Approved March 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 March 24, 1987 in room 529-S of the Capitol.

All members were present except:

Sen. Harder - Excused

Committee staff present:

Bill Wolff, Legislative Research
Bill Edds, Revisor of Statutes

Conferees appearing before the committee:

Jim Turner, Kansas League of Savings Institutions
Larry Buening, Kansas State Board of Healing Arts
Jerry Slaughter, Kansas Medical Society
Tom Bell, Kansas Hospital Association
Ron Todd, Kansas Insurance Department

The minutes of March 23 were approved.

The hearing began on HB 2157 dealing with interstate branching for saving and loans. Jim Turner, Kansas League of Savings Institutions, testified in support of the bill. (See Attachment I.)

The chairman asked if the bill limits branches to contiguous states. Mr. Turner said they are subject to the prohibitions of the Commissioner, and the Commissioner intends to do as is federally done which says contiguous states.

Sen. Werts asked if he were correct in thinking that this is designed for those associations approaching insolvency. Mr. Turner said that is correct, it could not be done unless a supervisory control is acquired first. Sen. Werts noted that this is not in the statute. Mr. Turner agreed but said it comes under the section dealing with the rules and regulations by the Savings and Loan Commissioner who leans towards following the federal regulations on this. Marvin Steinert, Savings and Loan Commissioner, stated that if the legislature does not like the regulations that are adopted, they can stop it. He also expressed a desire to work with the legislature's wishes. Mr. Turner added that they are looking for the flexibility the bill would provide. Sen. Werts asked further if Mr. Turner feels the legislature has the responsibility to maintain equity between banks and saving and loans as far as branching. A short discussion followed with Mr. Turner maintaining that it is needed to preserve the financial services to a community.

Sen. Kerr asked if there is any kind of movement now that would open the door to interstate banking--if an out of state commercial bank could buy a Kansas thrift and convert it to a bank. Mr. Turner said there is not; but without the bill, there would be a greater chance of that happening. This bill does not do that and does not allow for that. A short discussion began by Sen. Gannon followed regarding the impact of out of state saving and loans coming into Kansas, and the hearing was concluded.

The hearing began on HB 2418 dealing with malpractice insurance coverage for health care providers. Larry Buening, Kasnas State Board of Healing Arts, testified first in support of the bill. He had written testimony given to the House Judiciary Committee, but explained it needs to be corrected as to line numbers whch he intended to do later today. (See Attachment II.)

Jerry Slaughter, Kansas Medical Society, testified next in support of HB 2418. (See Attachment III.) He said the Kansas Medical Society had the bill introduced and supports the amendments by the State Board of Healing Arts. He told the committee that he would have a balloon of the bill ready with the amendments later today. The chairman asked for an explanation of the purpose of the bill. Mr. Slaughter said it

is a technical clean-up resulting from a bill passed last year, HB 2161. He added that HB 2418 passed the House with a vote of 124-0. Mr. Slaughter continued with a review of the sections attached to his written testimony. He explained that Sections 7 through 11 clarifying ambiguities are the bulk of the bill. With regard to Section 8, Mr. Slaughter held up a copy of a booklet of standards for "reportable incidents" established this summer. A copy of this has been sent to all physicians and hospitals.

The chairman asked why the language beginning on line 254, page 7, was stricken. Mr. Slaughter said the language was inserted to deal with the problem of physicians that come into the state for a short period of time and leave, giving the Society the responsibility of paying for their tail coverage. But this became a problem, and the money was uncollectible. Thus, it was decided to go back to the way it was and pay for the tail coverage.

Sen. Karr asked why the language on page 25, Section 7, was stricken after "health care provider". Mr. Slaughter said this was done by the revisor in the House committee to provide consistency. Although it is different from the language he had offered, he feels it covers the problem. Wayne Stratton, legal counsel for the Kansas Medical Society, stated that he feels it does what they had wanted, broadens peer review protection.

Tom Bell, Kansas Hospital Association, followed with testimony in support of HB 2418. He expressed his support of Mr. Slaughter's testimony and explained that his organization had worked with them on the bill. However, he said there is a need for clean-up of the language already in the bill and passed out copies whith the suggested amendments. (See Attachment IV.) The first change adds certainty to the vagueness of the language for administrative purposes. The second deals with dicipline practices.

Ron Todd of the Kansas Insurance Department stood to express support of the bill, including the amendments by Mr. Bell. With this, the hearing on HB 2418 was concluded, awaiting the arrival of the balloon version from Mr. Slaughter.

With regard to HB 2408 dealing with banking which was heard yesterday, the chairman asked the banking subcommittee to look at the suggested amendments if they are able to find time.

Attention was returned to HB 2157 for discussion. The chairman asked if the committee felt it should tie it down to failing saving and loans or leave it to the Commissioner's discretion. Sen. Kerr felt this is too important for the committee to act hastily and that it should be the subject of a study for a better understanding of what's happening nationally and what's happening in Kansas. Sen. Karr said that if language that would relate to failing institutions were put in the bill, it might encourage the kind of study suggested by Sen. Kerr. There being no further time, the meeting was adjourned.

SENATE COMMITTEE

ON

FINANCIAL INSTITUTIONS AND INSURANCE

OBSERVERS
(Please print)

DATE	NAME	ADDRESS	REPRESENTING
	John Peterson	Topeka	Charter Hospitals
	Larry Buening	Topeka	Healing Arts Bd
	John Sprague	Lawrence	Budget
	Marvin Stennett	Topeka	S+L Dept
	Jim Allen	"	KBA
	Doyle Matlack	Topeka	KHA/KMS
	Mary Feighny	Topeka	KDHE
	Lyon Van Dalsem	Topeka	KCSL
	Jim Turner	Topeka	KCSL

KLSI Kansas League of Savings Institutions

JAMES R. TURNER, President • Suite 512 • 700 Kansas Ave. • Topeka, KS 66603 • 913/232-8215

March 24, 1987

TO: SENATE COMMITTEE ON FINANCIAL INSTITUTIONS AND INSURANCE

FROM: JIM TURNER, KANSAS LEAGUE OF SAVINGS INSTITUTIONS

RE: H.B. 2157 (INTERSTATE BRANCHING: STATE-CHARTERED S&Ls)

The Kansas League of Savings Institutions appreciates the opportunity to appear before the Senate Committee on Financial Institutions and Insurance in support of H.B. 2157 which would allow state-chartered savings and loan associations to branch on an interstate basis in conformity with authority presently granted to federally-chartered associations.

In April, 1986, the Federal Home Loan Bank Board issued regulations conforming federal and state interstate branching as well as allowing a federal association to acquire an association across state lines for supervisory purposes. A federal association utilizing this option is then allowed to branch into three additional states, with priority given to contiguous states. A copy of the Federal regulations has been attached for review by the committee. This regulation was used in 1986 by Commercial Federal Savings, Omaha, Nebraska, in the acquisition of Coronado Federal Savings of Kansas City, by Household Bank, California, to acquire Century Savings, and most recently by Home Savings, Kansas City, Missouri, to acquire First Federal Savings, Beloit.

