

Approved: March 4, 1998
Date

MINUTES OF THE Senate Committee on Financial Institutions and Insurance.

The meeting was called to order by Chairperson Don Steffes at 9:00 a.m. on February 24, 1998 in Room 529-S of the Capitol.

All members were present except:

Committee staff present: Dr. William Wolff, Legislative Research Department
Fred Carman, Revisor of Statutes
Nikki Feuerborn, Committee Secretary

Conferees appearing before the committee: Tom Wilder, Kansas Insurance Department
David Brant, Kansas Securities Commissioner
Chuck Stones, Kansas Bankers Association

Others attending: See attached list

Hearing on HB 2637--Filing procedures for redomestication of foreign insurance companies

Tom Wilder, Kansas Insurance Department, explained that this bill would give the Secretary of State's office the authority to accept the restated Articles of Incorporation of a foreign insurance company seeking redomestication in the state of Kansas (Attachment 1). This would put the Secretary of State's office in compliance with legislation passed in 1997 which required the filing of such Articles. The Secretary of State's office supports this bill.

Senator Feleciano moved to report the bill favorably. Motion was seconded by Senator Praeger. Motion carried.

Hearing on HB 2718--Regulation of securities, definitions

David Brant, Kansas Securities Commissioner, explained the need to revise the definition of "investment adviser representative" in Kansas securities statutes in order to be in agreement with federal definitions (Attachment 2). The bill would also define agent to include issuers in transactions in securities. Other technical changes were explained. Commissioner Brant said there is a need for flexibility in issuing orders as they pertain to federal rulings in order to be fair with the 51,000 stockbrokers registered to do business in Kansas. Ninety-five percent of these stockbrokers are out of state. There are 2,000 registered investment advisers with at least one-half residing out of state. Commissioner Brant informed the Committee that a bull stock market generates a great deal of fraudulent activity. New investors are prime candidates as they want big returns for their investments. Mutual funds are estimated at \$32 trillion in the United States--\$47 billion in Kansas. From 12-20 small stocks are registered in Kansas annually.

Discussion within the Committee included questions regarding the necessity of requiring registration as a financial adviser of someone who publishes an investment adviser newsletter; does the Securities Commissioner have "wild card" authority to issue orders regarding federal orders and regulations; should the authority of the Commissioner to issue such orders be under rules and regulations?

The hearing was continued.

Hearing on HB 2763--Release of certain mortgages and deeds of trust

Chuck Stones, Kansas Bankers Association, spoke on behalf of Mike Robinson, Acting State Executive Director of USDA's Farm Service Agency (formerly Farmers Home Administration) (Attachment 3). Because the FSA routinely makes long term real estates loans over a period of 40 years it is necessary that 42 year mortgages be allowed or affidavits will have to be filed across the state for the 7,000 or more mortgages. Should one of the filings be missed, there would be a lapse of secured position and ultimately a loss of money to the federal government.

Senator Biggs moved to report the bill favorably. Motion was seconded by Senator Clark. Motion carried.

The meeting was adjourned at 5:00 p.m. The next meeting will be held on Wednesday, March 3, 1998.

SENATE FINANCIAL INSTITUTIONS & INSURANCE
COMMITTEE GUEST LIST

DATE: 2-24-98

NAME	REPRESENTING
Tom Wilder	Kansas Insurance Dept
Roger Watter	Kansas Securities Com.
DAVID BRANT	SECURITIES COMMISSIONER
Kathy Olsen	KBA
Chuck Stokes	"
Michelle Peterson	Peterson Public Affairs
Matty Goddard	ACBA
Ed May	Senat
Mary Ellen O'Brien	assis. Tech. for Kansas
Sandra DeCoursey	KI Insurance Dept
Jusan Anderson	Hein & Weir
Nenesa Sotomayor	State Farm
Pat Morris	KAIA
Lori Callahan	Kammco
Mary Spinks	Personnel Services



Kathleen Sebelius
Commissioner of Insurance
Kansas Insurance Department

MEMORANDUM

To: Senate Financial Institutions
and Insurance Committee

From: Tom Wilder

Re: H.B. 2637 ("Redomestication" of Insurers)

Date: February 24, 1998

I am appearing today to ask for your support for House Bill 2637 which makes it easier for insurance companies to redomesticate their business operations to Kansas. As you recall, the law was changed last year to adopt the model redomestication law drafted by the National Association of Insurance Carriers. This new statute simplifies the procedures for insurance companies which redomesticate to Kansas.

