

Approved: January 23, 1996  
Date

MINUTES OF THE HOUSE COMMITTEE ON FINANCIAL INSTITUTIONS AND INSURANCE.

The meeting was called to order by Chairperson Bill Bryant at 3:30 p.m. on January 18, 1996 in Room 527S-of the Capitol.

All members were present except: Representative Delbert Crabb  
Representative Clyde Graeber  
Representative Tom Sawyer  
Representative Phill Kline

Committee staff present: Bill Wolff, Legislative Research Department  
Bruce Kinzie, Revisor of Statutes  
Nikki Feuerborn, Committee Secretary

Conferees appearing before the committee: Rogers Brazier, Office of the State Treasurer  
Ed Mailen, Supervisor, Agents and Brokers Division  
Kansas Insurance Department  
Patrick J. Morris, Executive Vice President, KAIA

Others attending: See attached list

Rogers L. Brazier, State Treasurer's Office, appeared before the Committee requesting introduction of a bill which would reduce the number of occasions when a bank or financial organization savings or checking account must be considered "presumed abandoned," increase the cutoff for reporting specific owner information and providing owner notice by holders and the state treasurer from \$25 to \$50, and provide the state treasurer with discretionary authority regarding advertisement to owners (Attachment 1).

Representative Cox moved for the introduction of this proposal as a committee bill. Motion was seconded by Representative Correll. Motion carried.

**Hearing on HB 2630 - Concerning insurance relating to the revocation or suspension of an agent's or broker's license**

Ed Mailen, Insurance Commissioner's Office, said the legislation is being requested to clarify that if an agent's license is suspended or revoked, an existing broker's license or agency license (in the case of a proprietorship) also is suspended or revoked (Attachment 2).

Patrick Morris, Executive Vice President of the KAIA, stated in opposition that such a ruling would ultimately force a sole proprietorship to incorporate (Attachment 3). The intent of the legislation should focus on the sole licensed agent in an agency who continues to do business with a broker's license and the language should be more specific. KAIA could support the bill if it used the term "sole personal owner." Additional language is being developed and will be submitted.

**Hearing on HB 2632 - Concerning insurance, relating to countersignature requirements of certain policies and contracts**

Ed Mailen said the bill would eliminate the requirements that insurance policies be countersigned as it serves no useful purpose and is an obstacle to efficient policy delivery (Attachment 4). There is a national movement to eliminate this requirement.

**Hearing on HB 2647 - Continuing education for insurance agents**

Ed Mailen of the Insurance Department explained the proposed legislation as eliminating the provision for "inactive agent" from the law, establishes a \$100 registration fee for continuing education providers plus a \$50 per course fee, and clarifying technical requirements (Attachment 5). Continuing education courses are offered throughout the state at various times of the year. Only 119 individuals out of 30,000 licensed agents have used the "inactive agent" status since 1989. The registration fee for providers will eliminate the need for changes in funding and the hiring of additional staff. An applicant who has failed the examination several

CONTINUATION SHEET

MINUTES OF THE HOUSE COMMITTEE ON FINANCIAL INSTITUTIONS AND INSURANCE,  
Room 527S-Statehouse, at 3:30 a.m. on January 18, 1996.

times will be treated as a new applicant after a waiting period of two years has expired. Excess lines licenses will become an renewable license rather than requiring the issuance of a new license.

Patrick Morris, KAIA, stated they were preparing a letter to the Insurance Department concerning the actual number of persons who would be affected by this proposed legislation.

The meeting adjourned at 4:16 p.m. The next meeting is scheduled for January 22, 1996.

