

MINUTES OF THE SENATE FINANCIAL INSTITUTIONS AND INSURANCE COMMITTEE

The meeting was called to order by Chairperson Ruth Teichman at 9:30 a.m. on January 15, 2004 in Room 234-N of the Capitol.

All members were present except:

Senator David Adkins- excused
Senator David Corbin- excused

Committee staff present:

Ken Wilke, Office of the Revisor of Statutes
Nancy Shaughnessy, Committee Secretary

Conferees appearing before the committee:

Jeff Bottenberg, State Farm Insurance
Clarence Norris State Banking Commissioner

Others attending:

See Attached List.

Jeff Bottenberg, State Farm Insurance Company presented information (Attachment 1) requesting bill introduction that would allow insurers to issue contracts of insurance and other materials in a foreign language.

Clarence Norris, Kansas State Banking Commission, over viewed the function and purpose of the Commission. (Attachment 2) He also addressed some of the legislative issues that would come before the Committee, specifically, "payday loans." The Commission has a concern regarding the exorbitant interest rates and schemes that are in place to attract consumers. They would like to see a reduction in the interest rates and a cap on the number of times that an individual may receive a payday loan in a 12-month period.

The meeting was adjourned at 10:05 A.M.

The next meeting is scheduled for January 20, 2004

Senate Financial Institutions and Insurance Committee

Date: 1-15-04

Name:

Representing:

Paul Forbes	KID
Kevin Glendening	BANK Commissioner - DC
Sonya Allen	" - OSBC - GC
Clancy Harris	" - OSBC GC
Judi Stork	OSBC - DC
Erin Land	Inter - Sea Millions
Rob MEALY	Hein Low Firm
SCOTT SCHNEIDER	GIBBA
Lee Wright	Farmers Insurance
Joff Bottabone	State Farm
Cheri Froetscher	Budget
Dan Murray	Federico Consult.
Jim Byrnes	SV, SALAMANS
Matt Goddard	HCOA
Shari Keller	CBA - Community Bankers

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Memorandum

TO: THE HONORABLE RUCH TEICHMAN, CHAIR
SENATE FINANCIAL INSTITUTIONS AND INSURANCE COMMITTEE

FROM: JEFFERY S. BOTTENBERG, LEGISLATIVE COUNSEL
THE STATE FARM INSURANCE COMPANIES

RE: BILL INTRODUCTION

DATE: JANUARY 15, 2004

Madam Chair, Members of the Committee: My name is Jeff Bottenberg and I represent State Farm Insurance Companies ("State Farm"), which is the largest auto and home insurer in the United States and Kansas.

State Farm respectfully requests that legislation be introduced that would allow insurers to issue contracts of insurance and other materials in a foreign language. As you may recall, identical legislation covering this topic was introduced last year that unfortunately did not become law. This legislation is needed because, unless specifically authorized by statute, insurance companies are severely limited as to what they can or cannot provide in the material that they present to their insured. At the time of the hearing, we will be happy to provide extensive details on the positive results that will occur as a result of passage of this legislation.

Thus, we respectfully request that this bill be introduced by the Senate Financial Institutions and Insurance Committee. Please do not hesitate to contact me if I may be able to answer questions or be of further assistance.

JSB:kjb
Enclosure

G:\LOBBY\SF Intro.doc

Senate F I & I Committee

Meeting Date: 1-15-04

Attachment No.: # 1

One AmVestors Place
555 Kansas Avenue, Suite 301
Topeka, KS 66603
Telephone: (785) 233-1446
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S.B. _____

AN ACT concerning insurance, relating to the issuance of insurance policies in a foreign language; amending K.S.A. 40-216 and K.S.A. 2003 Supp. 40-2404 and repealing the existing sections.

