester, Montgomery Ward  
Bev Bradley, Kansas Association of Counties  
Charles Henson, Kansas Bankers Association

The chairman called the committee's attention to information which had been distributed regarding filed rates on unemployment insurance as had been requested at a previous meeting on SB 84. (See Attachments I through III.) He pointed out that the information primarily applies to credit cards rather than consumer loans. Also, Judy Stringer, Consumer Credit Commissioner, presented information as requested. (See Attachment IV.)

The minutes of February 11 were approved.

The hearing began on SB 104 concerning security interests under the Uniform Commercial Code. Bud Grant, Kansas Chamber of Commerce and Industry, testified in support of the bill. (See Attachment V.) He introduced Rex Hester, Montgomery Ward, who had appeared last year regarding this measure. The chairman asked him if major retailers are not filing these now. Mr. Hester said this is correct--the cost would be higher for his company to file than the returns it would get.

Sen. Karr questioned Mr. Hester as to the \$1,000 cap which was put in by the House last session. Mr. Hester said this was done to deal with things of higher value upon which filings would still need to be done to protect their security interest.

Sen. Strick asked if the Registers of Deeds oppose the bill because of the extra work it involves for them. Mr. Hester cited Oklahoma as an example where there has been no impact on the Registers of Deeds.

Sen. Gannon asked why would you file if this bill passes. The chairman explained it would be for protection and if you want to take possession with the exception of a bankruptcy where it would not be possible until the bankruptcy is discharged. Mr. Hester added that Montgomery Ward tries to work out a cash settlement because they don't want the used merchandise. Sen. Gannon asked if merchandise were purchased through the catalog, where would the responsibility be, in the state of the warehouse? Mr. Hester said it depends on where the individual resides and not where the warehouse is.

Bev Bradley, Kansas Association of Counties, testified in opposition to SB 104. (See Attachment VI.) Sen. Strick asked her if the Registers of Deeds do not want the \$1000 cap. Ms. Bradley said that this is true, they feel all purchases should be filed. Sen. Karr summarized the bill by stating that without this bill people who do not want to file can continue not to file, but the Registers of Deeds want those who want to file to be able to file.

Charles Henson, Kansas Bankers Association, appeared to offer suggested amendments if the bill is passed. (See Attachment VII.) He explained that they are technical amendments and do not change the substantive intent of the bill. The intent of the amendments is to prevent some arguments in the future as to who has priority. Sen.

Unless specifically noted, the individual remarks recorded herein have not been transcribed verbatim. Individual remarks as reported herein have not been submitted to the individuals appearing before the committee for editing or corrections.

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, 1987.

Karr asked if the KBA has a strong interest in the bill or opposes it. Mr. Henson said they have no reason to oppose it and have no particular position on the bill.

The chairman asked Mr. Hester why there is a need for SB 104. Mr. Hester explained that at present Montgomery Ward receives \$50,000 in bankruptcy receipts a year in Kansas, out of that \$50,000, ten percent is insured. Therefore, \$5,000 is being written off because it would cost them more than that amount to secure it. It is money that at the present time they are taking a loss on, however, with the bill they would not be taking a loss. It offers protection without the necessity of filing. He explained further that the U. S. uniform commercial code allows this, but Kansas elected to tighten the restriction of the U. S. UCC. Every state except Kansas does this. Sen. Karr asked what this means in terms of dollars and cents. Mr. Hester said that in Oklahoma it has meant about \$60,000 to \$75,000 in recoveries in the past two years.

The chairman called the committee's attention to a written statement from Ron Smith of the Kansas Bar Association in support of this proposal. (See Attachment VIII.)

The chairman called the committee's attention back to SB 84 and the information that had been presented as requested. The committee agreed that the information had answered their questions.

Sen. Gordon made a motion to report SB 84 favorably, Sen. Werts seconded, and the motion carried.

Sen. Burke made a motion to adopt the amendments recommended by Mr. Henson on SB 104, Sen. Kerr seconded, and the motion carried.

Sen. Burke made a motion to report SB 104 favorable as amended, Sen. Kerr seconded. The voice vote was unclear. The chairman called for a show of hands, and the motion carried with the chairman voting in favor.

