

MINUTES OF THE FINANCIAL INSTITUTIONS & INSURANCE COMMITTEE

The meeting was called to order by Chairman Ruth Teichman at 9:30 a.m. on March 2, 2011, in Room 152-S of the Capitol.

All members were present.

Committee staff present:

Ken Wilke, Office of the Revisor of Statutes  
Melissa Calderwood, Kansas Legislative Research Department  
Heather O'Hara, Kansas Legislative Research Department  
Beverly Beam, Committee Assistant

Conferees appearing before the Committee:

Doug Jorgenson, Acting State Fire Marshall  
Bill Sneed, State Farm Insurance

Others attending:

See attached list.

The Chair called the meeting to order.

Hearing on

**SB 182 – EMS Board operating fund, fire service training program fund of university of Kansas and fire marshal fee fund share administrative expense reimbursement to general fund.**

Melissa Calderwood, Legislative Research, gave an overview of the bill. Miss Calderwood stated that **SB 182** would change the distribution of state tax receipts from the 1.25 percent tax that is paid by insurance companies on certain fire and lightning premiums. She said current law provides that the State Fire Marshal receive 64.0 percent of the receipts, the Board of Emergency Medical Services receive 20.0 percent, and Kansas Fire and Rescue Training Institute at the University of Kansas receives 16.0 percent. She noted that this bill would split the proceeds as 20.0 percent of fire and lightning premiums into statute. She added that of the State Fire Marshal's portion, 20.0 percent, up to \$200,000 goes to the State General Fund. She said **SB 182** would require the 20.0 percent of overall tax receipts that goes to the State General Fund to be split proportionally among all three agencies. She said the Kansas Insurance Department indicates passage of **SB 182** would have no fiscal effect on the agency.

Doug Jorgensen, Acting Kansas State Fire Marshal, testified in support of **SB 182**. He said this bill would change how the 20% administrative fee, with a maximum of \$200,000, is deducted from levies on the fire insurance premiums. The levies, collected on fire insurance premiums by the State Insurance Commissioner's Office, is the main funding source for the Fire Marshal's office, and since 2004 has been the main source for the KU Fire Training and the Board of EMS. He added that while this change is currently in place for FY 2011 through a proviso in the appropriation bill, it is important that this bill pass, making this change permanent. (Attachment 1)

Bill Sneed, representing State Farm Insurance, said he has no objection to this bill. He said they support putting the proviso in. Mr. Sneed said although his client is neutral on this bill, there has been an ongoing discussion to consider increasing the taxes on fire insurance premiums, and as such wanted to go on record in opposition to that consideration. He added that his client has consistently supported the State Fire Marshall and its office. (Attachment 2)

The Chair closed the hearing on **SB 182**.

CONTINUATION SHEET

The minutes of the Financial Institutions & Insurance Committee at 9:30 a.m. on March 2, 2011, in Room 152-S of the Capitol.

Hearing on

**SB 185 – insurance; allowing trust companies as a nominee**

Melissa Calderwood gave an overview of the bill. She stated **SB 185** would authorize certain insurance companies to designate a trust company to (1) obtain a nominee name for an insurance company in which the insurance company's securities may be registered; (2) make any authorized investments in the name of the trustee or the trustee's nominee; and (3) arrange for securities to be held in a clearing corporation, subject to an agreement approved by the Commissioner of Insurance.

Daryl Craft, legislative chairperson for the Kansas Bankers Association Trust Division, testified in support of **SB 185**. Mr. Craft stated that this bill would amend K.S.A. 2010 Supp. 40-2a20 to add “trust company” as an authorized financial institution, along with banks, to adopt nominee names and to make authorized investments for insurance companies. He said the bill would bring this statute in line with K.S.A. 9-2103(10) which provides that a trust company may act “in any fiduciary capacity which a Kansas state bank may perform under any provision of the banking or insurance laws of this state,” and also K.S.A. 40-229(e)(2) which was amended in 2007 to add “trust company” to the definition of a “financial institution.”

Mr. Craft said it is important that Kansas insurance companies have all of the local options available to them when selecting a financial institution to manage their investments. He added that this bill would correct an oversight that could prevent trust companies from being one of those options. He said it should be noted that the Kansas Insurance Commissioner would still retain the ultimate power to authorize the appointment of an investment manager, subject to their review of the qualifications of the manager. (Attachment 3)

The Chair closed the hearing on **SB 185**.

Senator Longbine moved to pass out favorably **SB 185** as amended. Senator Schmidt seconded. Motion unanimously passed.

Senator Taddiken moved to amend **SB 182** and put the \$200,000 cap and technical amendments in the bill. Senator Masterson seconded the motion and it passed unanimously.

Senator Masterson moved to pass **SB 182** out favorably as amended. Senator Olson seconded. Motion passed.

The next meeting is scheduled for March 7, 2011.

The meeting was adjourned at 10:00 a.m.