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

Section 1. K.S.A. 40-216 is hereby amended to read as follows:

40-216. Business prohibited until certain filings made; filing of contracts on behalf of insurer by rating organization or another insurer; suspension or modification of filing requirements by commissioner; report to legislature. (a) No insurance company shall hereafter transact business in this state until certified copies of its charter and amendments thereto shall have been filed with and approved by the commissioner of insurance. A copy of the bylaws and amendments thereto of insurance companies organized under the laws of this state shall also be filed with and approved by the commissioner of insurance. The commissioner may also require the filing of such other documents and papers as are necessary to determine compliance with the laws of this state. No contract of insurance or indemnity shall be issued or delivered in this state until the form of the same has been filed with the commissioner of insurance, nor if the commissioner of insurance gives written notice within 30 days of such filing, to the company proposing to issue such contract, showing wherein the form of such contract does not comply with the requirements of the laws of this state; but the failure of any insurance company to comply with this section shall not constitute a defense to any action brought on its contracts. An insurer may satisfy its obligation to file its contracts of insurance or indemnity either individually or by authorizing the commissioner to accept on its behalf the filings made by a licensed rating organization or another insurer.

Under such rules and regulations as the commissioner of insurance shall adopt, the commissioner may, by written order, suspend or modify the requirement of filing forms of contracts of insurance or indemnity, which cannot practicably be filed before they are used. Such orders, rules and regulations shall be made known to insurers and rating organizations affected thereby. The commissioner may make an examination to ascertain whether any forms affected by such order meet the standards of this code.

~~(b) Prior to the 2000 legislative session, the Kansas insurance department shall conduct a study and report to the Kansas legislature on the laws of other states governing rate filings and policy or contract forms for personal and commercial, including large commercial risks. The study shall also identify recent trends in regulation and the potential impact on consumers, carriers and agents.~~

(b). The commissioner of insurance shall allow any insurance company authorized to transact business in this state to deliver to any person in this state any contract of insurance or indemnity, including any explanatory materials, written in any language other than the English language under the following conditions:

- (1) The insured or applicant for insurance who is given a copy a copy of the same contract of insurance or indemnity or explanatory materials written in the English language;*

(2) *The English language version of the contract for insurance or indemnity or explanatory materials delivered shall be the controlling version; and*

(3) *Any contract of insurance or indemnity or explanatory materials written in any language other than English shall contain a disclosure statement in 10 point boldface type, printed in both the English language and the other language used, stating the English version of the contract of insurance or indemnity is the official or controlling version and that the versions written in any language other than English is furnished for informational purposes only*

(c) *All contracts of insurance or indemnity that are required to be filed with the commissioner of insurance shall be accompanied by any version of such contract of insurance or indemnity written in any language other than the English language.*

(d) *Any insurance company or insurer, including any agent or employee thereof, who knowingly misrepresents the contents of a contract of insurance or indemnity or explanatory materials written in a language other than the English language shall be deemed to have violated the unfair trade practice law.*

(e) *For purposes of this section, the term "contract of insurance or indemnity" shall include any rider, endorsement or application pertaining to such contract of insurance or indemnity.*

Section 2. K.S.A. 2003 Supp. 40-2404 is hereby amended to read as follows:

40-2404. The following are hereby defined as unfair methods of competition and unfair or deceptive acts or practices in the business of insurance:

(1) *Misrepresentations and false advertising of insurance policies.* Making, issuing, circulating or causing to be made, issued or circulated, any estimate, illustration, circular, statement, sales presentation, omission or comparison which:

(a) Misrepresents the benefits, advantages, conditions or terms of any insurance policy;

(b) misrepresents the dividends or share of the surplus to be received on any insurance policy;

(c) makes any false or misleading statements as to the dividends or share of surplus previously paid on any insurance policy;

(d) is misleading or is a misrepresentation as to the financial condition of any person, or as to the legal reserve system upon which any life insurer operates;

(e) uses any name or title of any insurance policy or class of insurance policies misrepresenting the true nature thereof;

(f) is a misrepresentation for the purpose of inducing or tending to induce the lapse, forfeiture, exchange, conversion or surrender of any insurance policy;

(g) is a misrepresentation for the purpose of effecting a pledge or assignment of or effecting a loan against any insurance policy; or

(h) misrepresents any insurance policy as being shares of stock.

(2) *False information and advertising generally.* Making, publishing, disseminating, circulating or placing before the public, or causing, directly or indirectly, to be made, published, disseminated, circulated or placed before the public, in a newspaper, magazine or other publication, or in the form of a notice, circular, pamphlet, letter or poster, or over any radio or

television station, or in any other way, an advertisement, announcement or statement containing any assertion, misrepresentation or statement with respect to the business of insurance or with respect to any person in the conduct of such person's insurance business, which is untrue, deceptive or misleading.

