

Approved March 21, 1988  
Date

MINUTES OF THE SENATE COMMITTEE ON FINANCIAL INSTITUTIONS AND INSURANCE

The meeting was called to order by Sen. Joseph Harder at  
Vice-Chairperson

9:00 a.m./~~p.m.~~ on March 18, 1988 in room 529-S of the Capitol.

All members were present except:

Senators Arasmith, Gannon, Strick, Burke, and Reilly - Excused

Committee staff present:

Bill Wolff, Legislative Research  
Bill Edds, Revisor of Statutes

Conferees appearing before the committee:

Jerel Wright, Kansas Credit Union League  
Ron Todd, Kansas Insurance Department

The minutes of March 17 were approved.

The hearing began on HB 2736 dealing with the powers of credit unions. Jerel Wright, Kansas Credit Union League, testified in support of the bill. (See Attachment I.) Sen. Werts had questions about the current central credit union structure and why a change is wanted. Mr. Wright said he is not requesting a change but something different than at present. The request is to allow one of the two existing central credit unions to form an organization that can serve other credit unions in the state and in other states, in other words, a service organization for credit unions. It was felt that language is needed to state that this is allowed. Mr. Wright and Sen. Werts answered Sen. Warren's questions as to why this service is wanted and needed. Staff added that other states will be assured that the U.S. Central Credit Union is legal and supervised by the state. Sen. Karr asked if U.S. Central would become competitive with other service corporations in Kansas. Mr. Wright said that there was an agreement when the bill was drafted that U.S. Central would not compete for the same services.

Sen. Kerr made a motion to make the suggested technical amendment on line 31, Sen. Karr seconded, and the motion carried.

Sen. Kerr made a motion to recommend HB 2736 favorable for passage as amended, Sen. Karr seconded, and the motion carried.

Attention was turned to HB 2167 regarding general insurance code changes. Ron Todd of the Kansas Insurance Department testified on the bill. He said the Department is neutral on it, but he did have some comments on it. As to the background of the bill, it was originally proposed by a joint committee on rules and regulations a year ago after an interim study. It was felt by the committee that some of the statutes pertaining to types of insurance could be combined in an attempt to shorten the statutes. This bill does not make any policy changes but does change a lot of statutes. If the committee wishes to follow through with this theory, further changes will need to be made because there have been changes in the statutes since the interim study was done.

Sen. Warren asked what the benefit of doing this is. Mr. Todd answered that he could not name any. Staff explained some of the sentiment that the joint committee had when considering this. The statutes of the Department of Insurance begin with the Insurance Act. However, the legislature stopped incorporating the insurance statutes in the code and began adding on. Some of what has been added is duplication. The interim committee had a difficult time deciding what authority the Commissioner has insofar as the additions to the code. The committee's first choice was to have a resolution requesting that a study be done by the industry, but this was not successful. Therefore, their

CONTINUATION SHEET

MINUTES OF THE SENATE COMMITTEE ON FINANCIAL INSTITUTIONS AND INSURANCE,

room 529-S, Statehouse, at 9:00 a.m./~~p.m.~~ on March 18, 1988.

second choice was this bill to combine these additions into the code.

Sen. Warren asked if it would still be confusing. Mr. Todd said that would depend on who you are asking. Staff said several sections of this bill have been amended, and other sections have been treated by other bills in the legislature this session. If this bill is passed, it will require a great deal of work to reconcile it, and the question is whether it is worth it or not. Sen. Werts commented that modernizing a statute is worth the trouble. Staff responded that there are no substantive changes in this bill, and it does very little other than reposition which is not worth all the work it will necessitate. It will accomplish very little. Sen. Werts said he felt it would provide consistency and clarity within an agency. Staff said that the bill does not provide any service to lawyers, insurance companies, or anybody else. Perhaps it would be shorter to someone beginning to use it after it is enacted, but it does not serve any real purpose.

Sen. Karr, who served on the interim joint committee, said the focus of the committee became on the authority of the Commissioner more than a need for modernization. Also, the committee did not feel this bill was the best alternative. He felt nothing was really resolved after doing extensive study. Mr. Todd added that he does not think this bill addresses the authority of the Commissioner because of the compromising nature of it. Sen. Karr reiterated that a lot of work was done for two years by the joint committee, and they were not able to come up with anything of substance. Staff informed the committee that the rules and regs have been cleaned up even though the statutes have not changed.

Sen. Karr felt the committee should invite Sen. Salisbury, who chaired the interim committee, to speak to them before action is taken on the bill, and other committee members were in agreement with this.

The meeting was adjourned.

SENATE COMMITTEE

ON

FINANCIAL INSTITUTIONS AND INSURANCE

OBSERVERS  
(Please print)

DATE                      NAME                      ADDRESS                      REPRESENTING

Dick Bruck

Topeka

Ins Dept

Ron Todd

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Lee WRIGHT

Overland Park

Farmers Ins Group

TESTIMONY ON H.B. 2736

AN ACT relating to credit unions; concerning  
powers of central credit unions

Presented to the

SENATE COMMITTEE ON  
FINANCIAL INSTITUTIONS AND INSURANCE

March 18, 1988

by the

KANSAS CREDIT UNION LEAGUE

Mr. Chairman and members of the Committee:

I am Jerel Wright, the Governmental Affairs Director for the Kansas Credit Union League (KCUL). I am here to testify in support of House Bill 2736 which amends K.S.A. 17-2214.

Additional Central Credit Union Power

House Bill 2736 would allow central credit unions to form organizations which would provide operational and financial services for credit unions only. State-chartered central credit unions wish to form an organization which could provide investment advisory services and investment educational services to credit unions.

Kansas has two state-chartered central credit unions. The purpose and function of the central credit union is to provide services to credit unions. The services are provided in a manner similar to the way the Federal Reserve serves a bank and a central credit union is likened to a banker's bank.

One of the two state-chartered central credit unions, US Central Credit Union, exists to serve all central credit unions throughout the country which is the reason for our request for this legislative change. The change will allow this central credit union to form the organization which would provide services to credit unions throughout the country.

Until mid-1987, credit unions were able to get advice on investment of credit union funds from the National Credit Union Administration which regulates and insures the majority of the credit unions in the country. In 1987, NCUA quit providing investment advice to credit unions, which eventually lead to the idea for central credit unions to create an organization which could provide investment advisory services and investment educational services to credit unions.

Attachment I

Testimony on H.B. 2736 continued

The language for the change to K.S.A. 17-2214 is similar to the language in the Federal Credit Union Act which authorizes federal credit unions to form these organizations. This legislative change also has the support of the Credit Union Administrator for the Kansas State Department of Credit Unions.

Change in Present Law

The deletion of the definition of a central credit union on lines 21 through 23 is considered a technical amendment. A definition for a central credit union is presently found in K.S.A. 17-2231 plus the language being deleted in the statute adds nothing to the definition.

All state-chartered central credit unions in Kansas are subject to regulation by the Credit Union Department and the credit unions in Kansas own the central credit unions. The language is unnecessary in order for the statute to function.

Request For Technical Amendment

An error was made in printing the bill. The word "administration" on line 31 should be "administrator". I ask the committee to make this amendment during any further consideration of the bill.

Mr. Chairman and members of the Committee. Thank you for allowing me to appear on H.B. 2736. I ask you recommend H.B. 2736 favorably for passage. I would be glad to try to answer any questions.