

Approved

1/31/89
Date

MINUTES OF THE SENATE COMMITTEE ON FINANCIAL INSTITUTIONS AND INSURANCE

The meeting was called to order by SENATOR RICHARD L. BOND at
Chairperson

9:08 a.m./~~XXX~~ on Wednesday, January 25, 1989 in room 529-S of the Capitol.

~~ALL~~ members ~~WERE~~ present ~~EXCEPT~~: Senators Bond, Salisbury, Anderson, Karr, McClure, Moran, Parrish, Reilly, Strick and Yost.

Committee staff present:
Bill Wolff, Research Department
Bill Edds, Revisors Office
Myrta Anderson, Research Department
Louise Bobo, Committee Secretary

Conferees appearing before the committee:
Bill Edds, Revisors Office
Gerald Goodell, Attorney, Kansas League of Savings Institutions
Dave Douglas, Commissioner, Savings and Loan Commission
Jim Turner, Kansas League of Savings Institutions

The Chairman called the meeting to order at 9:08 a.m.

SB 40 -- Bill Edds expressed to the committee that this bill would repeal two statues currently on the statue books that were meaningless. It would abolish the Council of Advisors on consumer credit which has never met and went out of existence as soon as it was appointed.

Discussion followed. Senator Yost moved that SB 40 be passed and Senator Salisbury seconded the motion. The motion carried.

SB 47 -- Jim Turner, Kansas League of Savings Institutions, introduced Gerald Goodell, Attorney, who spoke in support of SB 47. Mr. Goodell said that it was important for the committee to vote favorably on this bill if we want people to continue to serve on the boards of director of state chartered institutions. SB 47 would give officers and directors of state chartered institutions the same protection given to other officers and directors under the general corporation code, K.S.A. 17-6301 (e). It would not protect any director who intentionally violated any law but would give protection if an officer commits fraud or otherwise engages in willful misconduct. (attachment 1)

Dave Douglas, Commissioner of the Savings & Loan Commission, testified to the committee that he supported SB 47 for the same reasons expressed by Mr. Goodell.

Discussion followed. A committee member inquired whether the bill needed to be broadened to include banks and credit unions. The committee decided not to take any action on the bill until the Staff could review the matter.

Mr. Goodell called the Committee's attention to a drafting error and suggested that line 32 of the SB 47 should be deleted. Senator Parrish made the motion to delete line 32. Senator Karr seconded the motion. The motion carried. Bill Edds said that he thought perhaps it was a printing error rather than a drafting error; however, if not, then the motion would take care of it.

Chairman Bond asked for a motion to approve the minutes of January 11, 17, and 18, 1989. Senator Salisbury made the motion that the minutes be approved and Senator Yost seconded the motion. The motion carried.

The meeting was adjourned at 9:33 a.m.

SENATE COMMITTEE

ON

Wed. Jan. 25, 1987

FINANCIAL INSTITUTIONS AND INSURANCE

OBSERVERS
(Please print)

DATE	NAME	ADDRESS	REPRESENTING
<i>1/25/89</i>	<i>Gerald Coakley</i>	<i>Topeka</i>	<i>Ks Savings</i>
<i>11</i>	<i>Judy Bravenc</i>	<i>11</i>	<i>Consumer Credit</i>
<i>11</i>	<i>David Douglass</i>	<i>11</i>	<i>S & L Commissioner</i>
	<i>JEFFREY SOMNICH</i>	<i>11</i>	<i>KLSI</i>
	<i>Kon Smith</i>	<i>11</i>	<i>Ks Bar Assoc</i>
	<i>Jim Juma</i>	<i>Topeka</i>	<i>KLSI</i>
<i>1/25</i>	<i>Marty Kennedy</i>	<i>Topeka</i>	<i>Budget</i>
	<i>David Huan</i>	<i>11</i>	<i>KCPA</i>

KLSI Kansas League of Savings Institutions

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

January 25, 1989

TO: SENATE COMMITTEE ON FINANCIAL INSTITUTIONS AND INSURANCE
FROM: JIM TURNER, KANSAS LEAGUE OF SAVINGS INSTITUTIONS
RE: S.B. 47, DIRECTOR LIABILITY-STATE CHARTERED INSTITUTIONS

The Kansas League of Savings Institutions appreciates the opportunity to appear before the Senate Committee on Financial Institutions and Insurance in support of the passage of S.B. 47 pertaining to the liability of officers and directors of state-chartered savings and loan associations. The bill would correct an inequity that exists relative to federally chartered associations.

Senate Bill 47 amends K.S.A. 17-5412 and repeals K.S.A. 17-5812 to give officers and directors of state chartered savings and loan associations the same protection given to other officers and directors under the general corporation code, K.S.A. 17-6301(e). The bill includes the following changes:

a. Section 1 amends K.S.A. 17-5412 to require proof of "willful" misconduct by a director who votes for declaration of a dividend when the capital of the association is impaired. Section 1 repeals the felony penalty, but retains a civil penalty equal to the unlawful dividend. Section 1 grants a director the right to seek contribution from other directors if a claim is made and the right of subrogation against persons who received the unlawful dividend. (The language relating to contribution in subrogation is based upon K.S.A. 17-6424 which applies to corporations generally).

b. New Sections 2 and 3 allow directors to assert a defense if decisions are based upon a good faith reliance on the books of account or reports made to the board by the officers, independent CPA or appraiser. (This is based upon K.S.A. 17-6301(e) and K.S.A. 17-6422 which applies to corporations generally).

c. New Section 4 will apply comparative negligence rules under K.S.A. 60-258(a) to actions against savings & loan directors & officers.

This bill will correct problems represented by the Kansas Supreme Court decision in FSLIC v. Huff. We have enclosed a KTLA Journal article on this issue that will be of interest to the committee.

We would appreciate the committees' earliest attention to reporting S.B. 47 favorably for passage.

James R. Turner
President

Sen. Fin. Inst. & Sav.
1/25/89
Attachment 1