(3) *Defamation.* Making, publishing, disseminating or circulating, directly or indirectly, or aiding, abetting or encouraging the making, publishing, disseminating or circulating of any oral or written statement or any pamphlet, circular, article or literature which is false, or maliciously critical of or derogatory to the financial condition of any person, and which is calculated to injure such person.

(4) *Boycott, coercion and intimidation.* Entering into any agreement to commit, or by any concerted action committing, any act of boycott, coercion or intimidation resulting in or tending to result in unreasonable restraint of the business of insurance, or by any act of boycott, coercion or intimidation monopolizing or attempting to monopolize any part of the business of insurance.

(5) *False statements and entries.* (a) Knowingly filing with any supervisory or other public official, or knowingly making, publishing, disseminating, circulating or delivering to any person, or placing before the public, or knowingly causing directly or indirectly, to be made, published, disseminated, circulated, delivered to any person, or placed before the public, any false material statement of fact as to the financial condition of a person.

(b) Knowingly making any false entry of a material fact in any book, report or statement of any person or knowingly omitting to make a true entry of any material fact pertaining to the business of such person in any book, report or statement of such person.

(6) *Stock operations and advisory board contracts.* Issuing or delivering or permitting agents, officers or employees to issue or deliver, agency company stock or other capital stock, or benefit certificates or shares in any common-law corporation, or securities or any special or advisory board contracts or other contracts of any kind promising returns and profits as an inducement to insurance. Nothing herein shall prohibit the acts permitted by K.S.A. 40-232, and amendments thereto.

(7) *Unfair discrimination.* (a) Making or permitting any unfair discrimination between individuals of the same class and equal expectation of life in the rates charged for any contract of life insurance or life annuity or in the dividends or other benefits payable thereon, or in any other of the terms and conditions of such contract.

(b) Making or permitting any unfair discrimination between individuals of the same class and of essentially the same hazard in the amount of premium, policy fees or rates charged for any policy or contract of accident or health insurance or in the benefits payable thereunder, or in any of the terms or conditions of such contract, or in any other manner whatever.

(c) Refusing to insure, or refusing to continue to insure, or limiting the amount, extent or kind of coverage available to an individual, or charging an individual a different rate for the same coverage solely because of blindness or partial blindness. With respect to all other conditions, including the underlying cause of the blindness or partial blindness, persons who are blind or partially blind shall be subject to the same standards of sound actuarial principles or actual or reasonably anticipated experience as are sighted persons. Refusal to insure includes denial by an insurer of disability insurance coverage on the grounds that the policy defines "disability" as being presumed in the event that the insured loses such person's eyesight. However, an insurer may exclude from coverage disabilities consisting solely of blindness or partial blindness when such condition existed at the time the policy was issued.

(d) Refusing to insure, or refusing to continue to insure, or limiting the amount, extent or kind of coverage available for accident and health and life insurance to an applicant who is the proposed insured or charge a different rate for the same coverage or excluding or limiting coverage for losses or denying a claim incurred by an insured as a result of abuse based on the fact that the applicant who is the proposed insured is, has been, or may be the subject of domestic abuse, except as provided in subpart (v). "Abuse" as used in this subsection (7)(d) means one or more acts defined in subsection (a) or (b) of K.S.A. 60-3102 and amendments thereto between family members, current or former household members, or current or former intimate partners.

(i) An insurer may not ask an applicant for life or accident and health insurance who is the proposed insured if the individual is, has been or may be the subject of domestic abuse or seeks, has sought or had reason to seek medical or psychological treatment or counseling specifically for abuse, protection from abuse or shelter from abuse.

(ii) Nothing in this section shall be construed to prohibit a person from declining to issue an insurance policy insuring the life of an individual who is, has been or has the potential to be the subject of abuse if the perpetrator of the abuse is the applicant or would be the owner of the insurance policy.

(iii) No insurer that issues a life or accident and health policy to an individual who is, has been or may be the subject of domestic abuse shall be subject to civil or criminal liability for the death or any injuries suffered by that individual as a result of domestic abuse.

(iv) No person shall refuse to insure, refuse to continue to insure, limit the amount, extent or kind of coverage available to an individual or charge a different rate for the same coverage solely because of physical or mental condition, except where the refusal, limitation or rate differential is based on sound actuarial principles.