Sen. Reilly had information from the Department of Revenue regarding a question he had concerning the legal requirements of a person operating a motor vehicle to present evidence of financial security. (See Attachment IX.) Sen. Reilly was of the understanding from the letter that all that is required is a verbal statement to the law officer. Staff explained that the law requires that you carry proof of it with you in the vehicle. After short discussion, it was clarified further by staff that the problem is that the card from the insurance company does not have a date of expiration on it, and the House has introduced a bill dealing with this problem. Therefore, no further action is needed by this committee.

The meeting was adjourned.

SENATE COMMITTEE

ON

FINANCIAL INSTITUTIONS AND INSURANCE

OBSERVERS  
(Please print)

DATE	NAME	ADDRESS	REPRESENTING
7/17/87	Rex Hester	13515 S Locust Olathe	Montgomery Ward
"	Bob Grant	Topeka	KCCJ
"	Paul Knight	Topeka	KCUK
"	Charles Deuser	Topeka	K.B.A.
"	Jim Mang	"	"
"	Laurie Fhatman	Topeka	Ks. Bus Assoc.
"	Judy Stinger	"	Consumers Credit Comm.
"	Mel Patton	"	" " "
"	Don Bradley	Topeka	KS Assoc of Counties
"	Mark Beherstein	Emporia	Sen. Burke
"	Danton B. Rice	Topeka	Secretary of State
"	Rain D. Wicklyff	Lawrence	Sen. Mulick



STATE OF KANSAS

# KANSAS INSURANCE DEPARTMENT

420 S.W. 9th  
Topeka 66612-1678 913-296-3071

1-800-432-2484  
Consumer Assistance  
Division calls only

FLETCHER BELL  
Commissioner

February 11, 1987

Honorable Neil Arasmith, Chairman  
Senate Committee on Financial Institutions  
and Insurance  
Statehouse, Room 128-S  
Topeka, Kansas 66612

Re: Senate Bill No. 84

Dear Senator Arasmith:

I am pleased to furnish the following information concerning Involuntary Unemployment Insurance that was requested during the recent hearing on Senate Bill 84:

I. We have approved, as casualty insurance, rate and policy form filings for the following insurance companies:

Rates

American Bankers Ins. Co.							
Credit Card	\$ .389	per	\$100	of	monthly	outstanding	balance
Other than Credit Card	.50	"	"	"	"	"	"
Central National Ins. Co.	.35	"	"	"	"	"	"
Central States Indemnity Co.	.23	"	"	"	"	"	"
American Security Ins. Co.	.271	"	"	"	"	"	"
Alexander Hamilton Ins. Co.	.236	"	"	"	"	"	"
American Centennial Ins. Co.	6.50	per	\$100	-	individual	loan	

II. The American Bankers filing specified an overall allowance for commissions of 20% for the "other than credit card" rate. Central National Insurance Company advised us that their rate contemplated "no commission" since it is for credit card loans only. We assume the other "credit card" rates are similar on the commission amount.

III. I would guess that, if Senate Bill 84 is enacted, that the filings by insurance companies would be revised to reflect rates designed for such coverage to be included with consumer loan transactions which would

# INSURANCE DEPARTMENT

TOPEKA

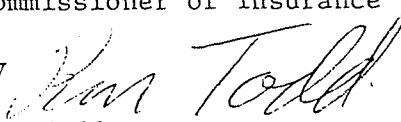
Honorable Neil Arasmith  
February 11, 1987  
Page 2

likely be higher than the "credit card" rates but lower than the isolated transaction rates.

Very truly yours,

Fletcher Bell  
Commissioner of Insurance

By



Ron Todd  
Assistant Commissioner

RT:sc

THE KANSAS HEALTH CARE PROVIDER INSURANCE AVAILABILITY PLAN

The Health Care Provider Insurance Availability Plan (sometimes referred to as the Kansas JUA) was established in accordance with the provisions of the Health Care Provider Insurance Availability Act to provide professional liability insurance for health care providers who are in good faith entitled to such insurance but are unable to procure the required basic professional liability insurance from the normal markets.