# HOUSE FINANCIAL INSTITUTIONS AND INSURANCE COMMITTEE GUEST LIST

DATE: Jan 18, 1996

NAME	REPRESENTING
Pat Morris	KAIA
Rogers Brazier	St. Treasurer
Bill Sneed	State Farm
Whitney Damron	Kansas Bar Assn.
Tom Wilder	Kansas Insurance Dept
Ed Maileu	Kansas Ins. Dept



STATE OF KANSAS

900 SW JACKSON, SUITE 201  
TOPEKA, KANSAS 66612-1235

**Sally Thompson**  
TREASURER

TELEPHONE  
(913) 296-3171

**House Financial Institution and Insurance Committee**  
**Thursday, January 18, 1996**  
**Bill Introduction Request**  
**Rogers L. Brazier, Jr.**  
**Office of the State Treasurer**

Mr. Chairman, members of the committee, request is respectfully made for committee introduction of a bill proposing amendment to sections of the uniform unclaimed property act, K.S.A. 58-3934 *et seq.*

The proposed bill will amend the act in the following respects:

- Reduce the number of occasions when a bank or financial organization savings or checking account must be considered "presumed abandoned" (K.S.A. 58-3939)
- Increase the cutoff for reporting specific owner information and providing owner notice by holders (generally, business entities), and by the state treasurer, from \$25 to \$50 (K.S.A. 59-3950, 58-3951)
- Provide the state treasurer with discretion as to the manner by which the existence of unclaimed property is advertised to apparent owners (K.S.A. 58-3951)

Introduction by the committee of the proposed bill is appreciated. Thank you.

*W. Financial Inst. Act*  
*1-18-96*

*Attachment 1*

\_\_\_\_\_  
BILL NO. \_\_\_\_\_

By

AN ACT concerning unclaimed property; relating to bank deposits and funds; amending K.S.A. 58-3939, 58-3950 and 58-3951 and repealing the existing sections.

Be it enacted by the Legislature of the State of Kansas:

Section 1. K.S.A. 58-3939 is hereby amended to read as follows: 58-3939. (a) Any demand, savings or matured time deposit with a banking or financial organization, including a deposit that is automatically renewable, and any funds paid toward the purchase of a share, a mutual investment certificate or any other interest in a banking or financial organization is presumed abandoned unless the owner within five years has:

(1) In the case of a deposit, increased or decreased its amount or presented the passbook or other similar evidence of the deposit for the crediting of interest;

(2) communicated in writing with the banking or financial organization concerning the property;

(3) otherwise indicated an interest in the property as evidenced by a memorandum or other record on file prepared by an employee of the banking or financial organization;

(4) owned other property to which paragraph (1), (2) or (3) applies and if the banking or financial organization communicates in writing with the owner with regard to the property that would otherwise be presumed abandoned under this subsection at the address to which communications regarding the other property regularly are sent; or

(5) had another relationship with the banking or financial organization concerning which the owner has: (A) Communicated in writing with the banking or financial organization; or (B) otherwise indicated an interest as evidenced by a memorandum or other record on file prepared by an employee of the banking or

financial organization and if the banking or financial organization communicates in writing with the owner with regard to the property that would otherwise be abandoned under this subsection at the address to which communications regarding the other relationship regularly are sent.

(b) For purposes of subsection (a), property includes interest and dividends.

(c) Any property described in subsection (a) that is automatically renewable is matured for purposes of subsection (a) upon the expiration of its initial time period, but in the case of any renewal to which the owner consents at or about the time of renewal by communicating in writing with the banking or financial organization or otherwise indicating consent as evidenced by a memorandum or other record on file, including but not limited to mailings to the owner which have not been returned to the holder, prepared by an employee of the organization, the property is matured upon the expiration of the last time period for which consent was given. If, at the time provided for delivery in K.S.A. 58-3952 and amendments thereto, a penalty or forfeiture in the payment of interest would result from the delivery of the property, the time for delivery is extended until the time when no penalty or forfeiture would result.

(d) Any demand or savings account with a banking or financial organization shall not be presumed abandoned if regular correspondence to an owner of the account has not been returned to the sender.

Sec. 2. K.S.A. 58-3950 is hereby amended to read as follows: 58-3950. (a) A person holding property tangible or intangible, presumed abandoned and subject to custody as unclaimed property under this act shall report to the administrator concerning the property as provided in this section.

