

MINUTES OF THE HOUSE COMMITTEE ON INSURANCE.

The meeting was called to order by Vice-Chairperson Representative Stan Dreher at 3:35 p.m. on January 15, 2002 in Room 527-S of the Capitol.

All members were present except: Representative Bonnie Sharpe

Committee staff present: Bill Wolff, Legislative Research
Ken Wilke, Legislative Revisor
Mary Best, Committee Secretary

Conferees appearing before the committee: Linda DeCoursey, Kansas Department of Insurance
Bill Sneed, Mortgage Insurance Companies of America

Others attending: See Attached Guest List

The meeting was called to order by Representative Dreher, in the absence of Chairman Tomlinson. Representative Dreher welcomed everyone back and then introduced and welcomed Representative Roger Toelkes to the committee. Representative Toelkes will replace Representative Dixie Toelkes.

With all announcements completed Representative Dreher recognized Mr. Bill Sneed. Mr. Sneed, representing Mortgage Insurance Companies of America, came before the committee with a request for hearing of a bill to amend K.S.A. 40-3502 (3) permitting mortgage guaranty insurers to insure mortgage loans over 100% of the value of the underlying property. Limits were increased from 97% to 100% during the 2000 legislative session. A copy of the request is (Attachment #1) attached hereto and incorporated into the Minutes by reference.

As there was no further discussion or questions, the Vice-Chairman requested the committee's pleasure on the request. Representative Bob Grant made the motion to accept the request to introduce the bill and the motion was seconded by Representative Joe Hummerickhouse. The vote was taken and the motion carried.

Chairman Tomlinson entered the meeting and replaced the Vice-Chair, welcoming everyone and recognizing Mrs. Linda DeCoursey of the Kansas Insurance Department. Mrs. DeCoursey brought forth her request for a bill introduction. A copy of the bill and her request are (Attachment #2) attached hereto and incorporated into the Minutes by reference.

Mrs. DeCoursey is reintroducing the Viatical Bill with one change. She also explained the bill had been cleaned up and the Security Committee was joining the Insurance Department thus making this a joint effort. She explained that also included in her attachment was a copy of the bills presented to the Senate. With this Mrs. DeCoursey concluded her testimony to the committee.

With no questions or further discussion, the Chair turned the request to the committee. Representative Kirk made the motion to accept the introduction of the bill and the motion was seconded by Representative Dreher. The vote was taken and the motion carried.

With no further business the meeting was adjourned. The time was 3:40 p.m. The next meeting will be held January 22, 2002 at 3:30 p.m.

HOUSE INSURANCE COMMITTEE GUEST LIST

DATE: January 15, 2002

NAME	REPRESENTING
Lee Wright	FARMERS
Bill Sneed	MICA
Michael White	Kearney Law Office PA
RPC Guthrie	Health Midwest
Kevin Davis	Ann Family Ins.
Julie Numrich	Federico
Jonas deGruy	KS Ins. Dept.
James Jones	KS Ins Dept.
Gandy Braden	KAIFA
Bob Payne	AESF
LARRY MAGILL	KAIA

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Memorandum

TO: The Honorable Bob Tomlinson, Chairman
House Insurance Committee

FROM: William W. Sneed, Legislative Counsel
Mortgage Insurance Companies of America

RE: Amendment to K.S.A. §40-3502

DATE: January 15, 2002

Mr. Chairman, Members of the Committee: My name is Bill Sneed and I represent Mortgage Insurance Companies of America ("MICA"). MICA is a national trade association that represents all seven private guaranty insurer companies, each of which is licensed to transact mortgage business in Kansas and throughout the United States.

This proposal would amend K.S.A. §40-3502(c) to permit mortgage guaranty insurers to insure mortgage loans over 100% of the value of the underlying property. The Kansas Legislature increased such limit from 97% to 100% during the 2000 legislative session.

We believe that such an increase is favorable to the general public and the mortgage business industry, and we will provide extensive detail on our proposal at the time of the hearing.

Thus, we respectfully request that this bill be introduced in the House Insurance Committee.

One AmVestors Place
555 Kansas Avenue, Suite 301
HOUSE INSURANCE

DATE: *January 15, 2002*
ATTACHMENT #1

Thank you very much, and if you have any questions, please feel free to contact me.

Respectfully submitted,



William W. Sneed

WWS
Enclosure

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AN ACT concerning mortgage guaranty insurance companies, amending K.S.A. 40-3502 and repealing the existing section.

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

Section 1. K.S.A. 40-3502 is hereby amended to read as follows:

40-3502. Definitions. As used in this act the following terms shall have the meanings respectively ascribed to them herein:

(a) "Mortgage guaranty insurance company" means any corporation, company, association, reciprocal exchange, persons or partnerships writing contracts of mortgage guaranty insurance and shall be governed by the provisions of this act and the other provisions of chapter 40 of the Kansas Statutes Annotated applicable to companies organized or operating under the provisions of K.S.A. 40-1101 *et seq.*, and amendments thereto, to the extent such other provisions are not inconsistent with the requirements of this act.