The Plan is administered on a "no-profit/no-loss" basis by a nine member Board of Governors, who are appointed by the Commissioner. Insurance policies are issued and serviced by the Western Casualty and Surety Company of Fort Scott, Kansas.

TABLE 5  
SUMMARIZATION OF THE HCPIA PLAN'S POLICIES ISSUED  
TO HEALTH CARE PROVIDERS

<u>Type of Health Care Provider</u>	<u>Fiscal Year FY 1985</u>	<u>Fiscal Year FY 1984</u>	<u>First Fiscal Year FY 1977</u>
Physicians, Surgeons (includes Osteopaths)	112	124	398
Chiropractors	9	13	269
Podiatrists	70	76	36
Physical Therapists	0	4	14
Pharmacists	12	13	56
Optometrists	4	4	16
Certified Reg. Nurse Anesthetists	2	7	69
Medical Care Facilities	1	2	10
Mental Health Centers	0	1	0
Partnerships & Prof. Corp. of HCP's	49	49	0
	<u>259</u>	<u>293</u>	<u>868</u>

STATUS OF THE HEALTH CARE STABILIZATION FUND

AS OF DECEMBER 31, 1986

HEALTH CARE STABILIZATION FUND RECEIPTS

Surcharge Receipts (Less Refunds)	\$66,795,902.45 ✓
Investment Income	9,386,289.57
HCIAP Income (PLAN)	1,503,192.40
Reimbursements	387,022.22
Interest Income Invested	78,079.11
Receipts Suspense Account	6,207,118.76
State Agency Transfer	<u>-141,226.00</u>
Total Receipts	\$84,216,378.51

HEALTH CARE STABILIZATION FUND EXPENDITURES

Claim Payments	\$41,839,336.31
Attorney Fees	2,904,843.80
Court Reporting	78,697.11
Depositions	129,677.37
Package Delivery	2,349.50
Other Fees	1,278.33
HCIAP Payments (PLAN)	7,909,128.00
Actuarial Fees	198,598.36
Doctor Fees	295.50
Hospital Services	540.50
Salaries & Wages	490,857.15
Private Car Mileage	5,005.07
State Car Expense	108.60
State Motor Pool Expense	1,129.72
Subsistence	885.45
Non-Subsistence	1,721.57
Air Fare	1,242.00
Honorariums	700.24
State Printer	51.11
Central Duplicating	5,278.01
Reference Materials	369.25
Local Telephone	3,324.38
Kans A-N Telephone	4,283.00
Postage	8,059.62
Copier Rent	1,440.00
Computer Rent	8,124.00
Computer Software Rent	1,773.00
Building Rent	13,398.00
Repair & Servicing Data Comm. Equip.	3,567.00
Electricity	2,315.00
Natural Gas	237.00
Stationery & Office Supplies	3,438.16
Data Processing Supplies	103.00
Office Furniture & Equip.	4,909.43

Book & Library Materials	10.00
Computer Systems Equip.	6,682.49
Information Process Equip.	4,982.36
Data Processing	982.00
Recruitment Expense	2,307.04
Employee Personal Effects - Out-of-State	294.13
Advertising	517.08
Subscriptions	<u>40.00</u>
Total Expenditures	\$53,642,879.64

HEALTH CARE STABILIZATION FUND BALANCE

Cash Balance	\$ 771,345.79
Invested	<u>29,802,153.08</u>
Fund Balance as of 12/31/86	\$30,573,498.87



February 12, 1987

REQUESTED INFORMATION ON SENATE BILL NO. 84

The National Consumer Law Center located in Boston, recently conducted a survey regarding unemployment insurance offered in various states, including several UCCC states.

The following information is from that survey:

Rates Charged:

Company No. 1	Open end credit - \$0.28/100 on outstanding balance Calculated commission of 25%
Company No. 2	Open end credit \$0.45/100 on outstanding balance
Company No. 3	Combined policy - loss of income and A&H. \$0.59/100 on outstanding balance \$0.51 was attributed to unemployment insurance and \$0.08 to A&H

Policy Provisions:

Maximum length of time benefits to be paid were normally four months, there were a few six and nine month benefits.

No self employed individuals.

