

Approved: 3/10/94  
Date

MINUTES OF THE SENATE COMMITTEE ON FINANCIAL INSTITUTIONS AND INSURANCE.

The meeting was called to order by Chairperson Richard Bond at 9:12 on March 9, 1994 in Room 529-S of the Capitol.

Members present: Senators Corbin, Hensley, Lee, Petty, Praeger, and Steffes.

Committee staff present: William Wolff, Legislative Research Department  
Fred Carman, Revisor of Statutes  
June Kossover, Committee Secretary

Conferees appearing before the committee: Chuck Stones, Kansas Bankers Association  
James Maag, Kansas Bankers Association  
Jennifer Wentz, Deputy Assistant Secretary of State

Others attending: See attached list

Senator Corbin made a motion to approve the minutes of the meeting of March 8 as submitted. Senator Praeger seconded the motion; the motion carried.

The chairman opened the hearing on **HB 2655**, pertaining to the forcible entry of safe deposit boxes. Chuck Stones, Kansas Bankers Association, appeared as a proponent of this legislation, explaining that when the last surviving lessee of a safe deposit box dies, an interested party and two bank employees may open the safe deposit box but current law does not specify that the box can be forcibly opened. This bill would add, in section 1, line 15, the language, "...may be opened, *forcibly if necessary*,..." (Attachment #1.) Mr. Carman questioned the language on lines 31-32: does "repairs" refer to damages caused by forcible entry? The committee agreed that in some instances it would be appropriate that the expenses be borne by the estate and the language is broad enough to allow the bank to recover expenses for damages caused by forcible entry. There were no further questions and no other conferees.

Senator Steffes requested that **HB 2655** be amended to allow easier conversion from a national bank charter to a state charter by making the Bank Commissioner the authorizing agent instead of the Banking Board. (Attachment #2.) Senator Steffes explained the necessity of amending KSA 9-808 and the advantages of converting from a federal charter to a state charter. Senator Steffes then moved to conceptually amend HB 2655 so that approval to convert from national charter to state charter rests with the Bank Commissioner instead of the Bank Board. Senator Lee seconded the motion. The motion carried.

Senator Praeger made a motion to move HB 2655 favorably as amended. The motion was seconded by Senator Steffes. The motion carried. Senator Steffes will carry this bill.

The hearing was opened on **HB 2657**, relating to guaranty bonds pledged for state and local public funds deposits. James Maag, Kansas Bankers Association, appeared as a proponent of this bill, explaining that this legislation would allow guaranty bonds issued by an insurance company to be pledged for state moneys as well as for local public funds. It would also allow letters of credit from United States sponsored enterprises such as the Federal Home Loan Bank to be pledged. (Attachment #3.) Mr. Maag pointed out that Section 2 of this bill amends the same statute as **SB 636**, which was passed by the Senate earlier and is now in the House. Following extended discussion, Senator Praeger moved to conceptually amend HB 2657 by removing Section 2 and to pass the bill favorably as amended. Senator Hensley seconded the motion. The motion carried. The House Financial Institutions and Insurance Committee will be requested to amend the language in Section 2 into **SB 636**.

The chairman opened the hearing on **HB 2693**, concerning UCC filing requirements for secured transactions. Jennifer Wentz, Deputy Assistant Secretary of State, appeared as a proponent and explained that this legislation contains only technical amendments to the Uniform Commercial Code. (Attachment #4.)

Mr. Maag, KBA, also testified as a proponent to **HB 2693**, stating that the key amendment contained in the bill is the authority for the Secretary of State to adopt rules and regulations to implement the electronic filing of financing statements. (Attachment #5.)

There were no questions and no further conferees; the hearing was closed. Senator Praeger made a motion, seconded by Senator Steffes, to move HB 2693 favorably and to place it on the Consent Calendar. The motion carried.

The committee adjourned at 9:55 a.m.

## GUEST LIST

**SENATE**

COMMITTEE: FINANCIAL INSTITUTIONS AND INSURANCE

DATE: 3/9/94

[illegible]

# The Kansas Bankers Association

1500 Merchants National Bank Bldg.

Topeka, KS 66612

913-232-3444 FAX 913-232-3484

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TO: Senate Financial Institutions and Insurance Committee

FROM: Chuck Stones, Director of Research

RE: HB 2655

Mr. Chairman and Members of the Committee:

The Kansas Bankers Association appreciates the opportunity to appear before you to discuss HB 2655. HB 2655 as written would amend KSA 9-1504 to make it clear that when the last surviving lessee of a safe deposit box dies, an interested party and 2 employees of the bank may open the safe deposit box *"forcibly if necessary"*. Current law states the box may be opened but is silent as to the method that could be used in opening the box.

