

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.

DATE: 3-2-11

[illegible]

State Fire Marshal
700 SW Jackson, Suite 600
Topeka, KS 66603-3714



phone: 785-296-3401
fax: 785-296-8155
www.ksfm.ks.gov

Doug Jorgensen, State Fire Marshal

Office of the State Fire Marshal

Sam Brownback, Governor

**Testimony before the Financial Institutions and Insurance
Regarding Senate Bill 182**

By Doug Jorgensen, Acting Kansas State Fire Marshal

March 2, 2011

The Fire Marshal's Office stands in support of Senate Bill 182. This bill would change how the 20% administrative fee, with a maximum of \$200,000, is deducted from levies on 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 the KU Fire Training and the Board of EMS.

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. Until this year the 20% , with a maximum of \$200,000 was only taken from the Fire Marshal's portion of the fund after the fund was distributed to the three agencies. This change would be much more equitable, and allow for all three agencies to share in the administrative fee for the fund and would greatly assist our agency as we continue in our mission of protecting lives and property across Kansans.

*FI & I Committee
3-2-11
Attachment 1*

TO: THE HONORABLE RUTH TEICHMAN, CHAIR
SENATE FINANCIAL INSTITUTIONS AND INSURANCE COMMITTEE

FROM: WILLIAM W. SNEED, LEGISLATIVE COUNSEL
THE STATE FARM INSURANCE COMPANIES

RE: S.B. 182

DATE: MARCH 2, 2011

Madame Chair, Members of the Committee: My name is Bill Sneed and I represent State Farm Insurance Companies ("State Farm"). State Farm is the largest insurer of homes and automobiles in Kansas. State Farm insures one out of every three cars and one out of every four homes in the United States. We appreciate the opportunity to testify on S.B. 182.

Although we are listed as neutral on this bill, there has been an ongoing discussion to consider increasing the taxes on fire insurance premiums, and as such we wanted to go on record with our opposition to that consideration.

Prior to 2002, K.S.A. 75-1508 required each fire insurance company doing business in Kansas to pay a tax not to exceed 1.2% of the gross cash receipts on all fire business transacted by the company in the preceding calendar year. This funding was transferred to the State Fire Marshal and was utilized to support the operations of the Fire Marshal's office.

During the 2002 Legislative Session, this statute was amended, reducing the portion received by the Fire Marshal from 1.25% to 1% and providing the remaining .25% to the Emergency Medical Service ("EMS") Board in support of its operation.

Finally, the statute was amended by the 2004 Legislature to reduce the amount received by the Fire Marshal from 1.0% to 0.8%. The remaining .2% was transferred to the Fire Service Training Institute at the University of Kansas.

During the course of these changes to where the money was allocated, the testimony from the interested parties has been that it was their belief that increases in premiums would continue to provide increased funding to the various entities, notwithstanding the specific reductions to the Fire Marshal.

The insurance industry has been on record with our belief that the premium growth estimated by the interested parties was being liberally afforded, and that the Fire Marshal could, at some point in time, find its office with financial issues. Now with this additional amount

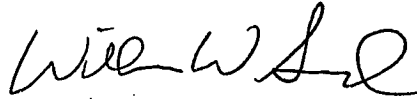
555 South Kansas Avenue, Suite 101
Topeka, KS 66603-3443
Telephone: (785) 233-1446
Fax: (785) 223-1939
www.polsinelli.com

being transferred to the State General Fund, there may be an attempt to increase the overall tax from 1.25% to a higher number in order to make up this difference.

My client has consistently support the State Fire Marshal and its office. Notwithstanding the good work that is done by the EMS Board and the Fire Service Training Institute, we would argue that if those deductions had not come out of the 1.25%, the State Fire Marshal would not be faced with a funding issue.

Thus, we urge the Committee to carefully study this bill, and we would be happy to discuss this with you at your convenience.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'WWS', with a stylized flourish at the end.

William W. Sneed

WWS:kjb

Testimony before the Senate Standing Committee on Financial Institutions and Insurance

Wednesday, March 2, 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.

*FI&I Committee
3-2-11
Attachment 3*