

Approved February 19, 1988
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 18, 1988 in room 529-S of the Capitol.

All members were present except:

Sen. Gannon - Excused

Committee staff present:

Bill Wolff, Legislative Research
Bill Edds, Revisor of Statutes

Conferees appearing before the committee:

Tom Bell, Kansas Hospital Association
Bob Alderson, Attorney for Consumer Credit Commissioner
Jim Turner, Kansas League of Savings Institutions

The minutes of February 17 were approved.

Tom Bell, Kansas Hospital Association, appeared to request the introduction of a bill. (See Attachment I.) The bill has been requested by the CSJ (Sisters of St. Joseph) Health Systems which operates seven hospitals in the state. At present, they have one hospital with self-insurance. They would like to be able to self-insure all of their hospitals for professional liability.

Sen. Burke made a motion to introduce the bill, Sen. Kerr seconded, and the motion carried.

Attention was turned to SB 552 amending and supplementing the uniform consumer credit code. Bob Alderson, an attorney retained by the Consumer Credit Commissioner for the purpose of going through the UCCC for a clean-up bill, testified in support of the bill. He emphasized that his intent is not to affect policy but only to clean-up. He indicated that the Commissioner, her staff, and Stan Lind had put the bill together. He went through the proposed amendments with the committee beginning with the one on page 1, line 29. Others are as follows: page 2, lines 58-61 on which two separate definitions of "administrator" is reduced to a single definition; page 3, line 104, defining costs; page 4, lines 136-38, removing "contracts for deed"; line 142, removing surplus language; page 6, lines 208-11, eliminating reference to commissions earned by credit arrangers because the state does not have them; page 10, lines 356-57, eliminating the reference to "Agricultural Credit Corporation"; page 11, lines 385-86, clarifies the language by making a new subsection out of existing language; page 12, lines 417-21, this section is being amended in SB 507, and he is proposing it to be stricken because it has expired by its own terms, the same applies to lines 462-66; pages 16 and 17, language not being eliminated but appears as new Section 11 on page 21; page 18, proposed striking of lines 639-44 which refers back to page 6 in which finance charge does not include closing costs and also striking reference to that section on page 17; page 20, lines 713-17, striking reference to "loans for agricultural purpose" because this was removed years ago; page 21, lines 762-63, striking reference to extension of credit; going back to lines 514-15, an identical kind of amendment as on page 11, New Subsection 4 out of language in subsection 3; page 15, lines 554-58, striking language which has expired by its own terms.

Mr. Alderson said the possibly confusing area is on lines 559-62 regarding the 3% origination fee. The proposal is to move 2-501 and list it as an additional fee. He feels this is appropriate, but under truth in lending, the origination fee is defined as being a finance charge. If this is put in 501, "additional charge" is not included. Under truth in lending, it is a finance charge; but the committee's consideration is, should it be put in our state law and cause it to mislead people?

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 18, 1988.

If it is put in state law as not a finance charge, but lenders have to disclose it as a finance charge under truth in lending, it becomes confusing. Committee discussion followed with staff and Mr. Alderson as to how new language could be amended in to reflect that the origination fee is a prepaid finance charge and is separate from interest and, thus, eliminate confusion. The Chairman then asked if SB 507 should read exactly as in SB 552. Mr. Alderson said that it would not need to--it is a policy decision. Staff noted that the amount is the same for the buyer no matter what formula is used.

With regard to the use of "creditor" on line 178 of SB 507, Mr. Alderson said the only person it is actually talking about is the lender and suggested that it should read the same as in SB 552. He also noted a further amendment in SB 552 on page 18, lines 646-47 where "effective date" is used, but it was not in the original language and so in order to clarify which is the effective date, he suggested that July 1, 1982, be inserted. Sen. Werts began a discussion as to the point of confusion which arises as a result of "creditor" (such as in lines 178 and 159) referring both to lender and seller. Sen. Karr had questions answered by staff and Mr. Alderson about arrangers of credit.

Jim Turner, Kansas League of Savings Institutions, did not wish to testify but addressed questions to the committee and staff. With regard to line 4, Mr. Turner asked what interest rate governs what is charged. Staff said three can be used: 207-a; 207, subsection (b); or subsection (h) of 207. Mr. Turner's second question referred to page 15 where the 3% origination fee on real estate loans is deleted. Staff explained that it is a shorthand way of consumer loans being secured by interest on land. This concluded the hearing on SB 552.

The chairman told the committee that he was having members of the industry prepare a summary of SB 507 compared to existing law which will be discussed tomorrow.

Sen. Reilly reported that the Insurance Subcommittee has met on SB 489 but needs to meet again. Therefore, they will not be prepared to report tomorrow.

The chairman said SB 665 will be heard tomorrow, and Senate Bills 539, 552, and 507 will be discussed.

The meeting was adjourned.

SENATE COMMITTEE

ON

FINANCIAL INSTITUTIONS AND INSURANCE

OBSERVERS
(Please print)

DATE	NAME	ADDRESS	REPRESENTING
2/18	Jim June	Topeka	KLSI
"	BIRD GRANT	"	KCU
"	JOE A. MORRIS	"	KLSI
"	BOB ADZEZOW	"	CONSUMER CREDIT COMM.
"	J Stinger	"	"
"	J Smullon	"	KDA
"	Perry Humphrey	"	KMHA
"	Jerry Wright	Topeka	KCUK
"	Tom Robson	Jess City mo	Beneficial
"	LARRY MAGILL	TOPEKA	IIAK

A Bill amending K.S.A. §40-3414 of the Health Care Provider Insurance Act to qualify a system of health care provider facilities as a self-insurer.

40-3414. Qualification of health care provider or system of health care facilities as self-insurer; cancellation of certificate of self-insurance, grounds; payment of surcharge; Kansas Soldiers' Home, certain persons engaged in residency training and certain persons engaged in a post-graduate training program as self-insurers. (a) Any health care provider, or any health care system organized and existing under the laws of the State of Kansas which owns or controls and operates two or more medical care facilities licensed by the Department of Health and Environment, whose aggregate annual insurance premium is or would be \$100,000 or more (Underlining indicates new material.)

Attachment I