

Approved:
Date: March 12, 2002

MINUTES OF THE SENATE COMMITTEE ON FINANCIAL INSTITUTIONS AND INSURANCE.

The meeting was called to order by Chairperson Sandy Praeger at 9:30 a.m. on March 7, 2002 in Room 234 N of the Capitol.

All members were present except:

Committee staff present: Dr. Bill Wolff, Kansas Legislative Research Department
Ken Wilke, Office of the Revisor of Statutes
JoAnn Bunten, Committee Secretary

Conferees appearing before the committee:

State Representative Cindy Hermes, Topeka
John Koger, Jr., Koger Agency, Inc., Topeka
Tom English, Thomas McGee Agency, Kansas City
Jeff Brundrett, Chubb Surety, Kansas City
Kelly Deer, Zurich Surety, Kansas City
William W. Sneed, Mortgage Insurance companies of America

Others attending: See attached list.

Hearing on HB 2677 - Public works bonds; restrictions on requirements thereof

State Representative Cindy Hermes, Topeka, testified before the Committee in support of **HB 2677** which prohibits a public official or a contract from requiring a contractor or subcontractor to obtain a surety bond or any other bond from a specific vendor. Representative Hermes noted that directed surety reduces competition, invites favoritism and abuse, and **HB 2677** would support efforts of good government and reduce unnecessary costs to taxpayers. (Attachment 1) During Committee discussion Representative Hermes gave an example of directed surety abuse involving a Lincoln, Nebraska public school district.

The following conferees spoke in support of **HB 2677** and provided written testimony: John Koger, Jr., Koger Agency, Inc., Topeka, (Attachment 2); Tom English, Thomas McGee Agency, Kansas City, (Attachment 3); Jeff Brundrett, Chubb Surety, Kansas City, (Attachment 4); and J. Kelly Deer, Zurich Surety, Kansas City, (Attachment 5). Written testimony only in support of the bill was provided by Corey D. Peterson, Associated General Contractors of Kansas, Inc., (Attachment 6); Bob Totten, Kansas Contractors Association, Inc., (Attachment 7); and Larry Magill, Kansas Association of Insurance Agents, (Attachment 8) A representative from the Kansas Insurance Department stated they had taken no position on the bill.

Members of the Committee questioned the conferees regarding surety bonds, bid letting for contractors, and whether or not there exists in Kansas a problem of directed surety abuse. It was noted there was no evidence of abuse in Kansas that could be documented as existed in Nebraska.

There were no opponents to the bill.

Hearing on HB 2639 - Mortgage Guaranty insurance companies; authorizing real estate security

William W. Sneed, Mortgage Insurance companies of America, testified in support of **HB 2639** which would permit mortgage guaranty insurance companies to insure mortgage loans in an amount not exceeding 105% of the fair market value of the real estate. Mr. Sneed pointed out that removing the maximum loan-to-value ratio would expand mortgage markets to underserved groups of home buyers and allow Kansas citizens with a good credit history and stable income to not only afford their home, but also finance the closing costs and fees associated with the real estate transaction. (Attachment 9)

Kevin Glendening, Office of the State Bank Commissioner, did not provide written testimony but expressed his concern to the Committee that the removal of the ceiling would encourage lenders to make more high loan-to-value loans.

Adjournment

The meeting was adjourned at 10:30 a.m. The next meeting is scheduled for March 12, 2002.

CONTINUATION SHEET