

Approved: 3-17-2011
Date

MINUTES OF THE HOUSE FINANCIAL INSTITUTIONS COMMITTEE

The meeting was called to order by Chairman Forrest Knox at 3:34 p.m. on March 15, 2011, in Room 152-S of the Capitol.

All members were present except Representatives Shultz, Scapa, and Montgomery, all of whom were excused.

Committee staff present:

David Wiese, Office of the Revisor of Statutes
Melissa Calderwood, Kansas Legislative Research Department
Cindy Lash, Kansas Legislative Research Department
Gary Deeter, Committee Secretary

Conferees appearing before the Committee:

Daryl Craft, President of GTrust and also representing the Kansas Bankers Association

Others attending:

See attached list.

The Chairman welcomed members of the committee and opened the hearing on **SB 185 – Insurance; allowing trust companies as a nominee.**

Daryl Craft, President of GTrust and also representing the Kansas Bankers Association, explained that the bill amends **K.S.A. 2010 Supp. 40-2a20** to add “trust company” as an authorized financial institution which, along with banks, can make authorized investments for insurance companies. The bill would align the statute with **K.S.A. 9-2103(10)** so that a trust company may act “in any fiduciary capacity” allowed by banking or insurance laws (Attachment 1).

After giving a brief history of trust companies and noting that trust companies manage 75% of all trust and fiduciary assets in Kansas, Mr. Craft stated that the bill gives Kansas insurance companies another option when selecting a financial institution to manage their investments.

Mr. Craft responded to members' questions:

- A trust company may be a stand-alone entity or a division of a bank.
- Certain trust company assets are backed by the Federal Deposit Insurance Corporation because they are acquired from a bank, but investments like stocks and bonds are not guaranteed by the FDIC.
- The trust companies in Kansas have a good track record for disclosing relevant information to educate the client as to which investments are guaranteed and which are not.
- The banking statutes extend back through the years and have often been updated; at times the updates did not include trust companies. This bill attempts to rectify that oversight.
- The bill states that a trust company is “an authorized financial institution.” There are various places in the statutes that refer to a trust as a financial institution. A stand-alone trust company is

CONTINUATION SHEET

The minutes of the House Financial Institutions Committee at 3:30 p.m. on March 15, 2011, in Room 144-S of the Capitol.

regulated by the Kansas Office of the State Bank Commissioner, and its books are also open to the FDIC. A trust company does not provide banking services such as checking or savings accounts, nor does it make loans.

A member noted that the bill passed the Senate 39-0.

The hearing on **SB 185** was closed.

The meeting was adjourned at 4:50 p.m. The next meeting is scheduled for March 17, 2011, at 3:30 p.m. in Room 152-S of the Capitol.

HOUSE FINANCIAL INSTITUTIONS COMMITTEE
GUEST LIST

DATE: MARCH 15 2011

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Testimony before the House Financial Institutions Committee

Tuesday, March 15, 2011

Senate Bill 185

Ladies and Gentlemen:

Thank you for the opportunity to visit with you briefly today regarding Senate Bill 185. My name is Daryl Craft. I am the legislative chairperson for the Kansas Bankers Association Trust Division, and I am the founder and president of GTRUST Co., a Kansas chartered trust company. I am testifying today while wearing both hats. 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. 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. 40-229a(e)(2) which was amended in 2007 to add "trust company" to the definition of a "financial institution".

Modern trust companies were first chartered in Kansas in the late 1980's. There are currently nine state chartered trust companies, managing more than 23 Billion dollars in assets. To put this in perspective, state chartered bank trust departments manage 4 Billion dollars in assets and federally chartered bank trust departments in Kansas manage just over 4 Billion dollars in assets. Trust companies manage 75% of all trust and fiduciary assets in Kansas!

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. This Bill would correct what we believe is an oversight that could prevent trust companies from being one of those options. 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 1
House Financial Institutions Committee
Date 3-15