(b) The report shall be verified and shall include:

(1) Except with respect to travelers checks and money orders, the name, if known, and last known address, if any, of each person appearing from the records of the holder to be the

owner of property of the value of \$25 \$50 or more presumed abandoned under this act;

(2) in the case of unclaimed funds of \$25 \$50 or more held or owing under any life or endowment insurance policy or annuity contract, the full name and last known address of the insured or annuitant and of the beneficiary according to the records of the insurance company holding or owing the funds;

(3) in the case of the contents of a safe deposit box or other safekeeping repository or of other tangible property, a description of the property and any amounts owing to the holder;

(4) the nature and identifying number, if any, or description of the property and the amount appearing from the records to be due, but items of value under \$25 \$50 each shall be reported in the aggregate;

(5) the date the property became payable, demandable or returnable and the date of the last transaction with the apparent owner with respect to the property; and

(6) other information the administrator prescribes by rules and regulations as necessary for the administration of this act.

(c) If the person holding property presumed abandoned and subject to custody as unclaimed property is a successor to other persons who previously held the property for the apparent owner or the holder has changed names while holding the property, the holder shall file with the report all the known names and addresses for each previous holder of the property.

(d) The report shall be filed before November 1 of each year as of June 30 next preceding, but the report of any life insurance company shall be filed before May 1 of each year as of December 31 next preceding. On written request by any person required to file a report, the administrator may postpone the reporting date.

(e) Not more than 120 days before filing the report required by this section and no later than 60 days before filing the report required by this section, the holder in possession of property presumed abandoned and subject to custody as unclaimed

property under this act shall send written notice to the apparent owner's last known address informing the apparent owner that the holder is in possession of property subject to this act if:

(1) The claim of the apparent owner is not barred by the statute of limitations; and

(2) the property has a value of \$25 \$50 or more, or is reported under K.S.A. 58-3943 or 58-3949 and amendments thereto.

(f) The written notice shall also contain the following:

(1) Nature and identifying number, if any, or description of the funds or other property; and

(2) the amount appearing on the records of the holder to be due the apparent owner.

(g) If the holder is not a life insurance company, the written notice shall set forth an additional statement that the funds or other property will be reported as unclaimed property to the state treasurer of Kansas no later than November 1 of the current year.

(h) If the holder is a life insurance company, the written notice shall set forth an additional statement that the funds or other property will be reported as unclaimed property to the state treasurer of Kansas no later than May 1 of the current year.

Sec. 3. K.S.A. 58-3951 is hereby amended to read as follows: 58-3951. (a) Within the calendar year next following the year in which unclaimed property has been paid or delivered to the administrator, the administrator shall advertise the unclaimed property ~~at least one time in a newspaper generally circulating in this state. The advertisement shall be made~~ in such form as in the discretion of the administrator is likely to attract the attention of the apparent owner of the unclaimed property. It shall contain the following information:

(1) The name of each person appearing to be the owner of property presumed abandoned, as set forth in the report filed by the holder;

(2) the last known address or location of each person



appearing to be the owner of property presumed abandoned, if an address or location is set forth in the report filed by the holder;

(3) a statement explaining that property of the owner has been presumed to be abandoned and has been taken into the protective custody of the administrator; and

(4) a statement that information about the abandoned property and its return to the apparent owner can be obtained at any time by a person having a legal or beneficial interest in that property by making an inquiry to the administrator.

(b) The administrator shall not be required to advertise the name and address or location of an owner of abandoned property having a total value less than \$25 \$50, nor information concerning travelers checks and money orders.

Sec. 4. K.S.A. 58-3939, 58-3950 and 58-3951 are hereby repealed.

Sec. 5. This act shall take effect and be in force from and after its publication in the statute book.



Kathleen Sebelius  
Commissioner of Insurance  
**Kansas Insurance Department**  
Agents and Brokers Division

**Memorandum**

**DATE:** January 17, 1996

**TO:** House Financial Institutions and Insurance  
Committee

**FROM:** Ed Mailen, Supervisor, Agents and Brokers  
Division, Kansas Insurance Department

**RE:** HB 2630

This legislation is proposed to clarify that an agent's insurance license is the foundation for any other insurance license the agent may hold. Specifically, if an agent's license is suspended or revoked, an existing broker's license or agency license (in the case of a proprietorship) also is suspended or revoked. Current law does not make that position clear and has made additional regulatory action necessary in such a case.