(v) Nothing in this section shall be construed to prohibit a person from underwriting or rating a risk on the basis of a preexisting physical or mental condition, even if such condition has been caused by abuse, provided that:

(A) The person routinely underwrites or rates such condition in the same manner with respect to an insured or an applicant who is not a victim of abuse;

(B) the fact that an individual is, has been or may be the subject of abuse may not be considered a physical or mental condition; and

(C) such underwriting or rating is not used to evade the intent of this section or any other provision of the Kansas insurance code.

(vi) Any person who underwrites or rates a risk on the basis of preexisting physical or mental condition as set forth in subsection (7)(d)(v), shall treat such underwriting or rating as an adverse underwriting decision pursuant to K.S.A. 40-2,112, and amendments thereto.

(vii) The provisions of subsection (d) shall apply to all policies of life and accident and health insurance issued in this state after the effective date of this act and all existing contracts which are renewed on or after the effective date of this act.

(8) *Rebates.* (a) Except as otherwise expressly provided by law, knowingly permitting, offering to make or making any contract of life insurance, life annuity or accident and health insurance, or agreement as to such contract other than as plainly expressed in the insurance contract issued thereon; paying, allowing, giving or offering to pay, allow or give, directly or indirectly, as inducement to such insurance, or annuity, any rebate of premiums payable on the contract, any special favor or advantage in the dividends or other benefits thereon, or any valuable consideration or inducement whatever not specified in the contract; or giving, selling, purchasing or offering to give, sell or purchase as inducement to such insurance contract or annuity or in

connection therewith, any stocks, bonds or other securities of any insurance company or other corporation, association or partnership, or any dividends or profits accrued thereon, or anything of value whatsoever not specified in the contract.

(b) Nothing in subsection (7) or (8)(a) shall be construed as including within the definition of discrimination or rebates any of the following practices:

(i) In the case of any contract of life insurance or life annuity, paying bonuses to policyholders or otherwise abating their premiums in whole or in part out of surplus accumulated from nonparticipating insurance. Any such bonuses or abatement of premiums shall be fair and equitable to policyholders and for the best interests of the company and its policyholders;

(ii) in the case of life insurance policies issued on the industrial debit plan, making allowance to policyholders who have continuously for a specified period made premium payments directly to an office of the insurer in an amount which fairly represents the saving in collection expenses; or

(iii) readjustment of the rate of premium for a group insurance policy based on the loss or expense experience thereunder, at the end of the first or any subsequent policy year of insurance thereunder, which may be made retroactive only for such policy year.

(9) *Unfair claim settlement practices.* It is an unfair claim settlement practice if any of the following or any rules and regulations pertaining thereto are: (A) Committed flagrantly and in conscious disregard of such provisions, or (B) committed with such frequency as to indicate a general business practice.

(a) Misrepresenting pertinent facts or insurance policy provisions relating to coverages at issue;

(b) failing to acknowledge and act reasonably promptly upon communications with respect to claims arising under insurance policies;

(c) failing to adopt and implement reasonable standards for the prompt investigation of claims arising under insurance policies;

(d) refusing to pay claims without conducting a reasonable investigation based upon all available information;

(e) failing to affirm or deny coverage of claims within a reasonable time after proof of loss statements have been completed;

(f) not attempting in good faith to effectuate prompt, fair and equitable settlements of claims in which liability has become reasonably clear;

(g) compelling insureds to institute litigation to recover amounts due under an insurance policy by offering substantially less than the amounts ultimately recovered in actions brought by such insureds;

(h) attempting to settle a claim for less than the amount to which a reasonable person would have believed that such person was entitled by reference to written or printed advertising material accompanying or made part of an application;

(i) attempting to settle claims on the basis of an application which was altered without notice to, or knowledge or consent of the insured;

(j) making claims payments to insureds or beneficiaries not accompanied by a statement setting forth the coverage under which payments are being made;

(k) making known to insureds or claimants a policy of appealing from arbitration awards in favor of insureds or claimants for the purpose of compelling them to accept settlements or compromises less than the amount awarded in arbitration;

(l) delaying the investigation or payment of claims by requiring an insured, claimant or the physician of either to submit a preliminary claim report and then requiring the subsequent

submission of formal proof of loss forms, both of which submissions contain substantially the same information;

(m) failing to promptly settle claims, where liability has become reasonably clear, under one portion of the insurance policy coverage in order to influence settlements under other portions of the insurance policy coverage; or

(n) failing to promptly provide a reasonable explanation of the basis in the insurance policy in relation to the facts or applicable law for denial of a claim or for the offer of a compromise settlement.

