

MINUTES OF THE HOUSE JUDICIARY COMMITTEE.

The meeting was called to order by Chairman Michael R. O'Neal at 3:30 p.m. on March 5, 2003 in Room 313-S of the Capitol.

All members were present except:

Representative Dale Swenson - Excused
Representative Dan Williams - Excused

Committee staff present:

Jerry Ann Donaldson, Legislative Research Department
Jill Wolters, Revisor of Statutes
Cindy O'Neal, Committee Secretary

Conferees appearing before the committee:

Amy Lee, Vice President and Assistant General Counsel, Security Benefit
Roger Walter, Attorney
John Gann, Kansas Association Insurance & Financial Advisors
Larry McGill, Kansas Association of Insurance Agents
Larry Engelkemier, Greater Kansas City Chapter of Financial Planners

Hearings on **HB 2347 - Uniform Securities Act**, continued

Amy Lee, Vice President and Assistant General Counsel, Security Benefit, opposed the proposed bill due to the provisions regarding the definition of securities including variable annuities. She believes that the historical exclusion of variable insurance products from the definition of security under Kansas law should be continued. She was concerned with the proposed shared jurisdiction between the insurance office and securities commission. Currently, there are only four states that regulate variable annuities as securities. ([Attachment 1](#))

Roger Walter, Attorney, appeared before the committee in opposition of the bill. He was concerned with the speed that the bill has taken, that it hasn't been adequately reviewed by attorneys, and that it alters fifty years of case law. Kansas has one of the best securities act in the country. Since the effective date isn't until July 2004, he doesn't see why it can't be studied throughout the summer. ([Attachment 2](#))

John Gann, Kansas Association Insurance & Financial Advisors, was also opposed to the variable annuities provisions due to the fact that it is already the most regulated product in the financial market place. ([Attachment 3](#))

Larry McGill, Kansas Association of Insurance Agents, believes that the Kansas Insurance Department has adequate control over variable annuities and doesn't see that there is anything that is broken that needs to be fixed. ([Attachment 4](#))

Written testimony in opposition to the bill was provided by The Prudential company. ([Attachment 5](#)) The American Council of Life Insurers provided the committee with additional information regarding what the definition of a variable annuity as determined by Securities & Exchange Commission report ([Attachment 6](#))

Larry Engelkemier, Greater Kansas City Chapter of Financial Planners, appeared before the committee as a proponent of the bill. Explained that the Commission on Uniform Law has worked about four years on the bill and that it had the issue of variable annuities bracketed so each state can take up that issue. Variable annuities

CONTINUATION SHEET

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are securities under federal law. Separate investment accounts are managed by mutual fund managers and should be registered with the SEC as an investment company. They are considered to be federally covered securities not subject to state regulations. By including them in the definition of security, it would make their sale subject to the notice of filing and anti-fraud provisions of the Uniform Act. (Attachment 7)

Commissioner David Brant and the Commission on Uniform Law have worked together and provided the committee with some proposed amendments. (Attachment 8).

Hearing on **HB 2347** was closed.

The committee meeting adjourned at 5:30 p.m. The next meeting was scheduled for 3:30 p.m. on March 6, 2003 in room 313-S.