

Approved February 7, 1989
Date

MINUTES OF THE House COMMITTEE ON Insurance

The meeting was called to order by Dale Sprague at
Chairperson

3:30 a.m. on February 2, 1989 in room 531-n of the Capitol.

All members were present except:

Committee staff present: Chris Courtwright, Research Department
Bill Edds, Revisor of Statutes
Patti Kruggel, Committee Secretary

Conferees appearing before the committee:

Other present: see attached list

The meeting was called to order by the Chairman.

Hearing were then held on HB 2060.

HB 2060 -- An act relating to investments authorized for insurance companies; authorizing certain call options and providing for the valuation thereof; amending K.S.A. 40-2a01 and 40-2b01 and repealing the existing sections.

Chris Courtwright, Legislative Research Department, gave a brief overview of HB 2060. He explained that the bill addresses statutes dealing with Non-Life Insurance Companies. It basically would allow Insurance Companies, both Non-Life and Life, the right to covered call options on U.S. Government obligation.

Jerry Banaka, Kansas Farm Bureau Insurance, testified in support of the HB 2060. He stated that Insurance companies are presently permitted to write call options on common stock but this bill would extend this type of investment authority to Unites States Government Obligations.
(Attachment 1)

Next appearing in support of HB 2060 was Bud Cornish, representing Kansas Life Insurance Association and Associated Property and Casualty. Both organizations reviewed the bill and support it.

There were no other conferees testifying on the bill and the hearings were closed.

The Chairman reminded the Committee that the last day a bill can be requested by the Committee is February 22, 1989.

Rep. Larry Turnquist asked that the Committee request a bill (Attachment 2) which would allow Physicians Risk Retention groups to access the State of Kansas in providing, specifically, in the area of medical malpractice insurance, professional liability for doctors and health care providers.

Rep. Turnquist moved to honor the request. Rep. Gross seconded. The motion carried.

The meeting was adjourned.

**Kansas Farm Bureau Life Insurance Company, Inc.**

2321 Anderson Avenue, Manhattan, Kansas 66502 / (913) 537-2261

M E M O R A N D U M

TO: Representative Dale Sprague, Chairman
Members, House Insurance Committee

FROM: Jerry Banaka, Corporate Development Manager *JB*
Kansas Farm Bureau Life Insurance Company, Inc.

DATE: February 2, 1989

SUBJ: HB 2060

We appreciate the opportunity to appear before your committee to support HB 2060.

HB 2060 amends KSA 40-2a01 and 40-2b01 to allow domestic insurance companies, both non-life and life, to write (sell) call options on United States Government Obligations owned by the insurer.

An insurer, in writing a call option under this proposal, would give the buyer of the call the right to purchase a United States Government Obligation from the insurer at a designated price within a limited time. A buyer would most likely be an individual or institutional investor who believes the security will rise in price and desires to lock in a price at which the security can be purchased in the event the price of the security begins to rise.

Writing of call options provides an opportunity for an insurer to increase its investment income from the funds received from sale of the option. In addition, the funds received from the sale of an option could offset to some extent any loss in value of a security.

Insurance companies are presently permitted under KSA 40-2a08 and KSA 40-2b07 to write call options on common stock so this particular proposal does not introduce a new concept in the investment code but extends this type of investment authority to United States Government Obligations.

We sincerely urge passage of HB 2060 as it will update the insurance code to allow for this increasingly important investment activity.

Thank you.

JB/sgs

Attachment 1



Edwin Marger
General Counsel

**Physicians National
Risk Retention Group, Inc.**

1503 Johnson Ferry Road
Suite 100
Marietta, Georgia 30062-6438
404-973-0970
WATS 800-634-4605
FAX 404-973-8975

February 2, 1989

VIA FACSIMILE AND FEDERAL EXPRESS

Mr. William Edds
Reviser of Statutes Office
State House
Topeka, KS 66612

Re: Proposed Risk Retention Legislation

Dear Mr. Edds:

Pursuant to our recent conversation, find enclosed proposed legislation to enable risk retention groups to operate in the State of Kansas. Please note that this is a revision of that which we faxed to you yesterday and represents the proposed legislation we wish to have introduced.

Ms. Pat Reid of your office has kindly agreed to distribute copies of this proposed legislation to Representatives Larry Turnquist and Tim Shallenberger.

Thanks very much.

Very truly yours,

Edwin Marger/mc
Edwin Marger
General Counsel

EM/ra
Enclosure

§40-214a. RISK RETENTION GROUPS

Notwithstanding the provisions of §40-214, any risk retention group organized and existing under the provisions of the Product Liability Risk Retention Act of 1981 (Pub. L. No. 97-45) as amended, which has been licensed as an insurance company in any jurisdiction and authorized to engage in the business of insurance, or purchasing groups representing providers of medical, dental, or clinical services, may transact insurance in this state as an authorized insurance company and shall be subject to the provisions of §§40-218, 40-222, 40-222b, 40-240, 40-241, 40-242, 40-246, 40-246c, 40-252, 40-254, 40-937, 40-1118, 40-1126, 40-2102, 40-2404 and 40-3402; and all other applicable provisions of the laws of this state. Any such group formed in another jurisdiction shall furnish to the department, upon request, a copy of any financial report submitted by the group in the licensing jurisdiction.