Several of the larger state-chartered associations in Kansas have been approached by the Federal Home Loan Bank to acquire supervisory problem institutions in adjoining states in exchange for being allowed to branch into three additional states. Under present Kansas law they cannot do this and therefore find themselves at a competitive disadvantage with federal associations.

The passage of H.B. 2157 would correct this inequity. Absent a change in Kansas statutes, a state-chartered association desirous of such branching will be forced to convert their charter to a federal charter. This not only would weaken the state charter system but could financially impair the continuation of an independent State Savings and Loan Board.

Attachment I
Senate F I & I - 3/24/87

Presently the states of Oklahoma and Missouri allow for interstate branching on a reciprocal basis and it appears that such branching may be possible in Colorado through administrative procedures. It is anticipated that their Legislature will consider the issue this session. We have no current information on Nebraska. We have enclosed a summary of current interstate branching situations throughout the country for review by the committee.

The use of interstate branching in supervisory cases will be continued by the Federal Home Loan Bank Board and the FSLIC. This is a superior approach to the liquidation and elimination of problem institutions and we anticipate further acquisitions in Kansas by out-of-state federal associations.

We feel it is appropriate to eliminate the restraint upon state-chartered associations and would request that the committee give early attention to reporting H.B. 2157 favorably for passage.

James R. Turner
President

JRT:bw

Encl.

Attachment I
Senate F I & I - 3/24/87

FEDERAL HOME LOAN BANK BOARD

No. 86-424

Date: April 24, 1986

12 CFR Part 556

Interstate Branching

AGENCY: Federal Home Loan Bank Board.

ACTION: Final rule with request for comments.

SUMMARY: The Federal Home Loan Bank Board ("Board") is amending its statement of policy on branching by Federal savings and loan associations and Federal savings banks ("Federal associations") to provide: (1) general equality of Federal associations with state-chartered thrift institutions of a Federal association's home office state with respect to branching across state lines and (2) possibly broader branching rights for a Federal association acquiring a failing institution in the form of regional branching rights as well as single target state branching rights. The Board is also soliciting comments on further amending its statement of policy to provide general equality of Federal associations with state-chartered financial institutions, including banks, or their holding companies with respect to branching and acquisitions.

Attachment I
Senate F I & I - 3/24/87

DATES: The rule becomes effective [upon publication in the Federal Register]. Comments concerning branching or acquisition equality with banks and bank holding companies must be received before [ninety days after publication in the Federal Register].

ADDRESSES: Send comments to Director, Information Services Section, Office of the Secretariat, Federal Home Loan Bank Board, 1700 G Street, N.W., Washington, D. C. 20552.

FOR FURTHER INFORMATION: Winifred Sutton, Attorney, Blue Division (202) 377-7044; David Wall, Attorney, Red Division (202) 377-7397; or Mary Rawlings-Milton, Chief Paralegal, Federal Savings and Loan Insurance Corporation Attorneys Group, (202) 377-7048, Office of the General Counsel, Federal Home Loan Bank Board, 1700 G Street, N.W., Washington, D. C. 20552.

SUPPLEMENTARY INFORMATION: On December 20, 1985, the Board proposed amendments to section 556.5 of its Federal Regulations (12 CFR 556.5 (1985)) regarding interstate branching by thrifts. The proposed revisions related to branching in both supervisory and nonsupervisory contexts. In the latter respect, the proposal would have provided Federal associations generally with the same ability to branch or to

merge across state lines granted by state law to state-chartered associations headquartered in the state in which a Federal association's home office is located.

The proposal also provided in essence that a Federal association in a holding company structure might not exercise the new branching rights granted under this proposal to Federal associations generally if another insured institution in that structure exercised such rights.

In the supervisory context, the proposal would permit the Board to allow a Federal association acquiring a failing institution to obtain entry into a region rather than being limited to the state of the failing target institution. The region could not exceed three states in addition to the state of the target, unless the target state was itself part of a regional compact specifically authorized "by statute laws of such states, by language to that effect and not merely by implication," in which case the Board might consider an application for branching capacity within the states of the regional compact even if in excess of the target's state plus three others. The proposed rule set forth a preference for applications contemplating a region of contiguous states, but did not prohibit the Board from allowing branching capacity in non-contiguous states.

After considering the public comments received and other information, the Board has determined to adopt the amendments substantially as proposed, altering certain language to clarify provisions applicable to Federal associations in a holding company structure and to emphasize that supervisory context branching beyond the state of a target will be granted only upon a showing of reasonableness and very substantial benefit to the Federal Savings and Loan Insurance Corporation ("FSLIC") in a measure sufficient to constitute a compelling factor in determining to make such an award.

List of Subjects in 12 CFR Part 556

Savings and loan associations

Accordingly, the Federal Home Loan Bank Board hereby amends Part 556, Subchapter C, Chapter V, Title 12, Code of Federal Regulations, as set forth below.

SUBCHAPTER C--FEDERAL SAVINGS AND LOAN SYSTEM

PART 556 - STATEMENTS OF POLICY

1. The authority citation for Part 556 continues to read as follows:

Authority: Sec. 5, 48 Stat. 132, as amended, (12 U.S.C. 1464); Sec. 341, 96 Stat. 1505, as amended, (12 U.S.C. 1701j-3); Secs. 402-403, 406-407, 48 Stat. 1256-1257, 1259-1260, as amended (12 U.S.C. 1725-1726, 1729-1730); Reorg. Plan No. 3 of 1947, 12 FR 4981, 3 CFR, 1943-1948 Comp., P. 1071.

2. Amending section 556.5 by revising paragraph (a)(1)-(3)(iv) to read as follows:

§ 556.5 ESTABLISHMENT OF BRANCH OFFICES

(a) General. (1) The Board encourages a competitive savings and loan system that provides choices of facilities for improved financial services to the public. The Board believes that branching is a primary means to increase competition and serve the public. The Board recognizes that establishment of a full service branch is only

one means for improving service and competition in an area and, therefore, encourages innovative ideas for branches designed to suit the needs of a particular community.

(2) As a general policy, the Board permits a Federal association to branch within the state in which its home office is located.

(3)(i)(a)(1) Additionally, the Board will permit a Federal association to establish or operate a branch office in a state other than the state in which its home office is located if the law of the state in which a Federal association's home office is located and the law of the state in which the branch is to be located would permit the establishment of such branch if the Federal association were an institution of the savings and loan or savings bank type chartered by the state in which the Federal association's home office is located.

(2) For the purposes of this paragraph (a)(3)(i)(a), state law is employed to determine basic authority to branch, or to acquire branch offices by merger or acquisition of assets or liabilities, but authorization by a state official is not required, and other state law limitations or requirements, such as those concerning investment standards, do not apply.

