

MINUTES OF THE HOUSE FINANCIAL INSTITUTIONS COMMITTEE

The meeting was called to order by Chairman Ray Cox at 3:30 p.m. on March 10, 2004 in Room 527-S of the Capitol.

All members were present except:

Representative Rob Boyer- excused  
Representative Steve Brunk- excused

Committee staff present:

Bruce Kinzie, Revisor's Office  
Bill Wolff Legislative Research Department  
Maggie Breen, Secretary

Conferees appearing before the committee:

Senator Lana Oleen  
Jarrod Forbes - Kansas Insurance Commissioner's Office  
Chris Howe, Deputy Director of Purchasing  
Kathy Olsen - Kansas Bankers Association  
Matt Goddard - Heartland Community Bankers Association  
Tom Whitaker - Kansas Motor Carriers Association  
Bill Henry - Kansas Credit Union Association  
Carmen Alldritt - Director of Vehicle Division  
Jim Hall - American Council of Life Insurers

Others attending:

See Attached List.

Chairman Cox opened the hearing on SB 392 - Authorizing the committee on surety bonds and insurance to competitively negotiate certain contracts.

Proponents:

**Senator Lana Oleen**, Due to the senator being delayed, Chairman Cox read Senator Oleen's testimony (**Attachment 1**) He asked if anyone had more details. **Jarrod Forbes** - Kansas Insurance Commissioner's Office, said the Insurance Department was in support of the bill. They think open competition is better. The insurance industry would be more creative in the offering of coverage. (**Attachment 2**) **Chris Howe**, Deputy Director of Purchasing, said the insurance is approved by the surety bonds committee, this includes property insurance and vehicle insurance; its not health insurance. It is done by sealed bid and they would like the opportunity to include negotiated procurements in the procedure, giving them more flexibility. When **Senator Oleen** arrived, she added that in looking at tight budgets we try to find ways where we can tighten things up and this is an opportunity to do so. This summer she had an opportunity to work in a ten state region and look at not only higher education institutions but others and how they work with insurance and cost savings. That's what lead to the written only testimony on this bill (see attachments four through eight). While they are address to her, she wanted to share them with members of the committee.

Dr. Wolff advised that the language in the bill is almost identical to the language that exists for the State Employee Health Care Commission and their ability to negotiate rather than take sealed bids for health insurance contracts. The language in the bill exempts those kinds of transactions from the Kansas Open Meetings Act and from the purchasing statutes. One of the amendments in the bill makes sure this happens as intended.

**Ks Dept of Adm.**- Divisions of Facilities, Printing, and Purchases - Written Only (**Attachment 3**)

**Doug Penner** - Kansas Independent College Association - Written Only (**Attachment 4**)

**Thomas Clayton** - Johnson County Community College - Written Only (**Attachment 5**)

**William. Payton** - University of Missouri System - Written Only (**Attachment 6**)

**Clair Williams** - Northern Illinois University - Written Only (**Attachment 7**)

**Roger Lowe** - VP Adm & Finance, Wichita State University - Written Only (**Attachment 8**)

**Reginald Robinson** - Kansas Board of Regents - Written Only (**Attachment 9**)

## CONTINUATION SHEET

MINUTES OF THE HOUSE FINANCIAL INSTITUTIONS COMMITTEE at 3:30 p.m. on March 10, 2004 in Room 527-S of the Capitol.

Chairman Cox closed the hearing on **SB 392** and opened the hearing on **SB 379 - Asset forfeiture; notice to lienholder**.

Proponents:

**Kathy Olsen** - Kansas Bankers Association, said the bill amends a section of the Kansas Asset Seizure and Forfeiture law. Specifically, the section that covers the procedures by which people are notified when some property has been seized pursuant to the act. Currently the law allows either the seizing agency or the plaintiff's attorney (usually the district or county attorney) to give the notice. In practice, having an option has led to indecision and confusion over who is supposed to give notice. This bill defines "notice of seizure for forfeiture" as a written statement by a **law enforcement agency** that property has been seized and may be proceeded against pursuant to the act, and sets forth what is to be included in the notice and sets the time frame to be within 30 days. (**Attachment 10**)

**Matt Goddard** - Heartland Community Bankers Association, said he was in agreement with Katy's testimony. Basically there are two areas of vagueness right now in current law, one is who has the responsibility for providing notification and the other is when that notification should be provided. The bill addresses and clarifies both of these. He asked for the committee's support. (**Attachment 11**)

Kyle Smith, KBI was in attendance and Chairman Cox asked him if he had anything to add. He said he was the chair of the committee that put together the asset forfeiture act and this seems like a reasonable logical extension and they have no objection whatsoever to it.