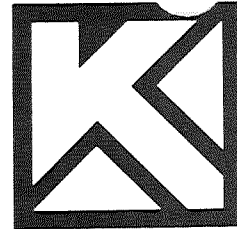
Six month employment with same company prior to loan.

Most policies were written for lay-offs. Firings were not covered for willful misconduct.

# LEGISLATIVE TESTIMONY

## Kansas Chamber of Commerce and Industry

500 First National Tower One Townsite Plaza Topeka, KS 66603-3460 (913) 357-6321



A consolidation of the  
Kansas State Chamber  
of Commerce,  
Associated Industries  
of Kansas,  
Kansas Retail Council

February 11, 1987

### KANSAS CHAMBER OF COMMERCE AND INDUSTRY

Testimony Before the

Senate Committee on Financial Institutions and Insurance

by

Bud Grant  
Vice President

Mr. Chairman, members of the committee. My name is Bud Grant and I am here on the behalf of the Kansas Chamber of Commerce and Industry and the Kansas Retail Council in support of Senate Bill 104.

The Kansas Chamber of Commerce and Industry (KCCI) is a statewide organization dedicated to the promotion of economic growth and job creation within Kansas, and to the protection and support of the private competitive enterprise system.

KCCI is comprised of more than 3,000 businesses which includes 200 local and regional chambers of commerce and trade organizations which represent over 161,000 business men and women. The organization represents both large and small employers in Kansas, with 55% of KCCI's members having less than 25 employees, and 86% having less than 100 employees. KCCI receives no government funding.

The KCCI Board of Directors establishes policies through the work of hundreds of the organization's members who make up its various committees. These policies are the guiding principles of the organization and translate into views such as those expressed here.

Senate Bill 104 is identical to the bill which this committee passed unanimously during the 1986 session of the Kansas Legislature, with the exception of the words in

in line 40 stating "with a value of \$1,000 or less,". This language represents a house committee amendment which has the effect of limiting the application of the exemption, but language to which we did not object since the bill still addresses the great multitude of consumer sales of which we're concerned.

The purpose Mr. Chairman, to refresh your memory, is to allow the retailer to gain some relief to a problem which results because of federal changes in bankruptcy laws. Kansas remains as one of less than a half dozen states which requires that financing statements be filed on the sale of consumer goods. The elimination of this requirement on these lower value, but high volume sales would result in the customer or the retailer saving money, and in the customer saving time now required to complete the necessary paperwork.

Finally, I would point out Mr. Chairman, the Kansas Bankers Association, the Kansas Association of Finance Companies, the Kansas League of Savings Institutions, and the Kansas Credit Union League have all indicated they have no opposition to this proposal.

Thank you Mr. Chairman for the opportunity of visiting with you concerning Senate Bill 104 and request that the committee again recommend this proposal to the full Senate for passage.

# Kansas Association of Counties

*Serving Kansas Counties*

212 S.W. SEVENTH STREET, TOPEKA, KANSAS 66603      PHONE 913 233-2271

February 12, 1987

To:      Senator Neil Arasmith, Chairman  
         Members of the Financial Institutions  
         and Insurance Committee

From:    Bev Bradley, Legislative Coordinator  
         Kansas Association of Counties

Re:      SB-104

Good morning ladies and gentlemen. I am Bev Bradley, Legislative Coordinator, Kansas Association of Counties. Today I am also representing the Kansas Register of Deeds Association.

We oppose, SB-104. I do not have figures for all counties but Douglas County filed 6000 financial statements last year. The Register of Deeds tells me there is no way to tell how many were for less than \$1,000. since they are not marked. The \$3.00 fee is a small amount to pay but it does pay for time used and is especially important to small counties.

Thank you very much for the opportunity to come before you today.

