

Approved

3/16/89
Date

MINUTES OF THE SENATE COMMITTEE ON FINANCIAL INSTITUTIONS AND INSURANCE

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

9:00 a.m./~~p.m.~~ on MONDAY, MARCH 13, 1989 in room 529-S of the Capitol.

~~All~~ members were present except Senators Bond, Salisbury, Kerr, Moran, Parrish, Reilly, Strick and Yost.

Committee staff present:

Bill Wolff, Legislative Research
Bill Edds, Revisor's Office
Myrta Anderson, Legislative Research

Conferees appearing before the committee:

Jerry Banaka, Kansas Farm Bureau
L. M. Cornish, Kansas Assc. of Property & Casualty Insurance and Kansas Life Association
Ron Todd, Assistant Commissioner of Insurance

Chairman Bond called the meeting to order at 9:14 a.m.

HB 2060 - Jerry Banaka, Kansas Farm Bureau, appeared before the committee in support of this bill. This bill would amend Kansas law to allow domestic insurance companies to write (sell) call options on United States Government Obligations owned by the insurer. It would give the buyer of the call the right to purchase stock at a designated price within a limited time. Mr. Banaka stated that this change in the law does not introduce a new concept in the investment code but extends this type of investment authority to U.S. Government Obligations. (attachment 1)

L. M. Cornish, Kansas Assc. of Property and Casualty Insurance Companies and Kansas Life Association, appeared before the committee in support of HB 2060.

Senator Kerr made a motion that HB 2060 be passed out of the committee favorably and placed on the Consent Calendar. Senator Reilly seconded the motion. The motion carried.

HB 2382 - Ron Todd, Assistant Commissioner of Insurance, appeared before the committee in support of this bill. According to Mr. Todd, this bill accomplishes three things: (1) it will no longer be necessary to determine an applicant's basic qualifications for an agent's license prior to his taking the examination, (2) this change in the law would permit the return of a major portion of the examination fee if the examination is not taken by an applicant and a proper notice of failure to appear as scheduled is given, and (3) the bill recommends deletion of the strict notice requirements applicable to cancelled examination dates.(attachment 2)

Chairman Bond announced to the committee that he would like to hold this bill for several days in anticipation of an amendment to the bill.

The Chairman also informed the committee that HB 2004 was slated for hearing tomorrow and request Staff to present a brief overview of the bill to the committee.

Senator Reilly made a motion to approve the minutes of Friday, March 3, 1989. Senator Strick seconded the motion and the motion carried.

Chairman Bond adjourned the meeting at 9:50 a.m.

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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: Senator Richard Bond, Chairman
Members, Financial Institutions and Insurance Committee

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

DATE: March 13, 1989

SUBJECT: HB 2060

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

HB 2060 amends K.S.A. 40-2a01 and 40-2b01 to allow domestic insurance companies, both nonlife 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 the option could offset to some extent any loss in value of a security.

Insurance companies are presently permitted under K.S.A. 40-2a08 and K.S.A. 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.

cjs

*Attachment 1
3/13/89
Sen. F. I. & I*

TESTIMONY BY

RON TODD
ASSISTANT COMMISSIONER
KANSAS INSURANCE DEPARTMENT

BEFORE THE

SENATE FINANCIAL INSTITUTIONS AND INSURANCE COMMITTEE

HOUSE BILL NO. 2382

MARCH 13, 1989

*Attachment 2
Sen FI + I
3/13/89*

House Bill No. 2382 suggests some refinements to the significant changes in the agents licensing laws that were included in House Bill No. 3055 enacted by the 1988 Kansas Legislature. These refinements relate only to the privatization of the agents licensing examinations that were permitted by House Bill No. 3055. Specifically, the 1988 legislation authorized the Commissioner to contract with private business to develop and conduct agents licensing qualification examinations. This has now been done and as a result three changes in licensing procedures are now possible.

First, inasmuch as the basic prerequisite for an agent's license (e.g. good business reputation, high school graduate or equivalent, etc.) will be determined by the Insurance Department and the agents qualifying examination will be administered by a separate entity, it will no longer be necessary to determine an applicant's basic qualifications for an agent's license prior to administration of the examination. As a result, House Bill No. 2382 recommends appropriate statutory amendments (lines 24 and 80 through 88) that will provide the flexibility necessary to permit applicants to meet the basic requirements for an agent's license and take the necessary qualifying examination in whatever order they choose. Actually, this change was a part of the agents licensing study group's recommendations that resulted in the legislation enacted last year but we simply overlooked its inclusion in the legislative proposal.

Second, the administrative procedures that will apply under the new qualifying examination system will now permit the return of a major portion of the examination fee if the examination is not taken by an applicant and a proper notice of failure to appear as scheduled is given. Since the examination fee is established and displayed by means of an administrative regulation, removal of the statutory prohibition against returning the examination fee (line 134) will permit such regulation to accommodate appropriate charges and refunds.

Third and finally, the strict notice requirements applicable to cancellation of a scheduled examination date that were incorporated in House Bill No. 3055 will not be necessary under the new examination system. Therefore House Bill No. 2382 also recommends deletion of such requirements (lines 135 through 139).