Chairman Cox closed the hearing on **SB 379** and opened the hearing on **Sub for SB 380 - Liens for wrecker and towing services; notice to lienholder**.

Proponents:

**Kathy Olsen** - Kansas Bankers Association, said the issues in **Sub for SB 380** are similar to those just discussed. In **SB 379**, we were addressing the notice of lienholders when something happens to property that they have a security interest in. In **Sub for SB 380**, we're addressing the issue where a vehicle has either been towed or has been abandoned. Current law provided that persons who tow vehicles can't even begin the process of notification until 45 days after the vehicle is towed. The bill streamlines the process and shorten the time period. It also eliminates different treatment of vehicles valued at less than \$1,000, making a uniform rule to be applied to all vehicles. In addition, the bill addresses the issue of when a vehicle has been abandoned. The same procedures of verification and notification will apply whether a vehicle has been towed or abandoned. Finally, they are asking for an amendment to 8-1102 that would provide the same notice procedures under the new DUI law. (**Attachment 12**)

**Tom Whitaker** - Kansas Motor Carriers Association, congratulated Rep. Goico for it being his special day - "MAR10 Day." He said his agency has basically become the litter control unit along the highways getting rid of abandoned cars. Very few of the vehicles are in the range that would affect the bankers association, the lienholder, but the uniformity helps the tow companies comply with the law. He did ask for one amendment to the bill. On page 4, line 35, following the word county, insert "or city." This will solve a publication problem in the city of Manhattan. He has no problem with the amendments proposed by KBA. (**Attachment 13**)

**Matt Goddard** - Heartland Community Bankers Association, said he supports the bill. It moves up the process for notifying the lienholder and getting rid of the possessed vehicle. This serves the best interests of everyone. He encouraged the support of the committee. (**Attachment 14**)

**Bill Henry** - Kansas Credit Union Association, said that Kathy did an excellent job of explaining how the uniformity works and his organization supports this measure. As you notice, now we have basically 5 different salutatory sections where you have the exact same period of notification - 30 days. That really clarifies a lot of issues not only in the towing area but also in the new DUI law. That notification process will be very helpful for the lienholder to be informed of what's going on in case that property is taken. (**Attachment 15**)

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**Carmen Alldritt** - Director of Vehicle Division, testified that they support the bill and the amendments presented. All concerned have been working together to make this thing work. This would result in a much lower storage cost to the lienholders or the owners when these vehicles are being towed. This is a win-win situation. **(Attachment 16)**

Chairman Cox questioned Carmen on the fiscal note. Carman said the expected cost on the fiscal note has been eliminated.

Chairman Cox closed the hearing on **Sub for SB 380** and opened the hearing on **SB 508 - Standard nonforfeiture law for individual deferred annuities**.

Proponents:

**Jarrold Forbes** - Kansas Insurance Commissioner's Office, said this bill changes the current nonforfeiture rates on individual annuities which are due to sunset in 2005. The main consumer friendly issue is we're changing the surrender rate from 35% maximum to a 12 ½% maximum. In exchange for that, it allows the industry to tie the companies to index the guarantee rate to the five-year treasury rate. It's the minimum that has to be guaranteed on these products. They are being allowed to fluctuate between 1% and 3% depending upon where the 5 year trend of the treasure rate is. This rate is the floor, any company has the right to offer a higher guaranteed rate. They believe this is responsible given the current insurance climate. **Attachment 17)**

**Jim Hall** - American Council of Life Insurers, said they support **SB 508**. It's basically a followup bill to last year's legislation. The Standard Nonforfeiture Law for Individual Deferred Annuities was created in mid 1970's and contained a minimum nonforfeiture rate of 3%. During 2001, the Federal Reserve Board had lowered short-term interest rates an historic eleven consecutive times in a single year. Short term rates fell below 2%. Last year Kansas lowered the 3% minimum rate down to 1.5 %. That was built in with a sunset until a more permanent solution was put into place. That permanent solution is what's before the committee today. Fifteen states have adopted this so far. **(Attachment 18)**

Chairman Cox closed the hearing on **SB 508** and said the committee would work the bills on Monday.

Representative Grant made a motion to approve the committee minutes of February 16 and February 18 as written. Representative Wilk second the motion. The motion carried.

The meeting adjourned at 4:03 p.m.

The next meeting is scheduled for Monday, March 15<sup>th</sup>.