We are processing applications for several insurers who want to redomesticate to this state. The Department has found a procedural problem with those applications because the law requires carriers to file a "restated" copy of their Articles of Incorporation with the Kansas Secretary of State. However, the statute which was passed last year does not specifically give the Secretary of State the authority to accept the restated Articles. House Bill 2637 provides that the Secretary of State will adopt the necessary forms for restated Articles to be filed with their office. The new provision would be effective with its publication in the Kansas Register.

I would ask that you adopt H.B. 2637 favorably for passage.

*Senate F Is D
Attachment 1
2/24/98*



KANSAS

Bill Graves
Governor

OFFICE OF THE SECURITIES COMMISSIONER

David R. Brant
Securities Commissioner

TESTIMONY IN SUPPORT OF HOUSE BILL No. 2718
Amendments To The Kansas Securities Act
Financial Institutions and Insurance Committee Kansas Senate

DAVID BRANT
Kansas Securities Commissioner
February 24, 1998

Mr. Chairman and members of the committee, thank you for this opportunity to testify in support of House Bill No. 2718 which makes a few needed technical amendments to the Kansas Securities Act.

Last year, the Act was amended by HB 2094 to conform the Act to the requirements of recent federal legislation, the National Securities Markets Improvement Act ("NSMIA"), which was signed into law on October 11, 1996. Pursuant to NSMIA, the Securities and Exchange Commission ("S.E.C.") adopted rules implementing the Investment Advisers Supervision and Coordination Act of NSMIA. Among other things, the rules provided a definition of "investment adviser representative." The new S.E.C. rules went effective on July 8, 1997.

Since July, the North American Securities Administrators Association ("NASAA") has been drafting model language to revise the definition of investment adviser representative to harmonize the definition under state securities laws with the federal definition adopted by S.E.C. Rule 203A-3(a). NASAA finalized its model language as of December 16, 1997, after it was published for public comment.

The bill (beginning on page 3, line 28) amends the definition of investment adviser representative under K.S.A. 17-1252(m) to adopt the NASAA proposed model wording in order that the Kansas definition will be consistent with the revised federal rule.

Section 1 of the bill also amends the definition of agent under K.S.A. 17-1252(b) to encompass an additional exclusion. Currently, individuals representing issuers in transactions in securities exempted under various subsections of K.S.A. 17-1261 are excluded from the definition of agent. The list of exclusions in K.S.A. 17-1252(b) now encompasses most of the subsections of 17-1261. There is no rational basis for excluding

*Senate F.D.D.
Attachment 2*

subsection (d) from this list (securities of federally chartered or Kansas Savings and Loan Associations). The effect of the amendment is to include this subsection (d) in the list of exclusions and to simplify the description to include all of 17-1261 except one category.

Finally, Sections 2 and 3 of the bill propose to amend the prefatory language contained in K.S.A. 17-1261 and 17-1262. These amendments clarify a minor, technical conflict. Exemptions in these statutes are meant only to exempt the securities and transactions from the requirement to register securities or in the case of 17-1262 to also exempt those selling the securities from the requirement to register as broker-dealers or agents. Other provisions within K.S.A. 17-1254 through 17-1260, such as the authority to revoke or suspend licenses for dishonest or unethical practices or the authority to require filing fees for exemption filings, are clearly intended to apply in the case of these exemptions.



United States
Department of
Agriculture

Farm
Service
Agency

Kansas State FSA Office
3600 Anderson Avenue
Manhattan, Kansas 66503-2511
785 587-8700 FAX 785 537-9659

February 23, 1998

TO: Senate Finance Institution and Insurance Committee

FROM: Mike Robinson, Acting State Executive Director

SUBJECT: House Bill 2763

Farm Service Agency (FSA,) formerly doing business as Farmers Home Administration, United States Department of Agriculture, United States of America, is highly in favor of House Bill 2763. FSA routinely makes long term real estate loans over a period of 40 years. We also guarantee loans of other ag lenders for up to 40 years. We would guesstimate that we have approximately 7,000 mortgages filed of record across the state that would require an affidavit to be filed, if House Bill 2763 is not passed to allow 42 year mortgages. This would be a great undertaking for our Agency. We also fear that we will miss filing an affidavit of record, resulting in a lapse of secured position and ultimately a loss of money to the Federal government.

We plead with you to pass House Bill 2763 to allow mortgages over a period of 42 years. Thank you for your consideration.

If you have any questions, please contact Charles W. Ladner, Farm Loan Programs Director, Farm Service Agency.

AN EQUAL OPPORTUNITY EMPLOYER

*Senate FSD
Attachment 3
2/24/98*