(10) *Failure to maintain complaint handling procedures.* Failure of any person, who is an insurer on an insurance policy, to maintain a complete record of all the complaints which it has received since the date of its last examination under K.S.A. 40-222, and amendments thereto; but no such records shall be required for complaints received prior to the effective date of this act. The record shall indicate the total number of complaints, their classification by line of insurance, the nature of each complaint, the disposition of the complaints, the date each complaint was originally received by the insurer and the date of final disposition of each complaint. For purposes of this subsection, "complaint" means any written communication primarily expressing a grievance related to the acts and practices set out in this section.

(11) *Misrepresentation in insurance applications.* Making false or fraudulent statements or representations on or relative to an application for an insurance policy, for the purpose of obtaining a fee, commission, money or other benefit from any insurer, agent, broker or individual.

(12) *Statutory violations.* Any violation of any of the provisions of K.S.A. 40-216, 40-276a, 40-2,155 and 40-1515 or ~~K.S.A. 40-2,155~~ and amendments thereto.

(13) *Disclosure of information relating to adverse underwriting decisions and refund of premiums.* Failing to comply with the provisions of K.S.A. 40-2,112, and amendments thereto, within the time prescribed in such section.

(14) *Rebates and other inducements in title insurance.* (a) No title insurance company or title insurance agent, or any officer, employee, attorney, agent or solicitor thereof, may pay, allow or give, or offer to pay, allow or give, directly or indirectly, as an inducement to obtaining any title insurance business, any rebate, reduction or abatement of any rate or charge made incident to the issuance of such insurance, any special favor or advantage not generally available to others of the same classification, or any money, thing of value or other consideration or material inducement. The words "charge made incident to the issuance of such insurance" includes, without limitations, escrow, settlement and closing charges.

(b) No insured named in a title insurance policy or contract nor any other person directly or indirectly connected with the transaction involving the issuance of the policy or contract, including, but not limited to, mortgage lender, real estate broker, builder, attorney or any officer, employee, agent representative or solicitor thereof, or any other person may knowingly receive or accept, directly or indirectly, any rebate, reduction or abatement of any charge, or any special favor or advantage or any monetary consideration or inducement referred to in (14)(a).

(c) Nothing in this section shall be construed as prohibiting:

(i) The payment of reasonable fees for services actually rendered to a title insurance agent in connection with a title insurance transaction;

(ii) the payment of an earned commission to a duly appointed title insurance agent for services actually performed in the issuance of the policy of title insurance; or

(iii) the payment of reasonable entertainment and advertising expenses.

(d) Nothing in this section prohibits the division of rates and charges between or among a title insurance company and its agent, or one or more title insurance companies and one or more title insurance agents, if such division of rates and charges does not constitute an unlawful rebate under the provisions of this section and is not in payment of a forwarding fee or a finder's fee.

(e) No title insurer or title agent may accept any order for, issue a title insurance policy to, or provide services to, an applicant if it knows or has reason to believe that the applicant was referred to it by any producer of title business or by any associate of such producer, where the producer, the associate, or both, have a financial interest in the title insurer or title agent to which business is referred unless the producer has disclosed to the buyer, seller and lender the financial interest of the producer of title business or associate referring the title insurance business.

(f) No title insurer or title agent may accept an order for title insurance business, issue a title insurance policy, or receive or retain any premium, or charge in connection with any transaction if: (i) The title insurer or title agent knows or has reason to believe that the transaction will constitute controlled business for that title insurer or title agent, and (ii) 20% or more of the gross operating revenue of that title insurer or title agent during the six full calendar months immediately preceding the month in which the transaction takes place is derived from controlled business. The prohibitions contained in this subparagraph shall not apply to transactions involving real estate located in a county that has a population, as shown by the last preceding decennial census, of 10,000 or less.

(g) The commissioner shall adopt any regulations necessary to carry out the provisions of this act.