(3) This paragraph (a)(3)(i)(a) does not authorize a Federal association to become a savings and loan holding company controlling an insured institution located in a state other than the state in which the Federal association's home office is located.

(b) For the purposes of this paragraph (a)(3), the home office of a Federal association shall be deemed to be its home office as of the later of the date of its chartering or December 20, 1985, unless an association clearly demonstrates to the satisfaction of the Board that relocation to another state was not effected primarily to obtain branching advantages under this § 556.5(a).

(c) If a Federal association is a holding company or a subsidiary of an insured institution that is a holding company, it shall have a home office for the purposes of paragraph (a)(3)(i) only if no other insured institution in its holding company structure exercises or has exercised branching rights described in paragraph (a)(3)(i)(a);

(d) If a Federal association is an ultimate parent holding company, and no state chartered insured institution in the holding company structure exercises or has exercised branching rights described in paragraph (a)(3)(i)(a), such ultimate parent holding company shall be the sole association in the holding company struc-

ture that may acquire such branching rights under paragraph (a)(3)(i)(a). For the purposes of this paragraph (a)(3)(i), "ultimate parent holding company" means a savings and loan holding company not controlled by another company.

(e) Multiple holding companies (1) A Federal association that is a subsidiary of a multiple savings and loan holding company that controls insured institutions located in more than one state shall have a home office for the purposes of paragraph (a)(3)(i) only if no other subsidiary insured institution of its holding company exercises or has exercised branching rights described in paragraph (a)(3)(i)(a).

(2) Such a subsidiary Federal association may not exercise branching rights described in paragraph (a)(3)(i)(a) if a single state has been designated by its parent pursuant to § 408(e)(3)(B) of the National Housing Act, 12 U.S.C. 1730a(e)(3)(B), that is not the state in which such subsidiary Federal association has its home office, or if it became a subsidiary of its parent holding company pursuant to an acquisition or acquisitions effected pursuant to section 408(m) of the National Housing Act at a time when that parent was an existing savings and loan holding company, unless no subsidiary of such parent in a state designated pursuant to § 408(e)(3)(B) or existing prior to such § 408(m) acquisition possesses branching rights described in paragraph (a)(3)(i)(a).

(f) A Federal association that acquires and exercises branching rights pursuant to any of subparagraphs (a)(3)(i)(a) through (e) may not operate or retain branches established pursuant to such exercise if another insured institution in its holding company structure exercises branching rights described in paragraph (a)(3)(i)(a).

(ii)(a) Notwithstanding the limitations of paragraph (a)(3)(i) of this section, but subject to section 5(r) of the Home Owners' Loan Act of 1933, as amended, the Board may approve the establishment or operation of a branch office by a Federal association in a state other than the state in which its home office is located; Provided that:

(1) The establishment of the branch office will be achieved as part of or as a result of a transaction in which assets or liabilities of a failing insured institution ("target institution") are acquired by another institution, by merger or otherwise, as part of a transaction in which the insured accounts of a target institution are assumed by and transferred to an insured institution as a means of payment of insurance by the Federal Savings and Loan Insurance Corporation ("Corporation") or pursuant to an action by the Corporation to prevent the failure of a target institution;

(2) The Board determines that the Corporation's insurance liability or risk, including cost or potential cost to the Corporation, will be reduced as a result of the transaction involving a target institution; and

(3) If any alternative has been submitted that is not objectionable on supervisory grounds and could be approved in accordance with paragraph (a)(2), (a)(3)(i), or (a)(3)(iii) of this section or that would involve an acquisition by, or transfer of accounts to, a state chartered institution and would be in accordance with the laws governing the chartering and operation of all parties to the transaction, the Board determines that the Corporation's insurance liability or risk, including cost or potential cost to the Corporation, resulting from the proposed interstate acquisition by, or transfer of accounts to, a Federal association under this paragraph (a)(3)(ii) will be substantially less than the liability or risk that would result from such other alternative.

(b) Branching approved or permitted pursuant to this paragraph (a)(3)(ii) may be:

(1) Operation of a former office or offices of a target institution; and

(2) Permission to establish branch offices in a state or states other than the state or states in which a target institution operates: Provided that branching rights permitted pursuant to this paragraph (a)(3)(ii)(b)(2) shall not in any event include any state in addition to the greater of (A) three (3) states in addition to the state or states in which the target institution operates, or (B) if the home office of the target institution is located in a state that, as of the date of acquisition of the target institution, is included in a regional compact of states specifically authorizing branching or acquisition across state lines by institutions of the savings and loan or savings bank type by statute laws of such states, by language to that effect and not merely by implication, the states included within such a regional compact; Provided further, that the Board shall give preference to an application seeking limited branching authority over an application seeking wider branching capacity under paragraphs (a)(3)(ii)(b)(1) and (2); Provided further, that in considering applications to approve transactions involving the exercise of authority under this paragraph (a)(3)(ii)(b)(2), the Board shall prefer an application involving branching in states within a regional compact for institutions of the savings and loan or savings bank type or in a state or states having boundary lines contiguous with boundary lines of the state in which the target institution's home office is located; and Provided further, that no application for branching capacity under this paragraph

(a)(3)(ii)(b)(2) shall be approved unless the Board finds that such branching capacity is reasonably related to the office structure of the applicant, before or after acquisition of the target institution or its assets or liabilities, and that an acquisition effected pursuant to such application is of very substantial benefit to the FSLIC in a measure sufficient to constitute a compelling factor in determining to make an award to the applicant.

(c) The principles of this paragraph (a)(3)(ii) shall also apply in reverse mergers in which the target institution is the surviving entity and in the acquisition of control of subsidiary insured institutions in a state or states in which a Federal association is not authorized to branch pursuant to paragraph (a)(3)(i).

(iii) Notwithstanding paragraph (a)(3)(i) of this section, but subject to section 5(r) of the Home Owners' Loan Act of 1933, as amended, the Board may approve the establishment of a branch office in a state or states other than the state in which the home office is located, provided that the establishment of the branch office will be achieved by the consolidation of some or all of the savings and loan subsidiaries, or of some or all of the offices of the savings and loan subsidiaries, of a multiple savings and loan holding company.

The Board may approve the establishment of a branch office by a resulting institution in any state or states in which it maintains branch offices as a result of the consolidation.

(iv) Notwithstanding paragraph (a)(3)(i) of this section, but subject to section 5(r) of the Home Owners' Loan Act of 1933, as amended, in a transaction not involving an action by the Corporation for transfer of accounts or to prevent the failure of an insured institution, the Board may approve the establishment of a branch office in any state in which the applicant has established or has been permitted to operate a branch office pursuant to the conditions set forth in paragraph (a)(3)(ii) of this section.

* * * * *

By the Federal Home Loan Bank Board.