Amend SB 104 as follows:

In line 34, by inserting the word "or" after the parenthesis;

In line 40, by striking the word "value" and inserting the words "purchase price", by striking all after the comma, and by inserting after the comma the following: "other than a vehicle in which a security interest is subject to perfection under subsection (3), but filing is required to perfect a security interest in a vessel as defined in K.S.A. 82a-802, and amendments thereto, and a fixture filing is required for priority over conflicting security interests in a fixture as provided in K.S.A. 84-9-313, and amendments thereto;

By striking all of lines 41 and 42



**KANSAS BAR  
ASSOCIATION**

1200 Harrison  
P.O. Box 1037  
Topeka, Kansas 66601  
(913) 234-5696

February 12, 1987  
SB 104

Mr. Chairman. Members of the Senate Financial Institutions Committee. I am Ron Smith, KBA Legislative Counsel.

KBA Supports the intent of SB 104.

When Kansas adopted the UCC, we enacted KSA 84-9-302 differently than the UCC recommended. Our code required financing statements to be filed with the Secretary of State in order to perfect a lien. SB 104 would exempt some types of consumer purchases from the filing of the UCC-1 financing statement. These amendments more closely align Kansas with the original uniformity of the UCC.



KANSAS DEPARTMENT OF REVENUE  
*Office of the Secretary*  
State Office Building · Topeka, Kansas 66612-1588

July 28, 1986

To: All Law Enforcement Officers  
and Courts of Law

Advice has been requested from the Kansas Department of Revenue as to the legal requirements of a person operating a motor vehicle upon a state highway or on public property in this state to present evidence of financial security. The first situation is where a law enforcement officer makes a demand upon the operator to display evidence of such financial responsibility. The second situation concerns the production of evidence of financial security in court or the office of an arresting officer to avoid conviction of driving without financial security under the provisions of K.S.A. 1985 Supp. 8-1604(c) or 40-3104(e) or similar municipal ordinances. It is the interpretation of the Kansas Department of Revenue that the information which must be provided in the first situation differs from that required in the second situation.

K.S.A. 1985 Supp. 8-1604 requires the driver of any vehicle involved in an accident to exhibit, upon request, the name of the insurer and the policy number of such policy to any police officer who is investigating the accident. K.S.A. 1985 Supp. 40-3104(d) requires any person operating a motor vehicle upon a highway or upon property open to public use to display, upon demand, evidence of financial security to a law enforcement officer. The provisions of K.S.A. 1985 Supp. 8-1604(c) and 40-3104(e) regarding evidence sufficient to avoid conviction of driving without financial security is more expansive in terms of what is required.

It is the Department's conclusion that what is required to be presented upon demand of a law enforcement officer is less than what is required to absolve one from a criminal conviction. All that is required to be exhibited when demand is made by a law enforcement officer is the name of the insurance company and the insurance policy number. An identification card issued by the insured's insurance company containing only this information is sufficient and no citation should be issued because the specific vehicle is not identified or because the policy's effective date is not identified. Obviously, exhibition of the insurance policy, certificate of self insurance or other document containing such additional information satisfies the requirements of Kansas law, but no citation should be issued or arrest made when the minimal information required by the statute is produced.

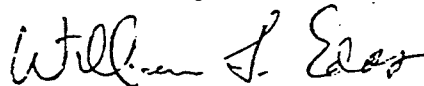
To avoid a conviction for driving without financial security, additional evidence is required. Both K.S.A. 1985 Supp. 8-1604(c) and 40-3104(e) require "evidence of financial security for the motor vehicle operated, which was valid at the time of arrest". Each subsection goes on to provide as follows:

For the purpose of this subsection, evidence of financial security shall be provided by a policy of motor vehicle liability insurance, an identification card or certificate of insurance issued to the policyholder by the insurer which provides the name of the insurer and the policy number, a certificate of self-insurance signed by the commissioner of insurance or the completion of a form prescribed by the secretary of revenue signed by the insurer or an agent of the insurer certifying at the time of arrest the motor vehicle was covered by motor vehicle liability insurance.

It is obvious from this subsection's specific language, that the Kansas Legislature imposed a greater burden in terms of evidence necessitated to avoid the conviction. In this situation the evidence must identify the motor vehicle as one included under the insurance policy or self insurance and exhibit that the insurance was effective at the time of arrest.

If you have any questions please feel free to call John Smith, Chief Administrator, Driver's Licensing and Control Bureaus, (913) 296-3614.

Sincerely,



William L. Edds  
General Counsel

WLE:rab