

Approved _____

4/4/89
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 WEDNESDAY, MARCH 29, 1989 in room 529-S of the Capitol.

All members were present ~~except~~:

Committee staff present:

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

Conferees appearing before the committee:

Representative Rex Hoy

Chairman Bond called the meeting to order at 9:10 a.m.

HB 2448 - Representative Rex Hoy appeared before the committee in support of this proposal. He presented to the committee the written testimony of John E. Carlin, Director, Kansas City Dental Care. Mr. Carlin's testimony stated that his organization requests the law be changed to allow an Irrevocable Letter of Credit in lieu of the Deposit of Securities equal to 50% of the membership fee in force or \$50,000, whichever is less, that is presently required by law. His testimony further advised that the use of an Irrevocable Letter of Credit would release funds for use in an expansion effort in St. Louis. (attachment 1)

Discussion ensued. A committee member stated that even an Irrevocable Letter of Credit has an expiration date. Representative Hoy remarked that if the Letter of Credit was cancelled, the Insurance Commissioner would take the company's license away. The committee member stated that "pulling the ticket does not get the people their money back." Another committee member inquired of Mr. Todd if his Department had the power to require a company to notify them of the date of expiration. Mr. Todd replied that the Department was aware of the renewal dates. The committee member continued that a Certificate of Deposit is good for an extended length of time while a Letter of Credit has to be reviewed annually by the Bank Board of Directors and is subject to cancellation providing adequate notice has been given. The committee member inquired of Mr. Todd if the Commissioner had the power to require the legal and dental plan organizations to notify the Commissioner that the Certificates have been renewed. Mr. Todd replied that the Commissioner did have the power and that they needed the word "irrevocable" put in the language. The committee member stated that the word "irrevocable" is good only for the length of the term. A committee member wondered why we should help with expansion in the St. Louis area and suggested that the committee let HB 2448 "rest." There being no objections, Chairman Bond announced that no further action would be taken on HB 2448.

The Chairman requested the committee's wishes concerning SB 282. A committee member stated that he thought the bill "really served no purpose." He further stated that the bill would work unfavorably against small insurance companies in Kansas.

Senator Moran made a motion to report SB 282 unfavorably. Senator Strick seconded the motion.

A committee member remarked that she thought the bill was well-intentioned but that it apparently has a possibility of negative repercussions on small insurance companies that was not intended.

Unless specifically noted, the individual remarks recorded herein have not been transcribed verbatim. Individual remarks as reported herein have not been submitted to the individuals appearing before the committee for editing or corrections.

CONTINUATION SHEET

MINUTES OF THE SENATE COMMITTEE ON FINANCIAL INSTITUTIONS AND INSURANCE,
room 529-S, Statehouse, at 9:00 a.m./~~p.m.~~ on WEDNESDAY, MARCH 29, 1989.

Chairman Bond referred back to the motion. The motion carried and SB 282 will be reported adversely.

The minutes of Monday, March 27, were approved on a motion by Senator Reilly. Senator Strick seconded the motion. The motion carried.

Chairman Bond expressed his appreciation to the committee for their support and cooperation. He further stated that they had done a good job of "teaching a new Chairman how to be Chairman." He expressed appreciation for their friendship.

The meeting adjourned at 9:29 a.m.

March 17, 1989

Dear Representative Hoy:

J. Dennis Dlabal, D.D.S., P.C., d/b/a Kansas City Dental Care is a private, professional corporation currently registered as a prepaid dental plan in the State of Kansas pursuant to K.S.A. 40-4201, et seq.

Current law requires a deposit of securities equal to 50% of the membership fee in force or \$50,000 whichever is less.

In lieu of this deposit the legislation provides for the filing of a Surety Bond. The Insurance Department has specified that this takes the form of a Qualifying Bond. To make a very long story short, the bonding companies have no experience with the prepaid dental industry and have declined to issue such bonds.

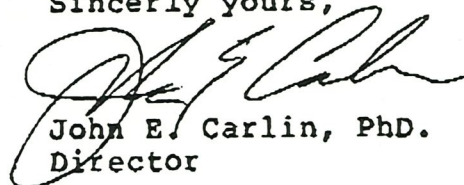
Kansas City Dental Care now requests that the law be changed to allow an Irrevocable Letter of Credit in lieu of the Deposit of Securities. Kansas City Dental Care has deposited cash in the form of a Bank Certificate of Deposit with the Insurance Department.

The use of an Irrevocable Letter of Credit would release these funds for use in a current expansion effort in the St. Louis area.

Mr. Mike Brummer of the Kansas Insurance Department has indicated that the department has no objection to this change in the legislation.

Thank you for your kind consideration of this matter.

Sincerely yours,



John E. Carlin, PhD.
Director

JEC:mln

Attachment 1
Sen. F. I + I
3/29/89