HB 2655 does not change the intent of current law, it merely gives the bank the clear authority to open a safe deposit box by force in the above mentioned circumstances. It is probable that many banks are currently opening the boxes by force since many times keys are not available. This bill would give them a higher comfort level upon doing so.

Other statutes give the bank the authority to forcibly open a safe deposit box when certain other circumstances are met. KSA 9-1506 and 9-1507 give the bank this authority for non-payment of rent on the box, and when the lessee fails to surrender the box when the lease has been terminated. HB 2655 simply spells out the banks authority in the specific instance when the last lessee has died.

The Kansas Bankers Association respectfully urges your favorable action on HB 2655.

Senate 7/4/94  
3/9/94

Attachment #1

K.S.A. 9-808 is hereby amended to read as follows:

9-808 Any national bank incorporated under the laws of the United States may become a state bank upon the affirmative vote of not less than two-thirds of its outstanding voting stock. Any national bank desiring to become a state bank shall file a certified copy of its articles of association, together with the transcript of the minutes of the meeting of its stockholders showing approval, together with its articles of incorporation duly executed as required by state law with the secretary of state who immediately shall transmit the same to the commissioner. ~~If the board shall approve the conversion, the commissioner shall issue a certificate of authority and such resulting bank shall thereupon become a duly organized state bank. Provided, No such resulting bank shall transact a banking business until the commissioner shall determine that its capital stock is unimpaired.~~

In any conversion authorized by this article the capital requirements of this act shall apply, and the new name for such resulting bank shall be approved by the ~~board~~. In any conversion authorized by this article the resulting state bank shall have authority to issue its shares of stock for shares of stock in the national bank, or property of the national bank, for and upon such valuation as shall be agreed upon, and approved by the commissioner. In any conversion authorized by this article the resulting state bank by operation of law shall continue all trust functions being exercised by the national bank, and shall be substituted for the national bank and shall have the right to exercise trust or fiduciary powers created by any instrument designating the national bank, even though such instruments are not yet effective.

In any conversion authorized by this article the resulting state bank shall succeed by operation of law without any conveyance or transfer by the act of the national bank to all the actual or potential assets, real property, tangible or potential property, intangible personal property, rights, franchises, and interests, including those in a fiduciary capacity of the national bank, and shall be subject to all of the liabilities of the national bank.

~~Whenever, in any conversion authorized by this article any shareholder of a national bank votes at a shareholders' meeting against such conversion, or who notifies the presiding officer of such shareholders' meeting at or before the meeting that he or she dissents to the conversion, such dissenting shareholder shall be entitled to receive the value of the shares held by him or her as such value shall be determined by the board of directors of such national bank at the time of the conversion.~~

In any conversion authorized by this article the corporate existence of the national bank shall be merged into and shall be continued in the resulting state bank, and the resulting state bank shall be deemed to be the identical corporate entity as the national bank.

After first applying for and receiving approval from the commissioner

Upon receipt of each of the items required by this article the commissioner shall make or cause to be made such investigation as the commissioner deems necessary to determine whether:

1. All state and federal requirements for a conversion have been satisfied;
2. The conversion will not adversely affect the interests of the depositors; and
3. The resulting state bank will have an adequate capital structure.

If the commissioner determines each of these matters favorably the conversion shall be approved and the commissioner shall issue a certificate of authority.

commissioner

In any conversion authorized by this article the rights and responsibilities of any shareholder of the national bank who objects or dissents to the proposed conversion shall be governed by the provisions of K.S.A. 17-671 and amendments thereto as though the national bank was a Kansas corporation and the objecting or dissenting shareholder was objecting or dissenting to a proposed merger transaction.

