

Approved: March 4, 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 February 20, 1996 in Room 527S-of the Capitol.

All members were present except: Representative Delbert Crabb  
Representative Phill Kline  
Representative Ruby Gilbert  
Representative Tom Sawyer

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

Conferees appearing before the committee: Judi Stork, Deputy Bank Commissioner

Others attending: See attached list

**Hearing on SB 418 - Transfer of stock of a bank or trust company**

Judi Stork, Deputy Commissioner of the Office of State Bank Commissioner, appeared in support of the bill which would prohibit bank or trust company stock from being sold or transferred if the owner of said stock owed the bank an overdue financial obligation (debt) even if the debt has been forgiven or charged off (Attachment 1). If there is a liability against the stock holder, it is a lien against the stock. A bank cannot take as collateral its own stock. The amendment is needed to provide protection to the bank against losses which it should not have to incur.

**Hearing on SB 435 - Surety bonds of officers of banks and trust companies**

Judi Stork, Deputy Commissioner of the Office of State Bank Commissioner, said that the first part of the amendment to the bill would require that banks retain the original copy of the fidelity bond coverage, providing the banking department with a copy of the pertinent parts of the document (Attachment 1). The second part of the amendment would require an officer of a bank or trust company to forfeit their position as an officer if they become indebted to the bank on a charged off or forgiven obligation. The intent of the legislation is to establish and maintain a higher standard of conduct for bank officers.

**Hearing on SB 436 - Hours for banks and trust companies**

Judi Stork stated that this legislation sets the procedure for the changing of banking hours (Attachment 1). The procedure would require the adoption of a resolution by the bank's board of directors and the posting of such resolution for 15 days prior to the proposed bank hour changes. Banks are allowed to be closed one day during the business week. There is no law regarding what hours they are to be open daily.

**Discussion on HB 2248 - Coverage for mental illness, health insurance**

Chairman Bryant referred to the many letters and phone calls he has received regarding this mental illness parity bill. Kansas Insurance Department has recently issued an impact study regarding the large variance in proposed premium increases for coverage (on file in the Kansas Insurance Department). A letter was recently received from Terry Larson and Canda Byrne of the Kansas Alliance for Mental Illness disputing the KID report (Attachment 2). They are planning to develop their own study which should be ready by next year and asked that the current bill in Committee not receive a hearing this year.

Representative Samuelson moved for the approval of the February 15 minutes. The motion was seconded by Representative Donovan. Motion carried.

The meeting was adjourned at 4:05 p.m. The next meeting will be held on February 21, 1996.

HOUSE FINANCIAL INSTITUTIONS AND INSURANCE  
COMMITTEE GUEST LIST

DATE: 2/20/96

NAME	REPRESENTING
Tom Wilder	KANSAS Insurance Dept
Judi Stork	KS BKG DEPT
Roger Frazee	FFC
Chuck Stokes	KBA
R Brazier	ST. Treasurer
Kathleen Ouse	KBA

STATE OF KANSAS  
BILL GRAVES  
GOVERNOR



W. Newton Male  
*Bank Commissioner*

Judi M. Stork  
*Deputy Commissioner*

Kevin C. Glendening  
*Assistant Deputy Commissioner*

William D. Grant, Jr.  
*General Counsel*

Ruth E. Glover  
*Administrative Officer*

OFFICE OF THE  
STATE BANK COMMISSIONER

HOUSE COMMITTEE ON FINANCIAL INSTITUTIONS AND INSURANCE

FEBRUARY 20, 1996

Mr. Chairman and Members of the Committee:

I am Judi Stork, Deputy Commissioner, and I am here today on behalf of Commissioner Newton Male and the Office of the State Bank Commissioner to testify for three Senate Bills.

The first, **Senate Bill 418**, amends K.S.A. 9-903, a statute that governs the transfer of bank stock. Currently, the statute restricts the bank from transferring stock if the owner of stock is indebted to the bank on a matured obligation. Our amendment **adds** the requirement that the bank cannot transfer the stock if the owner is indebted to the bank on an obligation which has been charged off the bank's books or if the bank has forgiven the stockholder's debt.