Jeff Sconyers
Secretary

GPO 922-916

STATE OF MICHIGAN

DEPARTMENT OF ATTORNEY GENERAL

SAVINGS AND LOAN ASSOCIATIONS: Branch office of a foreign savings and loan association

Merger of foreign savings and loan association with domestic or federal savings and loan association in Michigan

A foreign savings and loan association may, subject to approval by the Commissioner of the Michigan Financial Institutions Bureau, purchase an existing savings and loan branch office or establish de novo a branch office in Michigan, provided that the laws of the state in which the foreign association is organized permit Michigan savings and loan associations to transact business to the same extent.

A foreign savings and loan association is not authorized to merge with either a Michigan domestic savings and loan association or a federal savings and loan association whose principal office is in Michigan.

A foreign savings and loan association is not authorized to acquire the stock of a Michigan domestic savings and loan association for operation as an insured subsidiary.

Opinion No. 6421 February 5, 1987

REGIONAL/NATIONAL INTERSTATE BANKING AUTHORITY SURVEY*

	NATIONAL	REGIONAL	BANKS	SAVINGS BANKS	SAVINGS ASS'NS
Alabama		X	X		
Alaska	X NR		X		
Arizona	X NR		X		X M/A
California		X(1)	X		
Connecticut		X	X	X	X M/A
Delaware	X NR		X		
District of Columbia	X NR		X		
Florida	X(2)	X	X		X M/A
Georgia		X	X		
Idaho		X	X		X M/A
Illinois		X	X	X	
Indiana		X	X		
Kentucky	X		X		
Louisiana		X(3)	X	X	X M/A
Maine	X NR		X	X	X A
Maryland	X(4)		X		
Massachusetts		X	X	X	X M/A
Michigan		X(5)	X		
Minnesota		X	X		X M/A
Mississippi		X(6)	X		
Missouri		X	X		X M/A
Nevada		X(7)	X	X	X M/A
New Jersey		X(8)	X		
New York	X		X		
North Carolina		X	X		X M/A
Ohio		X(9)	X		X M/A
Oklahoma	X NR		X		X M/A
Oregon	X NR(10)	X	X	X(11)	X M/A
Pennsylvania		X(12)	X	X	X M/A
Rhode Island		X(13)	X	X	X M/A
South Carolina		X	X	X	X M/A
South Dakota	X NR		X		
Tennessee		X	X	X	X M/A
Texas	X NR		X		X
Utah		X(14)	X	X	X M/A
Virginia		X	X	X	X M/A
Washington	X		X		
West Virginia	X		X	X	X M/A
Wisconsin		X(15)	X		X M/A

NR = Not Reciprocal; A = Acquisition; M = Merger

Attachment I
Senate F I & I 3/24/87

(1) California becomes national on Jan. 1, 1991 (2) Florida savings associations may merge or acquire on a national basis; banks on a regional basis. (3) Louisiana becomes national on Jan. 1, 1989 (4) Maryland became national on July 1, 1986 with certain restrictions; (5) Michigan becomes national on Oct. 10, 1988; (6) Mississippi's region will expand from 5 to 14 states on July 1, 1990; (7) Nevada becomes national on Dec. 31, 1988; (8) New Jersey law becomes effective when 3 regional states adopt reciprocal laws that include New Jersey; New Jersey becomes national when 13 of 50 states, including at least 4 of the 10 largest in commercial bank deposits, have reciprocity with New Jersey; (9) Ohio becomes national on Oct. 18, 1988; (10) Oregon savings and loans can merge or acquire on a national basis; banks, on a regional basis (11) Only Oregon FDIC-insured savings banks may be acquired; (12) Pennsylvania becomes national for banks on March 5, 1990; (13) Rhode Island becomes national on July 1, 1987; (14) Utah becomes national on Dec. 31, 1987; (15) Wisconsin law becomes effective when 3 regional states adopt reciprocal laws that include Wisconsin.

*This survey is limited to present powers of financial institutions and holding companies to acquire financial institutions or holding companies across state lines. Such powers are based on state statutes. This survey does not include: interstate branching, grandfathered acquisitions, or supervisory mergers or acquisitions. This survey was updated on January 29, 1987.

Alabama	Ala. Code § 5-13A-1 to 10 (Supp. 1986), effective July 1, 1987. Regional bank holding companies may acquire Alabama banks or bank holding companies. Regional compact includes: Alabama, Arkansas, Florida, Georgia, Kentucky, Louisiana, Maryland, Mississippi, North Carolina, South Carolina, Tennessee, Virginia, West Virginia and the District of Columbia.
Alaska	Alaska Stat. § 06.05.235(e), (f) (Supp. 1986). An out-of-state bank holding company may acquire all or substantially all of the assets of one or more state banks, domestic bank holding companies or national banks conducting a banking business in the state. "Recently formed bank" defined as one "conducting business in the state since July 1, 1982, and not in existence and operating for a period of three years," may not be acquired.
Arizona	Ariz. Rev. Stat. Ann. §§ 6-321 to 6-327 (Supp. 1986). Out-of-state financial institutions (banks, savings associations and holding companies) may acquire in-state financial institutions (banks, savings associations and holding companies). Banks and savings and loans applying after May 31, 1984, for charter may not be acquired until 5 years from application date or July 1, 1992, whichever is earlier.

California	Act of Sept. 23, 1986, ch. 1057, Cal. Legis. Serv. ___ (West); Act of Sept. 26, 1986, ch. 1250, 1986 Cal. Legis. Serv.___ (West) (to be codified at Cal. Fin. Code §§ 3750 to 3761; 3770 to 3781), effective July 1, 1987. Regional bank holding company may acquire a California bank or bank holding company. Regional Compact includes: Alaska, Arizona, Colorado, Hawaii, Idaho, New Mexico, Oregon, Texas, Utah and Washington. California becomes national on a reciprocal basis on January 1 1991.
Connecticut	Conn. Gen. Stat. Ann. §§ 36-552, to -557, (West Supp. 1986). A New England bank holding company, bank, savings bank, and savings association may acquire a Connecticut bank, savings bank or savings association. New England bank holding company may acquire a Connecticut bank holding company. Regional compact includes: Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island and Vermont.
Delaware	Del. Code Ann. tit. 5 §§ 801 to 803 (1985). Out-of-state bank holding companies or subsidiaries thereof may acquire voting shares of Delaware banks, subject to restrictive conditions, e.g., stock of not more than two "newly established" single-office banks may be acquired. Acquiring institution must also satisfy certain capital requirements and provide employment for Delaware citizens.
District of Columbia	D.C. Code Ann.§§ 26-801 to 26-806.9 (Supp. 1986). A regional bank holding company may acquire a District bank or bank holding company. Regional compact includes: the District of Columbia, Alabama, Florida, Georgia, Louisiana, Maryland, Mississippi, North Carolina, South Carolina, Tennessee, Virginia and West Virginia. A nonregional bank holding company may only acquire a District bank or bank holding company in existence on December 18, 1985 and continually operating for at least two years prior to that date. A nonregional bank holding company must also make specific pledges to support the District economy by satisfying employment quotas of District citizens and by making loans in "target economic development project" areas.
Florida	Fla. Stat. Ann. § 658.295 (West 1984). A regional bank holding company may acquire a Florida bank or bank holding company. Only Florida banks in existence and continually operating for more than 2 years may be acquired. Regional compact includes: Alabama, Arkansas, Florida, Georgia, Louisiana, Maryland, Mississippi, North Carolina, South Carolina, Tennessee, Virginia, West Virginia and the District of Columbia. Act of June 2, 1986, ch. 86-58, 1986 Fla. Sess.