(15) *Disclosure of nonpublic personal information.* (a) No person shall disclose any nonpublic personal information contrary to the provisions of title V of the Gramm-Leach-Bliley act of 1999 (public law 106-102). The commissioner may adopt rules and regulations necessary to carry out this section. Such rules and regulations shall be consistent with and not more restrictive than the model regulation adopted on September 26, 2000, by the national association of insurance commissioners entitled "Privacy of consumer financial and health information regulation".

(b) Any rules and regulations adopted by the commissioner which implement article V of the model regulation adopted on September 26, 2000, by the national association of insurance commissioners entitled "Privacy of consumer financial and health information regulation" shall become effective on and after February 1, 2002.

(c) Nothing in this paragraph (15) shall be deemed or construed to authorize the promulgation or adoption of any regulation which preempts, supersedes or is inconsistent with any provision of Kansas law concerning requirements for notification of, or obtaining consent from, a parent, guardian or other legal custodian of a minor relating to any matter pertaining to the health and medical treatment for such minor.

Section 2. K.S.A. 40-216 and K.S.A. 2003 Supp. 40-2404 are hereby repealed.

Section 3. This act shall take effect and be in force from and after its publication in the statute book.

KANSAS

OFFICE OF THE STATE BANK COMMISSIONER
 CLARENCE W. NORRIS, Bank Commissioner

KATHLEEN SEBELIUS, GOVERNOR

Office of the State Bank Commissioner Consumer & Mortgage Lending Division

Summary of Activities

Entities Regulated		
Entities	FY 2002	FY 2003
Consumer Lenders and Mortgage Companies	1,410	2,031
Other Regulated Entities	6,820	7,761
Total Regulated Entities	8,230	9,792

Consumer Complaints and Industry Requests		
	FY 2002	FY 2003
Telephone Contacts	3,311	8,566
Web-site Hits	315,144	843,396

Examinations Conducted		
Entity	FY 2003	Estimated for FY 2004
Consumer Lenders & Mortgage Companies	93	135

Enforcement Actions			
Action	FY 2002	FY 2003	FY 2004 (1 st Half Totals)
Enforcement Actions Issued	57	59	44
Fines and Settlements Collected	\$185,500	\$131,100	\$89,400
Cash Refunds to Consumers	\$829,998	\$7,207,945	\$874,478
Consumer Savings through Reductions In Contractual Obligations	\$9,342,738	\$1,085,876	\$1,443,679

Cash Refunds to Consumers plus Consumer Savings through Reductions in Contractual Obligations for Fiscal Years 2002, 2003 and the first half of 2004 total \$20,784,714.

Senate FI & I Committee

Meeting Date: 1-15-04

700 S.W. Jackson, Suite 300 • Topeka, Kansas • 66603-3796 • 785-296-2266 • Fax: 785-296- Attachment No.: #2

Grants and Educational Programs Sponsored by the Consumer and Mortgage Lending Division

Kansas Council on Economic Education (KCEE)
Wichita, Kansas

Consumer and Mortgage Lending (CML) provides grants to the Kansas Council on Economic Education (KCEE) to enhance curriculum for public school teachers, which facilitates economic education to their students regarding financial issues.

Sunflower Community Action
Wichita, Kansas

CML provides grants to Sunflower Community Action, a grassroots organization, who works locally with the Hispanic community to increase the awareness of predatory lending and other consumer finance issues.

Consumer Credit Counseling Services, Inc. (CCCS)
Salina/Wichita, Kansas

CML provides a grant for the development of consumer education programs in central and western Kansas through Consumer Credit Counseling Services, Inc. In addition to the consumer education program, CCCS offers consumer counseling for adults and economic education programs in the immigrant communities located in southeast Kansas.

Housing and Credit Counseling, Inc.
Topeka, Kansas

Grants supplied through CML provide consumer education and counseling for adults, as well as economic educational classes for students in public schools.

Kansas State University
Manhattan, Kansas

CML awarded Kansas State University a grant to fund their Consumer Finance Workshops which are designed to reach incoming freshman and new students regarding the development of a personal budget and the proper use of credit cards.