Senate 7/4/94  
3/9/94

Attachment #2



The KANSAS BANKERS ASSOCIATION  
A Full Service Banking Association

March 9, 1994

TO: Senate Committee on Financial Institutions and Insurance  
RE: HB 2657 - Securing Public Funds Deposits

Mr. Chairman and Members of the Committee:

Thank you for the opportunity to appear before the committee in support of HB 2657. This bill was requested by the KBA and expands the list of securities which banks may use for pledging on state and local public funds deposits. The House FI&I Committee adopted several amendments to the bill which were suggested by the State Treasurer and with which we agree.

Section 1 of the bill amends the local public funds statute (K.S.A. 9-1402) to allow banks and savings and loans to pledge letters of credit of United States sponsored corporations such as the Federal Home Loan Bank.

Section 2 of the bill amends the state public funds statute (K.S.A. 75-4201) to allow banks to pledge the letters of credit noted above and to also use a deposit guaranty bond for pledging on state moneys. Banks already have the authority to use such bonds for local public funds deposits.

A deposit guaranty bond is simply a bond issued by an insurance company guaranteeing all or part of a deposit in excess of \$100,000. Until this past year such bonds were not available, but a Kansas company is now offering such a bond to Kansas banks and other companies may offer a similar product in future years. A number of banks throughout the state are using the bonds for local public funds pledging and have requested similar authority for state deposits. A brochure describing the guaranty bond is attached to this testimony.

We would appreciate your positive consideration of HB 2657.

  
James S. Maag  
Senior Vice President

Office of Executive Vice President • 1500 Merchants National Building  
Eighth and Jackson • Topeka, Kansas 66612 • (913) 232-3444

Senate Hall 3/9/94  
Attachment #3



# BANK DEPOSIT GUARANTY BOND

**INSURED DEPOSITS IN YOUR HOME TOWN BANK are safe and no longer limited to the \$100,000 FDIC insurance.**

Investments not in a bank, such as Mutual Funds, Annuities, Stocks, etc. are types of investments which are not insured. You can lose your earnings and some or all of your principal investment when market conditions change. Your money is safer in a Bank.

Your deposits in the bank can now be insured in amounts up to **ten million dollars** (*One hundred times the \$100,000 insured by the FDIC.*)

Look to your local bank as the place to invest your money for the benefit of you and your community. Be certain your money is safe with a **BANK DEPOSIT GUARANTY BOND**.

**CHECK WITH A BANK OFFICER TO SEE IF YOUR DEPOSITS QUALIFY FOR A BANK DEPOSIT GUARANTY BOND** to protect your deposits in excess of the \$100,000.00 FDIC insurance.

**What is a Bank Deposit Guaranty Bond?**

A Bank Deposit Guaranty Bond is a bond issued by an insurance company guaranteeing that you will not lose your deposits if the bank fails.

**Isn't my money already insured by the FDIC?**

FDIC insures deposits up to \$100,000.00. The Bank Deposit Guaranty Bond insures your deposits which are in excess of the amount insured by FDIC. You need to consult your banker to assist you in determining whether your deposits are in excess of the FDIC \$100,000.00 limit.

**Does the insurance company insure all deposits in the bank which are in excess of the \$100,000.00 FDIC insurance?**

**NO!** The bank chooses which customers, accounts and amounts it wishes to insure. The bank sends in a form to the insurance company indicating the customer name, account numbers, and amount to be insured. The insurance company then issues a Bank Deposit Guaranty Bond in the name of the customer stating the accounts insured and the maximum amount for which those accounts are insured. The bank then gives you, the customer, the original Bank Deposit Guaranty Bond.

**What kinds of deposits can be insured?**

The insurance company does not restrict the kind of deposit which can be insured. Individual, Business, or Corporate accounts can be insured. Savings, checking, or Certificates of Deposit, and other types of deposit accounts can be insured.

**I have several different accounts at the bank. Can one Bank Deposit Guaranty Bond cover all of my accounts?**

Yes, multiple accounts owned by the same depositor can be listed on one Bank Deposit Guaranty Bond.

**Our account is in both mine and my wife's name. Can we both be listed on a Bank Deposit Guaranty Bond.**

Yes, multiple joint owners of accounts can be named on the Bank Deposit Guaranty Bond.

**What is the maximum I can have insured?**

A well-run well-capitalized bank which is eligible to purchase the Bank Deposit Guaranty Bond can purchase up to \$10,000,000.00 in total coverage for all accounts at that bank. The bank has the option to choose what customers and accounts will be issued a Bank Deposit Guaranty Bond and the dollar amount which that bond will cover.