	Law Serv. 121 (West) (to be codified at Fla. Stat. Ann § 665.034). A foreign association may aquire a Florida association on a national reciprocal basis. Only Florida associations in existence and continually operating for more than two years may be acquired. The act shall take effect on January 1, 1987.
Georgia	Ga. Code Ann.§ 7-1-620 to 7-1-627 (Supp. 1986). Southern Region bank holding companies may acquire compact member banks and holding companies. Only Georgia banks in existence and continually operating for five years may be acquired. Regional compact includes: Alabama, Florida, Georgia, Kentucky, Louisiana, Mississippi, North Carolina, South Carolina, Tennessee and Virginia.
Idaho	Idaho Code § 26-2601 to -2612 (Supp. 1986). Regional financial institutions or regional financial instutition holding companies may acquire or merge with Idaho financial institutions or Idaho financial institution holding companies. Only Idaho institutions in existence and actually engaged in business for four years may be acquired. Regional compact includes: Idaho, Montana, Nevada, Oregon, Utah, Washington and Wyoming.
Illinois	Ill. Ann. Stat. ch. 17 ¶ 2502, 2505 and 2510 (Smith-Hurd Supp. 1986). A Midwest bank holding company may acquire one or more Illinois banks or bank holding companies. Acquired institution must have engaged in business for ten years. Regional compact includes: Illinois, Indiana, Iowa, Kentucky, Michigan, Missouri and Wisconsin.
Indiana	Ind. Code Ann. §§ 28-2-15-1 to -28 (West Supp. 1986). A regional bank holding company may acquire an Indiana bank or bank holding company. Only Indiana banks in existence and continually operating for five years may be acquired. Regional compact includes: Illinois, Indiana, Kentucky, Michigan and Ohio.
Kentucky	Ky. Rev. Stat. § 287.900 (Michie/Bobbs Merrill Supp. 1986). Any bank holding company may acquire a Kentucky bank or bank holding company. Only Kentucky banks in existence for five years may be acquired.
Louisiana	H.B. 2031, (to be codified at La. Rev. Stat. Ann. §6:531 to 54) Effective July 1, 1987. A regional bank holding company may acquire a Louisiana bank holding company, a bank or another regional bank holding company having a Louisiana bank subsidiary. H.B. 2187, (to be codified at La. Rev. Stat. Ann. §6:950.1 to 950.8). Effective July 1, 1987. A regional savings and loan holding company or a savings association may acquire a

	Louisiana savings and loan holding company, a savings association or another regional savings and loan holding company having a Louisiana savings association subsidiary. Regional compact includes: Alabama, Arkansas, Florida, Georgia, Kentucky, Louisiana, Maryland, Mississippi, North Carolina, Oklahoma, South Carolina, Tennessee, Texas, Virginia, West Virginia, and the District of Columbia. Louisiana becomes national on a reciprocal basis on January 1, 1989.
Maine	Me. Rev. Stat. Ann. tit. 9-B, § 1013 (Supp. 1986). A non-Maine financial institution holding company may establish or acquire control of one or more Maine financial institutions or Maine financial institution holding companies. The acquired institution must have a minimum equity capital of $1 million.
Maryland	Md. Fin. Inst. Code Ann. § 5-1003 (Supp. 1985). An out-of-state bank holding company may acquire a Maryland bank, or a bank holding company. Regional compact includes: from July 1, 1985, through June 30, 1987, Delaware, Maryland, Virginia, West Virginia and the District of Columbia. After July 1, 1987 region will also include , Alabama, Arkansas, Florida, Georgia, Kentucky, Louisiana, Mississippi, North Carolina, Pennsylvania, South Carolina, and Tennessee. Section 5-903 (Supp. 1985), permits any out-of-state holding company or its subsidiary to acquire one or more banks, subject to restrictive conditions.
Massachusetts	Mass. Gen. Laws Ann. ch. 167, §§ 38, 39 (West 1984). A New England banking association or corporation may merge or purchase assets of any Massachusetts bank. Regional compact includes: Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island and Vermont.
Michigan	Mich. Comp. Laws Ann. § 487.430b (West Supp. 1986). Regional bank holding company may acquire control of any number of Michigan banking institutions. Regional compact includes: Illinois, Indiana, Michigan, Minnesota, Ohio and Wisconsin. Michigan becomes national on a reciprocal basis on October 10, 1988.
Minnesota	Act of March 19, 1986, ch. 339, 1986 Minn. Laws 1207 (to be codified at Minn. Stat. Ann. §§ 48.90 to 48.99, 51A.58). Bank holding companies may acquire Minnesota banks or bank holding companies. Savings associations may merge or acquire savings associations across state lines. Regional compact includes: Iowa, Minnesota, North Dakota, South Dakota and Wisconsin.

Mississippi	Act of April 14, 1986, ch. 469, 1986 Miss. Laws 1207 (to be codified at Miss. Code Ann. §§ 81-8-1 to 81-8-11). A regional bank holding company may acquire a Mississippi bank or a bank holding company. Only Mississippi institutions that has been in existence and continually operating for more than five years may be acquired. Until July 1, 1990 regional compact includes: Alabama, Arkansas, Louisiana, Mississippi and Tennessee. After July 1, 1990 the regional compact will also include: Florida, Georgia, Kentucky, Missouri, North Carolina, South Carolina, Texas, Virginia and West Virginia.
Missouri	Act of April 30, 1986, 1986 Mo. Laws 203 (to be codified at Mo. Rev. Stat. §§ 362.910; .925). A regional bank holding company may acquire control of Missouri banks or bank holding companies. Act of May 19, 1986, 1986 Mo. Laws 367 (to be codified at Mo. Rev. Stat. §§ 369.014; 369.359; 369.361). A regional savings association or savings and loan holding company may acquire or merge with a Missouri savings association or a savings and loan holding company. Regional compact includes: Arkansas, Illinois, Iowa, Kansas, Kentucky, Missouri, Nebraska, Oklahoma and Tennessee.
Nevada	Nev. Rev. Stat. §§ 665.225 to -.335 (1985). A foreign depository institution and foreign depository institution holding company may acquire a Nevada depository institution or Nevada depository institutions holding company. Only depository institutions in operation as of July 1, 1985, may be acquired. Nevada becomes national on December 31, 1988. Regional compact includes: Alaska, Arizona, Colorado, Hawaii, Idaho, Montana, Nebraska, New Mexico, Oregon, Utah, Washington and Wyoming.
New Jersey	Act of March 28, 1986, ch. 5, 1986 N.J. Laws 13 (to be codified at N.J. Rev. Stat. Ann. § 17:9A-1). Regional bank holding companies may acquire New Jersey banks or bank holding companies. Regional compact includes: Delaware, Illinois, Indiana, Kentucky, Maryland, Michigan,Missouri, New Jersey, Ohio, Pennsylvania, Tennessee, Virginia, West Virginia, Wisconsin and District of Columbia. The law becomes effective when three of the following states have reciprocal laws that include New Jersey: Illinois, Indiana, Kentucky, Maryland, Michigan, Ohio, Tennessee, Virginia, and Wisconsin. New Jersey becomes national when 13 of 50 states, including 4 of the 10 largest in commercial bank deposits have reciprocity with New Jersey.
New York	N.Y. Banking Law § 142-b (McKinney Supp. 1986). An out-of-state bank holding company or a subsidiary thereof may acquire one or more banking institutions on a national reciprocal basis.