This amendment was brought about as the result of one particular bank which renegotiated debt with a delinquent borrower resulting in a loan of a reduced amount, with the balance charged off the bank's books. The borrower who owned bank stock then sold their stock, after the renegotiation of debt. Since the borrower's debt with the bank was no longer a matured obligation, the bank did not collect any money (thereby recouping a portion of their loss) from this sale of stock. Further, the bank could not legally take the bank stock as collateral, pursuant to K.S.A. 9-1112. This amendment is needed to provide protection to the bank against losses which it should not have to incur.

**Senate Bill 435** amends K.S.A. 9-1115. We are asking for amendments in two parts of this statute. First, under subsection (b), we are asking that banks retain the ORIGINAL copy of their fidelity bond coverage and provide the banking department with a photocopy of the pertinent parts of the document. This has been the actual practice for several years as it would be cumbersome to maintain the original documents for 309 banks and trust companies. The law currently states the original shall be held by the commissioner.

Secondly, under subsection (c), the current law requires an officer of a bank or trust company to forfeit their position as an officer if they become indebted to the bank on a charged off obligation. We would like to add the provision that they must also forfeit their position if their debt with the bank is forgiven by the bank. We have had several instances where an officer has had debt at a bank that is charged off, and the bank has inquired as to whether forgiveness of such debt will correct the violation and therefore the bank could keep that employee in their position as an officer. Our response has always been the intent and purpose of the statute is to ensure that officers are held to a high standard with regard to their financial dealings. We do not envision that a mere forgiveness of such charged off obligation follows the original intent of the statute. This position has been a long-standing interpretation of our office and we are asking for this amendment for clarification purposes.

*House FD&I  
Attachment 1  
2-20-96*

It should be noted that this statute, specifically the amended language found in subsection (c), is found in HB 2069 which remains in conference committee from last year.

**Senate Bill 436** amends K.S.A. 9-1122, the law which governs when banks are open for business. Our office receives numerous phone calls throughout the course of the year, from bankers, questioning the procedures they must follow to change their banking hours. We are adding language to this statute which sets requirements for them to follow. The procedure requires the adoption of a resolution by the bank's board of directors and the posting of such resolution for 15 days.

We ask for your favorable consideration of these bills.



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Administrative Secretary

February 16, 1996

Memorandum

To: Representative Bill Bryant, Chair, House Financial Institutions And Insurance Committee

From: Terry Larson Executive, Director Kansas Alliance for the Mentally Ill and Canda Byrne, Advocacy Coordinator, Kansas Mental health Coalition

RE: House Bill 2248, Relating to Equal Health Insurance Coverage for Medically Treatable Mental Illnesses

You have already received a copy of the impact study of HB 2248 conducted by the Kansas Insurance Department. As you can see, the figures supplied by the companies surveyed are quite diverse. Though the impact study was first requested by me and other advocates in June of 1995, the department did not begin any work on it until after January 4 of this year. For several reasons, we would dispute the usefulness of the report for supporters or opponents of HB 2248:

1. Five weeks is not enough time for the companies to produce accurate data, which should be the result of having conducted a rigorous actuarial study.
2. Since a number of companies did not respond, the data base must be considered incomplete.
3. The dramatic differences among companies that did report indicate that techniques used were not consistent.

We continue to stand by the data received from other states. That is, by restricting equal coverage provisions to the mental illnesses listed below, the individual premium add-on cost would be roughly \$1 per month and \$2.70 per family premium.

*House File D*  
*Attachment 2*  
*Feb. 20, 1996*

Affiliated with the National Alliance for the Mentally Ill

1. Schizophrenia, schizoaffective disorder, schizophreniform disorder, brief reactive psychosis, paranoid or delusional disorder, atypical psychosis.
2. Major affective disorders (bipolar and major depression), cyclothymic and dysthymic disorders.
3. Obsessive compulsive disorder.
4. Panic disorder.
5. Pervasive developmental disorder, including autism.
6. Other childhood mental illnesses, including attention deficit disorder and attention deficit hyperactivity disorder.
7. Borderline personality disorder.

The next step for the advocates will be to raise the funds to conduct a thorough and scientific independent study. (Should the Insurance Department commit to a more thorough study, we might not have to do this.) It is hoped that the results will be ready by 1997.

With the above in mind, we hereby withdraw our request for a hearing on HB 2248.

Thank you for your consideration of this issue.