KANSAS

OFFICE OF THE STATE BANK COMMISSIONER
CLARENCE W. NORRIS, Bank Commissioner

KATHLEEN SEBELIUS, GOVERNOR

State Bank Information

Number of State Banks	263
Number of Branches operated by state banks	447
Total number of offices of state banks	710
Number of employees in all 710 offices	7,697
Total assets for state banks as of September 30, 2003	\$ 23,167,373,000.00

OSBC State Bank Examination Data Sheet - Year Ends

Year Ending	Not Rated	1	2	3	4	5	Total / 3-4-5
12-86	0	65	213	95	59	12	444 / 166
12-87	0	69	202	92	56	16	435 / 164
12-88	0	76	194	106	40	8	424 / 154
12-89	0	71	214	87	30	5	407 / 122
12-90	0	72	199	81	40	2	394 / 123
12-91	0	62	219	69	25	4	379 / 98
12-92	0	68	214	64	18	1	365 / 83
12-93	0	97	197	47	5	4	350 / 56
12-94	0	121	181	24	9	1	336 / 34
12-95	0	138	158	17	2	0	316 / 19
12-96	0	144	134	14	1	0	293 / 15
12-97	0	171	111	5	1	0	288 / 6
12-98	2	167	108	3	1	0	281 / 4
12-99	2	154	117	4	2	0	279 / 6
12-00	2	145	111	7	4	0	269 / 11
12-01	3	142	110	12	2	0	269 / 14
12-02	3	137	106	11	5	0	262 / 16
12-03	2	121	109	26	5	0	263 / 31
12-04							

January 2004

2-3

Banking Department

Mission. The mission of the Office of the State Bank Commissioner is to ensure the fair and reliable supervision of state chartered banks, trust companies/departments, and savings and loans; educate regulated establishments to promote a better understanding of and compliance with laws and regulations; and preserve the dual banking system through the chartering of new state banks. In the consolidation with the Office of the Consumer Credit Commissioner, the Office of the State Bank Commissioner has taken on the role of protecting consumers from unfair practices of suppliers of consumer credit by enforcing the laws governing consumer credit transactions.

Operations. The primary mechanism for ensuring the financial integrity of all state chartered financial and trust institutions is through the examination of these operations. After on-site examinations are performed, examination reports are prepared by staff and submitted to the Commissioner for review and approval. Should problems which compromise safety and soundness of the institution be found and not corrected, the Commissioner can take charge of the institution until the problems are corrected, or corrective actions may be implemented through a Board Resolution, Memorandum of Understanding, Commissioner's Directive, or an Order to Cease and Desist.

The Office of the State Bank Commissioner is responsible for enforcement of the Kansas Uniform Consumer Credit Code (UCCC) and the Kansas Mortgage Business Act (KMBA). Under the UCCC, consumer loan companies must be licensed by the Commissioner prior to operation and are subject to compliance examinations. Under the KMBA, the Commissioner has the authority to levy fines, fees, settlements and conduct legal prosecution. A program for the education of consumers with respect to credit practices and personal finance is funded in part by an annual grant to Wichita State University to support the Kansas Council on Economic Education. Additional grants are provided to Housing and Credit Counseling, Inc. and other organizations that provide counseling and education to distressed consumers.

Goals and Objectives. A goal of the Department is to regulate state chartered banks, savings and loans, trust departments, and consumer loan companies in an efficient, fair, capable, and professional manner. The following objectives are identified:

Maintain the system of state chartered financial institutions and facilitate the chartering of such institutions in accordance with statutory requirements.

Examine all state chartered banks, savings and loans, and trust departments at least once within an 18-month period. Examine licensees and registrants under the Kansas UCCC and KMBA at least once within a 24-month period.

Another goal of this agency is to educate and protect consumer buyers, lessees, and borrowers against predatory lenders and unscrupulous business practices by some suppliers of consumer credit. Objectives are to:

Ensure that lenders and retail sellers are licensed or registered and in compliance with the Kansas UCCC and applicable federal truth-in-leasing and lending regulations.

Increase the level of knowledge of both the consumer and the industry about consumer finance and the laws regulating consumer credit.

Statutory History. Authority for this program and the powers of the Bank Commissioner are found in KSA 9-101 et seq. and KSA 75-1304. Authority for the State Banking Board is found in KSA 74-3004 et seq. On July 1, 1999, the Office of the Consumer Credit Commissioner was merged into the Office of the State Bank Commissioner. The agency is responsible for enforcing the Kansas Uniform Consumer Credit Code (KSA 16a-1-101 et seq.) and the Fair Credit Reporting Act (KSA 50-701 et seq.). The agency regulates credit service organizations in accordance with KSA 50-1011 et seq.