North Carolina	N.C. Gen. Stat §§ 53-209 to 53-218 (Supp. 1985). A Southern Region bank holding company may acquire a North Carolina bank holding company or a bank. N.C. Gen. Stat. §§ 54B-48.1 to .9 (Supp. 1985). A Southern Region savings and loan holding company or a Southern Region savings association may acquire a North Carolina savings and loan holding company or a savings association. Only savings associations in existence and continually operating for more than five years may be acquired. Regional compact includes: Alabama, Arkansas, Florida, Georgia, Kentucky, Louisiana, Maryland, Mississippi, North Carolina, South Carolina, Tennessee, Virginia, West Virginia and the District of Columbia.
Ohio	Ohio Rev. Code Ann.§§ 1101.04, .05, 1151.71 .72.(Anderson Supp. 1985). A regional bank or bank holding company may acquire an Ohio bank or bank holding company. A regional savings association or a savings and loan holding company may acquire an Ohio savings association or a savings and loan holding company. Regional compact includes: Delaware, Illinois, Indiana, Kentucky, Maryland, Michigan, Missouri, New Jersey, Ohio, Pennsylvania, Tennessee, Virginia, West Virginia, Wisconsin and the District of Columbia. Ohio becomes national on a reciprocal basis on October 18, 1988.
Oklahoma	Act of May 7, 1986, 1986 Okla. Sess. Law Serv. 439 (West) (to be codified at Okla Stat. Ann. tit. 6 §504), effective July 1, 1987. A foreign bank holding company may acquire and operate as a bank an unlimited number of in-state banks, Oklahoma bank holding companies and multi-bank holding companies. Acquired banks have to be in existence and continually operating for more than five years before the effective date of the act. Act of June 9, 1986, 1986 Okla. Sess. Law Serv.739, (to be codified at Okla. Stat. Ann. tit. 18 § 381.71), effective July 1, 1987. Any out-of-state savings institution may acquire control of and operate as a savings institution an unlimited number of-in state savings institutions. Those acquired in-state institutions must be in existence and continuous operation for more than five years before the effective date of the act.
Oregon	Or. Rev. Stat. §§ 706.005, 715.010, 715.015, 715.025 (1985). A regional bank and bank holding company may acquire an Oregon bank or bank holding company. Only banks in existence and continually operating for three years may be acquired. Regional compact includes: Alaska, Arizona, California, Hawaii, Idaho, Nevada, Oregon, Utah and Washington. Or. Rev. Stat. § 722.072 (1985). Savings associations may be acquired by a foreign association on a national, nonreciprocal basis.

Pennsylvania	S.B. 1075 (to be codified at Pa. Stat. Ann. tit. 7 § 115, 116). A regional bank holding company may acquire control of a Pennsylvania institution or bank holding company. S.B. 1389 (to be codified at Pa. Stat. Ann. tit. 7 § 117). A regional thrift institution (savings bank or association) or regional thrift institution holding company may acquire a Pennsylvania savings bank or savings bank holding company. S.B. 1390 A regional thrift institution (savings bank or association) or a regional thrift institution holding company may acquire a Pennsylvania association or association holding company. Regional compact includes: Delaware, Kentucky, Maryland, New Jersey, Ohio, Pennsylvania, Virginia, West Virginia, and the District of Columbia. Pennsylvania becomes national for banks on a reciprocal basis on March 5, 1990.
Rhode Island	R.I. Gen. Laws §§ 19-30-1 to 19-30-13 (Supp. 1986); An out-of-state bank or bank holding company may acquire control of one or more Rhode Island banks or bank holding companies. Statutory definition of bank includes savings banks and savings and loan associations. Regional compact includes: Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island and Vermont. Becomes national on a reciprocal basis on July 1, 1987.
South Carolina	S.C. Code Ann. § 34-24-10 to 34-24-100 (Law. Co-op. Supp. 1985). A Southern Region bank holding company may acquire a South Carolina bank or a bank holding company. S.C. Code Ann. §§ 34-25-400 to 34-25-490 (Law. Co-op. Supp. 1985), A Southern Region savings and loan holding company may acquire a South Carolina savings association, savings bank or savings and loan holding company. A Southern Region savings association may acquire a South Carolina association. Only South Carolina banks and savings associations in existence and continually operating for 5 years may be acquired. Regional compact includes: Alabama, Arkansas, Florida, Georgia, Kentucky, Louisiana, Maryland, Mississippi, North Carolina, South Carolina, Tennessee, Virginia, West Virginia and the District of Columbia.
South Dakota	S.D. Codified Laws Ann. §§ 51-16-40 to 41 (Supp. 1986). Any out-of-state bank holding company may acquire control of a single new or existing bank. Acquired bank must be operated in a manner not to the detriment of existing state banks. Out-of-state bank holding companies may acquire new banks subject to a $5 million minimum capital requirement. Existing state banks and national banks may be acquired without capital restriction.