*House F&I*  
*Attachment 2*  
*1-18-96*

**Testimony regarding House Bill 2630**  
**Before the House Financial Institutions and Insurance Committee**

Presented by Patrick J. Morris, Executive Vice President  
Kansas Association of Insurance Agents  
January 18, 1996

---

Thank you, Mr. Chairman and members of the committee for the opportunity to appear today in opposition to HB 2630. I am Pat Morris, the Executive Vice President of the Kansas Association of Insurance Agents, an association that represents approximately 625 independent agency members across Kansas who employ nearly 3,500 people, most of whom are licensed agents.

Our concern with the bill that has been proposed by the Insurance Department centers on the language used in the proposed amendment to K.S.A. 40-242. The amendment states:

*(f) When the license of any agent is suspended or revoked, the broker's license of such person, or agency license, if organized as a sole proprietorship, is also suspended or revoked.*

An insurance agency with a single owner may be classified as a sole proprietorship, but may still include a number of agents within that agency, as well as employees and independent contractors. If the agency license can be suspended or revoked based upon the revocation or suspension of the agency owner's agent license, a number of people who are only connected to the owner via the agency will be affected. Our presumption is that the intent of the legislation is to focus on the sole licensed agent in an agency who continues to do business with a broker's license. If so, the "sole proprietorship" language included in the amendment is much more expansive than intended, and should be made more specific.

If this amendment is passed and becomes a part of the Kansas statutes, the practical result will be that independent insurance agencies that are sole proprietorships will be forced to incorporate.

Again, we do not believe that this is the intention of the Department in proposing this legislation.

*Pat Morris*  
*Attachment 3*  
*1-18-96*

Given the structural differences concerning agency licenses, it is our view that this portion should be dealt with separately, rather than incorporating it into a broad amendment to K.S.A. 40-242.

For these reasons, we encourage the Committee to reject HB 2630 as it is presently written. I would be happy to answer your questions.



Kathleen Sebelius  
Commissioner of Insurance  
**Kansas Insurance Department**  
Agents and Brokers Division

**Memorandum**

**DATE:** January 17, 1996  
**TO:** House Financial Institutions and Insurance  
Committee  
**FROM:** Ed Mailen, Supervisor, Agents and Brokers  
Division, Kansas Insurance Department  
**RE:** HB 2632

This Bill is intended to eliminate the requirement that insurance policies be countersigned. The proposal is made since we believe that it serves no useful purpose and does nothing to protect Kansas insureds. It appears that this requirement was put in place to ensure that resident agents would share in any commissions earned on Kansas business by nonresident agents. It is today just another obstacle to efficient policy delivery. In addition there is a movement nationally to eliminate countersignature requirements.

*House F.I.S.F.  
Attachment 4  
1-18-96*



Kathleen Sebelius  
Commissioner of Insurance  
**Kansas Insurance Department**  
Agents and Brokers Division

**Memorandum**

**DATE:** January 17, 1996  
**TO:** House Financial Institutions and Insurance  
Committee  
**FROM:** Ed Mailen, Supervisor, Agents and Brokers  
Division, Kansas Insurance Department  
**RE:** HB 2647

This proposed legislation makes several technical corrections to the agent continuing education law, eliminates the provision for "inactive agent" from the law, and establishes a \$100 registration fee for continuing education providers. The technical corrections are intended to clarify several areas in the current law or to remove redundant language. We are proposing the elimination of "inactive agent" since that provision is used infrequently and appears to be of little value. Since 1989 only 119 individuals have been granted this status out of 30,000 licensed agents. We believe that the provision was added originally due to some concern about the difficulty of complying with the continuing education requirement. I believe that concern was unfounded. The establishment of the provider registration fee is based upon the belief that the continuing education program cost should be borne by the industry and current revenues are insufficient to cover costs. This fee would help to eliminate that situation without being burdensome and without making extensive changes in the funding or without requiring additional staff. In addition this Bill modifies KSA 40-241, the agent examination statute, to allow an applicant to be treated as a new applicant after a waiting period of two years has expired. Such treatment should reduce the penalty to an applicant who fails our exam several times, works in another field for at least two years and then decides to reapply for an agent's license. Under current law an applicant who fails the exam three or more times must wait at least six months between all subsequent exam attempts. This Bill also provides that the excess lines license will become a renewable license rather than requiring that we issue a new license each year.

*Hau F. D.*  
*Attachment 5*

*1-18-96*