(b) "Mortgage guaranty insurance" means and includes: (1) Insurance against financial loss by reason of nonpayment of principal, interest or other sums agreed to be paid under the terms of any note or bond or other evidence of indebtedness secured by a mortgage, deed of trust, or other instrument constituting a lien or charge on real estate, when the improvement on such real estate is a residential building or a condominium or townhouse unit or buildings designed for occupancy by not more than four families;

(2) insurance against financial loss by reason of nonpayment of principal, interest or other sums agreed to be paid under the terms of any note or bond or other evidence of indebtedness secured by a mortgage, deed of trust or other instrument constituting a lien or charge on real estate, when the improvement on such real estate is a building or buildings designed for occupancy by five or more families or designed to be occupied for industrial or commercial purposes; or

(3) insurance against financial loss by reason of nonpayment of rent or other sums agreed to be paid under the terms of a written lease for the possession, use or occupancy of real estate, when the improvement on such real estate is a building or buildings designed to be occupied for industrial or commercial purposes.

(c) "Authorized real estate security" means an amortized note, bond or other evidence of indebtedness, ~~not exceeding (100%) of the fair market value of the real estate,~~ secured by a mortgage, deed of trust, or other instrument which constitutes, or is equivalent to, a first lien or charge on real estate, when: (1) The real estate loan secured in such manner is one of a type which a bank, savings and loan association, or an insurance company, which is supervised and regulated by a department of this state or an agency of the federal government, is authorized to make, or would be authorized to make, disregarding any requirement applicable to such an institution that the amount of the loan not exceed a certain percentage of the value of the real estate;

(2) the improvement on such real estate is a building or buildings designed for occupancy as specified by paragraphs (1) or (2) of subsection (b); and

(3) the lien on such real estate may be subject to and subordinate to the following:

(i) The lien of any public bond, assessment or tax, when no installment, call or payment of or under such bond, assessment or tax is delinquent; and

(ii) outstanding mineral, oil, water or timber rights, rights-of-way, easements or rights-of-way of support, sewer rights, building restrictions or other restrictions or covenants, conditions or

regulations of use, or outstanding leases upon such real property under which rents or profits are reserved to the owner thereof.

(d) "Contingency reserve" means an additional premium reserve established to protect policyholders against the effect of adverse economic cycles.

(e) "Single risk" means the insurance provided with respect to each separate loan or lease covered by an individual policy of mortgage guaranty insurance or an individual certificate issued pursuant to K.S.A. 40-3511, and amendments thereto.

Section 2. This Act shall take effect and be in force from and after its publication in the statute book.

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Kathleen Sebelius
Commissioner of Insurance
Kansas Insurance Department

TO: House Committee on Insurance
FROM: Linda J. De Coursey, Director of Government Affairs
DATE: January 15, 2002
RE: Bill Introductions

Mr. Chairman and members of the Committee:

I am appearing today on behalf of Insurance Commissioner Kathleen Sebelius to request the introduction of a bill by this committee for the Kansas Insurance Department. The proposed legislation deals with the update of the current viatical law.

- **Viatical law update** - In 1999, the Kansas Legislature made changes to the viatical law. Because of the changing environment with these types of insurance products, the NAIC has revised the model act to improve state insurance regulation. Viatical settlements are arrangements intended to provide dying life insurance policyholders with cash for immediate use. With viatical settlements rising from a \$50 million business in 1991 to \$1 billion in 1998, and that the business also evolving to include "life settlements" for healthy seniors, a market worth over \$100 billion, updates to the current law are needed. The proposed legislation establishes the necessary safeguards for viators' privacy, covers life settlements, and lays out protections for investors. The proposed changes include: 1) new definitions, 2) advertising restrictions and guidelines, 3) privacy issues; 4) expands disclosure requirements; 5) adds fraud prevention and control section; 6) expands the licensing laws for agents and brokers; 7) establishes conduct and procedures for examinations of companies, and 8) requires that any transaction involving a viatical investment is regulated by the Securities Commissioner.

HOUSE INSURANCE

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DATE: *January 15, 2002*
ATTACHMENT *A 2*

**Bill proposals requested by the Insurance Commissioner
introduced in the
Senate Committee on Financial Institutions and Insurance**

Risk Based Capital

Amends K.S.A. 40-2c01(j) to change the date in the statute from "2000" to "2001" for the effective date of the RBC instructions used by carriers to file data with the insurance department.

Reinsurance

Amends K.S.A. 40-221a to correct an inconsistency between the terminology in the reinsurance statutes and newly proposed regulation. Currently, Kansas law refers to a "bank which is insured by the federal deposit insurance corporation". To be consistent with the new language in the NAIC Model Regulation that the Insurance Department is in the processing of adopting, the statute needs to be changed to "qualified United States financial institution".

Sharing of Information

Amends K.S.A. 40-222 to broaden the language to allow for information sharing pursuant to GLBA. Kansas Bank Commissioner's office had a similar problem that was corrected last year. The proposed language for the insurance commissioner is the same authority granted to the bank commissioner to allow sharing of information pursuant to GLBA.