Tennessee	Tenn. Code Ann. §§ 45-12-101 to 45-12-108 (Supp. 1986). A regional bank holding company may acquire a Tennessee bank or bank holding company. Only banks in existence and continually operating for more than five years may be acquired. Tenn. Code Ann. §§ 45-3-1401 to 45-3-1404 (Supp. 1986). A Southern Region savings and loan holding company or a Southern Region savings association may acquire a Tennessee savings and loan holding company or a Tennessee savings association. Regional compact includes: Alabama, Arkansas, Florida, Georgia, Indiana, Kentucky, Louisiana, Mississippi, Missouri, North Carolina, South Carolina, Tennessee, Virginia, and West Virginia.
Texas	S.B. 11-XX, (to be codified at Tex. Rev. Civ. Stat. Ann. art. 342-101, -102,-404,-912,-914), effective July 15, 1986. An out-of-state bank holding company may acquire Texas bank a national bank located in the state, or a Texas bank holding company. Only banks in existence and operating for five years may be acquired. An acquisition or merger that results in granting control of a bank that retains over 25% of the states deposits is prohibited. S.B. 31-XX (to be codified at Tex. Rev. Civ. Stat. Ann. art. 852a-4.01) Texas associations may conduct the business of a savings and loan in any state through the ownership of another association.
Utah	Utah Code Ann. §§ 7-1-103, 7-1-702 to 7-1-703 (Supp. 1986). A regional depository institution or depository institution holding company may acquire Utah depository institution or depository institution holding company. Regional compact includes: Alaska, Arizona, Colorado, Hawaii, Idaho, Montana, Nevada, New Mexico, Oregon, Utah, Washington and Wyoming. Utah becomes national on December 31, 1987.
Virginia	Va. Code Ann.§§ 6.1-194.96 to -.106, -398 to -407 (Supp. 1986). A regional bank holding company may acquire a Virginia bank or a Virginia bank holding company. A regional savings institution or a savings institution holding company may acquire a Virginia savings institution or a savings institution holding company. Only banks and savings institutions in existence and continually operating for more than two years may be acquired. Regional compact includes: Alabama, Arkansas, Florida, Georgia, Kentucky, Louisiana, Maryland, Mississippi, North Carolina, South Carolina, Tennessee, Virginia, West Virginia and the District of Columbia.
Washington	Wash. Rev. Code Ann. § 30.04.230 (1986). An out-of-state bank holding company may acquire all or substantially all of the assets of a bank, trust company or national banking

association. Only banks in existence and continuously operating for three years may be acquired.

West Virginia — W. Va. Code §§ 31-6-7 to -7a; 31A-8A-7 (Supp. 1986). Bank holding companies may acquire West Virginia banks or bank holding companies. Savings and loan holding companies may acquire savings associations. Savings asssociations may acquire a West Virginia savings association, a savings bank or a savings and loan holding company. Only savings associations that have been in existence and operating for two years may be acquired. The state supervisor may not approve a savings association acquisition that results in an institution that retains 20% of all deposits of West Virginia financial institution.

Wisconsin — Wis. Stat. Ann. §§ 215.36; 221.58 (West Supp. 1986). A regional bank or bank holding company may acquire a Wisconsin bank or bank holding company. A regional savings association may acquire a Wisconsin savings association. A regional Savings and loan holding company may acquire either a Wisconsin savings association or savings and loan holding company. Regional compact includes: Illinois, Indiana, Iowa, Kentucky, Michigan, Minnesota, Missouri and Ohio. Only those Wisconsin financial institutions in existence for five years may be acquired. The law becomes effective for banks when 3 of the regional states adopt reciprocal laws that permit entry by Wisconsin banks. Two of the three regional states must come from the following group: Illinois, Indiana, Iowa, Michigan or Minnesota. The same two conditions regarding the effective date of the law applies to interstate acquisition of savings and loans. The adoption of interstate acquisition of banks by a regional state without similar authority for savings associations will go to satisfy the effective date requirement for banks but not for savings and loans.

TESTIMONY TO THE HOUSE JUDICIARY COMMITTEE

RE: HOUSE BILL 2418

PRESENTED BY: LAWRENCE T. BUENING, JR.,
GENERAL COUNSEL, ON BEHALF OF
THE KANSAS STATE BOARD OF HEALING ARTS

Due to inadvertence, I was unaware that the above-captioned House Bill was set for hearing and previously heard by the Committee. I would like to take this opportunity to briefly express some of the concerns regarding this bill as conveyed to me by Richard A. Uhlig, D.O., Secretary for the Board of Healing Arts.

Initially, I should advise that the Board of Healing Arts recognizes the desirability for the various technical changes and clarifications contained within HB 2418 and is supportive of these changes. However, there are three areas of concern which the Board would like to address.

The first concern deals with the definition of reportable incident set forth on page 23 at lines 0835 through 0839 of the bill. The Board feels that any conduct which may be grounds for disciplinary action under the Healing Arts Act, any of the other statutes by which the Board of Healing Arts regulates professions or any of the other boards regulating of health care providers should be included within the definition of reportable incident. However, it is felt that the definition of reportable incident would be clearer if it was defined in the following manner:

"Reportable incident" means an act by a health care provider which: (1) Is or may be below the applicable standard of care and has a reasonable probability of causing injury to a patient; or (2) may be grounds for disciplinary action by the appropriate licensing agency."

The present definition as set forth in the bill relates disciplinary action only to those three professions licensed under the Healing Arts Act in K.S.A. 65-2836. However, there are a number of other professions which come within the provisions of the reporting requirements by virtue of being health care providers as defined in K.S.A. 40-3401. It should also be noted that if the changes above described were made to the bill similar language as set forth in lines 0051 through 0054 on page 25 of the bill should similarily be modified.

The second concern deals with the inclusion in the bill of the clause "include with its quarterly" set forth on lines 0048 and 0049 of page 25 of the bill. The Board is concerned that the addition of this clause would remove from the committees the obligation to report immediately upon the taking of an action. The quarterly report required is set forth in K.S.A. 1986 Supp. 65-4923(d) and is on page 26 of the bill. The quarterly reports require only a summary. Therefore, the Board is concerned that by allowing the committees to report findings only with their quarterly reports could result in additional delays in the Board receiving information regarding this. Another issue regarding this particular concern is that if the changes suggested in lines 0051 through 0055 are made that it may also be appropriate to change the language set forth in subsections (a)(2) and (a)(3) of K.S.A. 1986 Supp. 65-4923 in order that the reporting obligations irrespective of where the incident occurred would be the same.

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Finally, although this is more of a procedural matter and has little substantive value, it would be of assistance to the Board if K.S.A. 1986 Supp. 65-4923 (d) as set forth in lines 0097 through 0102 on page 26 of the bill was modified to read as follows:

(d) Each review and executive committee referred to in subsection (a) shall submit to the appropriate state licensing agency a quarterly report summarizing the reports received by the committee pursuant to this section. The reports shall be made within 30 days following the end of each calendar quarter and shall include the number of reportable incidents reported, whether an investigation was conducted and any action taken.

Thank you very much for the opportunity to present this testimony to the Committee. My apologies for not being present in person at the time the Committee originally heard this bill.

LTB/sl
cc: 20 - Rep. Bob Wunsch
1 - Rep. John Solbach
1 - Rep. Kathleen Sebelius

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KANSAS MEDICAL SOCIETY
1300 Topeka Avenue · Topeka, Kansas 66612 · (913) 235-2383

March 24, 1987

TO: Senate Financial Institutions and Insurance Committee

FROM: Jerry Slaughter
Executive Director

SUBJECT: HB 2418; Concerning Cleanup Amendments to the Medical Malpractice Reform Bill, 1986 HB 2661

The Kansas Medical Society appreciates the opportunity to comment on HB 2418, which is a series of amendments to the comprehensive medical malpractice bill passed by this legislature last year.

