

Approved _____ Date _____

MINUTES OF THE House COMMITTEE ON Insurance

The meeting was called to order by Dale Sprague at _____
Chairperson

3:30 xx a.m./p.m. on March 15, 19 in room 531-n of the Capitol.

All members were present except:

Representative Bill Bryant, excused

Committee staff present: Chris Courtwright, Legislative Research Department
Bill Edds, Revisor of Statutes

Conferees appearing before the committee:

see attached list

The Chairman called the meeting to order at 3:45 p.m. and began hearings on SB 473.

SB 473 -- An Act relating to corporations organized under the nonprofit medical and hospital service corporation act; statutes applicable thereto; amending K.S.A. 1989 Supp. 40-19c09 and repealing the existing section; also repealing the existing section; also repealing K.S.A. 1989 Supp. 40-19c09a.

Bill Edds, Revisor of Statutes gave an overview of the bill. Mr. Edds explained that the SB 473 was recommended by the Revisor of Statutes' Office as a technical bill containing no policy changes.

Representative Littlejohn made a motion to recommend SB 473 favorable for passage and placed on the consent calendar. Representative Brown seconded. The motion passed.

SB 575 -- An Act concerning insurance; relating to the domicile of certain domestic life insurance companies to other states.

Chris Courtwright, Legislative Research Department gave a brief explanation of the bill which would create a new insurance law applicable to a very specific incident relating to the "redomestication" of a Kansas domiciled insurance company incorporated on March 28, 1907.

The Chairman then called on proponents of the bill, Martin Dickinson, William McCallum, and Kay Adam, Great-West Life and Annuity Insurance Company. They explained that SB 575, by providing a "redomestication" statute applicable only to Great-West, would prevent transfer costs of over \$2 million to the company, while not incurring any sort of SGF fiscal note (Attachment 1). Great-West is attempting to move its domicile to Colorado, its principal place of business. The conferees noted that enactment of the bill also would relieve significant administrative burdens currently incurred by the Insurance Departments.

Staff noted that the bill was supported by the Insurance Department.

CONTINUATION SHEET

MINUTES OF THE House COMMITTEE ON Insurance

room 531-N, Statehouse, at 3:30 ~~xx~~m./p.m. on March 15, 1990

There were no others wishing to testify and hearings on SB 575 were closed.

Hearings began on SB 576.

SB 576 -- An Act relating to insurance holding companies; concerning notices, hearings and administrative costs; amending K.S.A. 40-3301 and K.S.A. 1989 Supp. 40-3304 and repealing the existing sections.

Chris Courtwright, Legislative Research Department gave an explanation of SB 576 which would amend two statutes pertaining to insurance holding companies and would eliminate the requirement for mailing certain statutory notices as they relate to shareholders under the statutes. Mr. Courtwright noted that the bill would add a new section to the holding company statutes to shift the expense of an administrative hearing and notices for such a hearing to the applicant.

Pat Hurley, Pete McGill and Associates appeared on behalf of Hoylake Investments, Ltd. as a proponent of SB 576. Mr. Hurley explained that the bill would eliminate an unnecessary statutory requirement that could cost Hoylake over \$3 million in mailing costs to notify shareholders of the impending takeover of B.A.T., the British Company that controls Farm Bureau of Kansas. Mr. Hurley noted that the bill would change current law to require that the cost of administrative proceedings be borne by the applicant which had been previous law before it was inadvertently changed in recent amendments to the Kansas Administrative Procedures Act. He said that the Insurance Department would have to absorb all such costs under current law.

Mr. Hurley urged the Committee to oppose any such amendment which may be offered to the bill requiring an additional \$500,000 filing fee. He asked Todd Thompson, counsel for Hoylake in Kansas, to respond to several questions asked by the Committee. Mr. Thompson explained that the bill could save the state money in the long run, that court costs would no longer be paid by the state.

In response to a question from the Chairman, Dick Brock, Insurance Department, said that the Department supported the bill.

The Chairman adjourned the meeting at 4:27 p.m., noting that the Committee would not meet again until Tuesday, March 20, 1990, but that the subcommittee on the armory bill was expected to meet before then. The subcommittee consists of Representatives Hoy, Turnbaugh and Helgerson.

SENATE BILL 575

SUMMARY OF TESTIMONY BY WILLIAM T. McCALLUM AND
MARTIN B. DICKINSON ON BEHALF OF THE GREAT-WEST LIFE & ANNUITY
INSURANCE CO. BEFORE THE HOUSE COMMITTEE ON INSURANCE

MARCH 15, 1990

S.B. 575 will reduce the burdens of the Kansas Insurance Department and prevent an unnecessary cost of over \$2,000,000 to the Great-West Life & Annuity Insurance Co. ("GWL&A"), currently domiciled in Kansas. The bill will have no negative effects on Kansas policyholders and no significant effect on State revenues.

GWL&A has no offices or employees in Kansas. Only 274 of its 63,100 policyholders are Kansas residents. GWL&A is a wholly-owned subsidiary of The Great-West Life Assurance Company of Canada ("Great-West"). The United States activities of Great-West and GWL&A are headquartered in Colorado. Great-West has 1,522 employees in Colorado and a Colorado payroll of \$44,000,000.

The directors of Great-West and GWL&A have concluded that the domicile of GWL&A must be moved to Colorado -- its principal place of business. Under existing Kansas law, that would require creation of a new corporation in Colorado and extensive review by the insurance commissioners of every one of the 49 states in which GWL&A is licensed to do business -- at an estimated cost for lawyers, actuaries, and other expenses of \$50,000 per state, or a total of \$2,450,000.

Colorado and 13 other states have adopted a simpler method of transfer to another state -- redomestication. Redomestication would permit GWL&A to move its domicile to Colorado, subject to

approval by the Kansas and Colorado commissioners. Commissioners in other states would treat GWL&A's existence as continuing in Colorado. The entire process could be completed at an estimated cost of less than \$250,000.

Adoption of a general redomestication law would raise important questions as to the retention in Kansas of insurance companies that have headquarters here and that provide important employment opportunities for Kansans. Therefore S.B. 575 is drafted so as to permit redomestication by only one company -- GWL&A -- which has no employees in Kansas.

S.B. 575 requires that GWL&A leave in the custody of the Kansas Commissioner the reserves necessary to provide full current and future protection for all current Kansas policyholders.

The assets of GWL&A have grown from \$105 million in 1984 to \$2.8 billion as of December 31, 1989. GWL&A is now the largest Kansas life insurance company and is estimated to hold more than one-third of the assets of all Kansas life insurance companies. Yet during 1989 GWL&A paid only \$766 in taxes and fees to the State of Kansas.

GWL&A has become a burden on the Kansas Insurance Department entirely out of proportion to any benefits the State or its citizens derive from GWL&A's domicile in Kansas. Redomestication of GWL&A in Colorado would remove this burden and enable the Department to devote its energies to protection of Kansas policyholders and to supervision and development of companies that are important Kansas employers.