

SESSION OF 2009

SUPPLEMENTAL NOTE ON SENATE BILL NO. 139

As Recommended by Senate Committee on
Financial Institutions and Insurance

Brief*

SB 139 would amend a statute in the Insurance Code governing the deposits of cash, securities, real estate deeds, and other assets with the Insurance Commissioner that are to be deposited with any Kansas financial institution acceptable to the Commissioner. The bill would amend the definition of financial institution to include a federal home loan bank. The bill would make changes to a capital requirement for establishing the standards for and assessing the solvency of an institution to include a regulator under the federal Home Loan Bank Act.

The bill also would amend the laws governing property and casualty companies and life insurance companies to add federal home loan banks to those financial institutions which may be designated for as the trust for securities arrangement and allow federal home loan banks to obtain a "nominee name" for an insurance company in which the securities of the company may be registered. Federal home loan banks also would be permitted to arrange for securities to be held in a clearing corporation.

Background

The bill was introduced at the request of the Security Benefit Group whose representative indicated that the bill would clarify that the Federal Home Loan Bank (FHLBank) is authorized to custody the assets of an insurance company and

*Supplemental notes are prepared by the Legislative Research Department and do not express legislative intent. The supplemental note and fiscal note for this bill may be accessed on the Internet at <http://www.kslegislature.org>

that there would be no change in the protections currently in place regarding custodial relationships and regulatory authority of the Kansas Insurance Department. A representative of the Federal Home Loan Bank of Topeka testified in support of the bill, noting that the National Association of Insurance Commissioners (NAIC) has adopted amendments to expressly include FHLBanks as authorized custodians of insurance company assets under the NAIC Model Act on Custodial Agreements and Use of Clearing Corporations and the NAIC Model Regulation on Custodial Agreements and Use of Clearing Corporations. A representative of American Investors Life Insurance Company also testified in support of the bill. There were no opponents to the bill present at the time of the Committee hearing.

The federal home loan banks are a government-sponsored enterprise created by Congress in 1932. There are twelve regional member-owned FHLBanks that are comprised of commercial banks, thrifts, credit unions, and insurance companies.

The fiscal note prepared by the Division of the Budget states that the Kansas Insurance Department indicates the bill could be implemented within its existing staff and resources.