During the summer of 1986, as all affected agencies worked to implement the various provisions of the medical malpractice bill, it became apparent that several technical changes and clarifying amendments needed to be added. For example, a gap in coverage for physicians who retire was inadvertently adopted. HB 2418 corrects that mistake retroactive to last year.

We met with the Kansas Insurance Department, the Board of Healing Arts and the Kansas Hospital Association, and each group recommended some of the changes which are included in this piece of legislation. The bill generally represents a consolidation of all the changes which were found to be necessary to clarify some ambiguous provisions and correct other areas that have turned out to be difficult to administer and to comply with.

The bill had no opposition in the House, both at the committee level and during floor debate. A vast majority of the changes included are merely technical or intended to clarify provisions enacted last year. Attached to this memo is a section by section summary of the bill as it came over from the House. I will briefly highlight some of the more significant points, and be happy to respond to any of the changes in greater detail.

We appreciate your consideration of these comments, and respectfully ask for your support. Thank you.

JS:nb

Attachment

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HB 2418: SUMMARY OF PROVISIONS
(As Amended by House Committee of the Whole)

Section 1.
Section 1 amends the bill by adding psychiatric hospitals to the definition of "health care provider," for the purposes of mandating compliance with the mandatory insurance requirement of the Health Care Provider Insurance Availability Act.

Section 2.
Section 2 amends K.S.A. 40-3403. It eliminates the requirement that resident or nonresident inactive health care providers must have paid into the fund for at least three years the applicable surcharge or an equivalent amount to be covered by the fund for incidents arising after July 1, 1986. Also, at line 341, certain psychiatric hospitals not previously covered by the Act are exempted (relates to Section 1).

Section 3.
Section 3 deletes the experience rating requirement which was to have been implemented for claims and losses reflected at the Health Care Stabilization Fund level.

Section 4.
Section 4 amends the public records act to exclude risk management records when those records are in the hands of a licensing agency, and also excludes experience rating information compiled by the Department of Insurance from disclosure under the act.

Section 5.
Section 5 clarifies when a license may be revoked, suspended, or limited by the Board of Healing Arts for the improper prescribing, selling, administering or giving of a controlled substance.

Section 6.
Section 6 clarifies unprofessional conduct related to the maintenance of medical records, and cleans up technical terms at (15) and (16).

Section 7.
Section 7 modifies the peer review statute by providing consistency and further clarification of the various definitions appearing at K.S.A. 65-4915. This section also defines "peer review officer or committee" (line 963). For consistency, discovery of the information contained in peer review records is no longer discoverable through the testimony of a participant in the process under this section (line 974). Section 7 also allows for information to be shared among peer review committees without waiving the privileges of the statute (line 1007).

Section 8.
Section 8 amends K.S.A. 1985 Supp. 65-4921 to clarify and define "appropriate licensing agency;" and to further clarify what constitutes a "reportable incident."

Section 9.
Section 9 allows a hospital to rely upon its existing policies and procedures in formulating a risk management plan.

Section 10.
Section 10 further clarifies reportable incidents as defined in Section 8. The section also defines "knowledge" as it applies to circumstances under which incidents must be reported. Section 10 also states that the physician-patient privilege statute is not negated by reports required in this section.

Section 11.
Section 11 clarifies and strengthens the confidentiality of risk management reports. This section also for consistency defines persons and committees involved in the risk management process as "peer review committees" under K.S.A. 65-4915.

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assessed a premium surcharge or be entitled to coverage under the fund if such hospital has not paid any premium surcharge pursuant to K.S.A. 40-3404 and amendments thereto prior to ~~the effective date of this act and submits annually to the commissioner evidence, satisfactory to the commissioner, of professional liability insurance coverage or self-insurance in an amount not less than the aggregate amount of coverage provided by basic coverage and coverage under the fund.~~]

January 1, 1988.

Sec. 3. K.S.A. 40-3404 is hereby amended to read as follows: 40-3404. (a) Except for any health care provider whose participation in the fund has been terminated pursuant to subsection (i) of K.S.A. 40-3403 and amendments thereto, the commissioner shall levy an annual premium surcharge on each health care provider who has obtained basic coverage and upon each self-insurer for each fiscal year. Such premium surcharge shall be an amount equal to a percentage of the annual premium paid by the health care provider for the basic coverage required to be maintained as a condition to coverage by the fund by subsection (a) of K.S.A. 40-3402 and amendments thereto. The annual premium surcharge upon each self-insurer, except for the university of Kansas medical center for persons engaged in residency training, shall be an amount equal to a percentage of the amount such self-insurer would pay for basic coverage as calculated in accordance with rating procedures approved by the commissioner pursuant to K.S.A. 40-3413 and amendments thereto. The annual premium surcharge upon the university of Kansas medical center for persons engaged in residency training shall be an amount equal to a percentage of an assumed aggregate premium of $600,000.

(b) In the case of a resident health care provider who is not a self-insurer, the premium surcharge shall be collected in addition to the annual premium for the basic coverage by the insurer and shall not be subject to the provisions of K.S.A. 40-252, 40-1113 and 40-2801 *et seq.*, and amendments thereto. T amount of the premium surcharge shall be shown separately the policy or an endorsement thereto and shall be specifically identified as such. Such premium surcharge shall be due and

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manager of the facility. The chief of the medical staff, chief administrative officer or risk manager shall refer the report to the appropriate executive committee which is duly constituted pursuant to the bylaws of the facility. The executive committee shall investigate all such reports and take appropriate action. The committee shall have the duty to report to the department of health and environment any finding that the facility acted below the applicable standard of care ~~or in a manner which may be grounds for disciplinary action pursuant to K.S.A. 65-2836 and amendments thereto~~ **and which has a reasonable probability of causing injury to a patient,** so that appropriate disciplinary measures may be taken.

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(4) As used in this subsection (a), "knowledge" means familiarity because of direct involvement or observation of the incident.

(5) This subsection (a) shall not be construed to modify or negate the physician-patient privilege, the psychologist-client privilege or the social worker-client privilege as codified by Kansas statutes.

(b) If a reportable incident is reported to a state agency which licenses health care providers, the agency may investigate the report or may refer the report to a review or executive committee to which the report could have been made under subsection (a) for investigation by such committee.

(c) When a report is made under this section, the person making the report shall not be required to report the reportable incident pursuant to K.S.A. 65-28,122 and amendments thereto. When a report made under this section is investigated pursuant to the procedure set forth under this section, the person or entity to which the report is made shall not be required to report the reportable incident pursuant to K.S.A. 65-28,121 or 65-28,122, and amendments thereto.

(d) Each review and executive committee referred to in subsection (a) shall submit to the appropriate state licensing agency, **on a form promulgated by such agency,** at least once every three months, a report summarizing the reports received by the committee pursuant to this section. The report shall include the

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