**How will I know if my deposit is covered by a Bank Deposit Guaranty Bond.**

You will receive the original Bank Deposit Guaranty Bond issued in your name specifying your accounts and stating the amount of your coverage. The bank should have your Bank Deposit Guaranty Bond for delivery to you within one week of requesting the bond.

**How long is the bond effective?**

The Bank Deposit Guaranty Bond is effective from the date of issuance until you withdraw your deposits or the bond is canceled.

**Who can cancel my Bank Deposit Guaranty Bond?**

You as the customer can cancel the bond by completing the Surrender of Bond page and returning it to the bank or the insurance company.

The bank can cancel the bond by choosing not to pay the annual premium when due.

The insurance company can cancel the bond only for reasons allowed by law.

**How will I know if the bond is canceled?**

If the bank fails to pay a premium or if the insurance company cancels the bond, in either case, the insurance company is required to send you notice of such cancelation at least 90 days prior to the effective date of cancelation. The 90 day notice must be sent to you at your address specified in the bond. You will always have at least 90 days notice before the bond is canceled. This will provide you with adequate time to decide what, if any, action you should take to protect your funds.

**KANSAS BANKERS SURETY COMPANY**  
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(913) 234-2631

Rated **A+** (Superior)  
by A. M. Best

Bill Graves  
Secretary of State



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## STATE OF KANSAS

Hearing on HB 2693  
Senate Financial Institutions and Insurance Committee  
March 9, 1994

Mr. Chairman and Members of the Committee: Thank you for the opportunity to appear before you to testify on House Bill 2693. This bill relates to the Uniform Commercial Code.

Three components of the bill are technical and of a clean-up nature. In section one of the bill, the filing period for federal tax liens is extended from six to ten years, as required by the Revenue Reconciliation Act of 1990. In section two of the bill, financing statements are required to list the social security number of the debtor when the debtor is a sole proprietorship, and debtor name changes are recorded by filing an amendment to a financing statement.

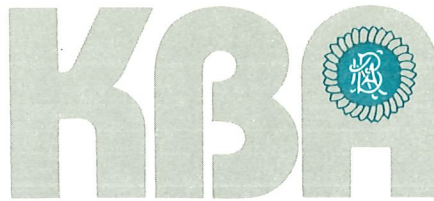
One component in section two of the bill is new, and authorizes the secretary of state's office to implement electronic filing procedures for financing statements through the adoption of administrative rules and regulations. Electronic filing will be permissive, not mandatory. The secretary of state's office will work with the Information Network of Kansas to establish the necessary computer programming to permit an authorized user to file financing statements electronically. The secretary of state's office has received calls from the Kansas Bankers Association, Farm Credit Services of Wichita, and John Deere dealers expressing interest in using electronic filing.

Thank you. Carol Beard, Deputy of the Uniform Commercial Division, and I would be happy to answer any questions you may have.

Jennifer Chaulk Wentz, Legal Counsel  
Deputy Assistant Secretary of State

*Senate HH1  
3/9/94  
Attachment #4*





The KANSAS BANKERS ASSOCIATION  
A Full Service Banking Association

March 9, 1994

TO: Senate Committee on Financial Institutions and Insurance  
RE: HB 2693 - Amendments to the Uniform Commercial Code

Mr. Chairman and Members of the Committee:

Thank you for the opportunity to appear in support of HB 2693. This bill makes several technical amendments to the Uniform Commercial Code (UCC) and would give the Secretary of State authority to implement electronic filing of financing statements (UCC-1).

The most important technical amendment in the bill is found in Section 2 of the bill where it is clarified that when the debtor on a financing statement is a sole proprietorship, the financing statement shall contain only the Social Security Number (SSN) of the debtor, not the Tax Identification Number (TIN) of the business. This is to assure that there will not be two numbers in the computer files on the same person/sole proprietorship.

The key policy amendment contained in the bill is the authority for the Secretary of State to adopt rules and regulations to implement the electronic filing of financing statements. This will create a faster and more efficient way for creditors to perfect their security interest in collateral.

Your positive consideration of HB 2693 would be greatly appreciated.

  
James S. Maag  
Senior Vice President

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Senate 4141 3/9/94  
Attachment #5

