

Approved February 25, 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

9:00 a.m./~~p.m.~~ on February 24, 1987 in room 529-S of the Capitol.

All members were present except:

Committee staff present:

Bill Wolff, Legislative Research  
Bill Edds, Revisor of Statutes

Conferees appearing before the committee: None

The minutes of February 19 were approved.

Attention was called to SB 72 dealing with branch banking which had been previously heard. The chairman suggested that since some committee members were not yet present, the committee reconsider the action taken at a previous meeting that no action be taken until the entire committee is present. Sen. Strick made a motion to reconsider that motion, Sen. Burke seconded, and the motion carried. Sen. Strick then made a motion to withdraw that previous motion, Sen. Kerr seconded, and motion carried.

The chairman said the floor was open for discussion or amendments. He reviewed the options as he had presented at a previous meeting on SB 72.

Sen. Kerr recalled Sen. Strick's concern that the two year provision in SB 432 was not included in SB 72. Sen. Kerr made a conceptual motion that language similar to that in SB 432 about the two year limitation in maintaining services be inserted in SB 72. A short discussion by the chairman and Sen. Werts followed regarding page three of the bill, lines six, seven, and eight, concerning the relationship between the five year provision found there and the one in Sen. Kerr's motion. Sen. Strick said the banking organizations are in favor of the two year provision and seconded Sen. Kerr's motion. The motion carried.

The chairman said his concerns have centered around the complete repeal of SB 432 and that he would like to see it used as a third option for a while. He feels the limitation in SB 432 should be extended to two bank towns and that there should be a provision that the Commissioner first look for an acquiring bank and then for a branch if no one will purchase to assure that an effort is made for acquisition of a chartered bank before a branch is opened. Sen. Kerr responded that he feels SB 72 does not close off options.

Sen. Harder made a motion to reinstate the 100 mile radius provision from SB 432 for acquisition in lieu of statewide branch banking. Sen. Karr seconded.

Sen. Burke said this removes opportunities and potentials for rural banks. It's prohibitive whereas if statewide branching is allowed, a community may be served that may not have been served otherwise.

Sen. Karr said that he feels Sen. Harder's motion is the only option that is totally salable in 1987. The chairman said that he had heard of no problems with the radius restriction in SB 432. Sen. Kerr said he feels the chairman has a desire to extend banking life in small communities as do other committee members, and he feels that SB 72 is a bank extender in small communities, therefore, he made a<sup>substitute</sup> motion to recommend SB 72 favorable for passage as amended. Sen. Werts seconded.

The chairman asked Sen. Werts if this would allow multibank holding companies to convert banks in their holding companies into branches, and Sen. Werts answered that he could see no reason why not. The chairman then explained the difference between Sen. Harder's motion limiting branching to a 100 mile radius and Sen. Kerr's substi-

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 24, 1987.

tute motion to allow statewide branching. Sen. Karr asked for a clarification of multibank holding company branching as was discussed. He concluded that the primary motion by Sen. Harder has benefits for the state and is a salable motion. Sen. Burke noted that this legislation is an attempt to help small town banks and, therefore, he could see no reason to put a limitation on it as in the primary motion. The chairman said his interest was in small communities not losing service. On a call for a vote on the substitute motion by Sen. Kerr, the voice vote was unclear. On a show of hands, the motion carried.

Attention was turned to Senate Bills 116 and 121 dealing with brokers' license requirements and excess lines agents' errors and omissions policy requirements which had been previously heard. The chairman distributed copies of the information from the Insurance Department as to what restrictions there are in surrounding states which had been requested by the committee. (See Attachment I.)

Sen. Werts asked Ron Todd of the Insurance Department for a definition of "brokers" and "agents". Mr. Todd said a broker is a legal agent of the insured as opposed to being a legal agent for insurance companies. Agents work in behalf of companies. Mr. Todd then explained the survey which the Department had conducted. He summarized by saying that Kansas is unique in some of the requirements and that this proposal will protect the public more than other states without having the details required now. He confirmed Sen. Werts' statement that SB 121 has no bond requirement for excess lines and that all states around Kansas, except for three, have the requirement. With regard to consumer protection, Sen. Gannon asked how long the errors and omissions bond is in effect. Mr. Todd said that the present law regarding this is not working well and that the bill is an attempt to eliminate problems in getting bonds.

Sen. Harder made a motion that SB 116 be recommended favorable for passage. Sen. Werts seconded.

Sen. Gannon began further discussion about bond protection. He said he would vote "no" on the motion because it places consumers in jeopardy in that they would have no recourse after an agent goes out of business. The chairman said that the consumer protection in the Insurance Department does a good job, but it is not possible to protect the consumer from all possible problems.

On a call for a vote on Sen. Harder's motion, the motion carried with Sen. Gannon voting "no".

Sen. Harder made a motion to apply the same motion as for SB 116 to SB 121, Sen. Werts seconded, and the motion carried with Sen. Gannon voting "no".

The chairman announced that the committee would meet on Thursday, February 26, for discussion and possible action on SB 131 as well as other bills that have been heard.

The meeting was adjourned.

SENATE COMMITTEE

ON

FINANCIAL INSTITUTIONS AND INSURANCE

OBSERVERS  
(Please print)

DATE	NAME	ADDRESS	REPRESENTING
2-24	Chuck Stones	Topeka	KS Bankers Assoc
2-24	LINDA McGill	"	KIBA
2-24	JACK ROBERTS	"	BC-BS
"	Ron Todd	"	INS. Dept.
"	John Spurgeon	"	Budget
"	Jarel Wright	"	KCUK
"	Geo Armstrong	"	State Banking Dept
"	Suzanne Waler	"	KDOA
"	Jim Mass	"	KBA
"	Wmmy Lyle	Smith Center, Ks.	Smith Co. State Bank & Trust
"	Jack Peterson	Topeka	ICB2
"	Ramona Jones	Topeka	East-Beacon

	Missouri	Oklahoma	Iowa	Nebraska	Colorado	Florida	California
1. Brokers license?	yes	yes	no	yes	yes	no	yes
2. Excess lines license?	yes	yes	yes	yes	yes	yes	yes
3. Is the broker or excess lines licensee a representative of the insured?	yes	yes	yes	yes	yes	yes	yes
4. Is the broker or excess lines licensee required to maintain errors and omissions policy?	no	no	no	no	no	no	no
5. Is the broker or excess lines licensee required to maintain bond (faithful performance)?	no	no	no	no	no	no	5,000
6. Is the broker or excess lines licensee required to maintain a bond (dishonesty)?	no	no	no	no	no	no	no
7. Is the broker or excess lines licensee required to furnish proof of errors and omissions policy to the department?	no	no	no	no	no	no	no
8. Is the broker or excess lines licensee required to furnish proof of bond (faithful performance) to the department?	no	no	no	no	no	no	yes
9. Is the broker or excess lines licensee required to furnish proof of bond (dishonesty) to the department?	no	no	no	no	no	no	no
10. Is the broker or excess lines licensee required to maintain errors and omissions policy or bond after license is canceled?	no	no	no	no	no	no	no
11. Require any other protection for the insured?	no	no	no	no	no	no	no

Attachment I - 2/24/87  
Senate F I & I