

SESSION OF 2012

SUPPLEMENTAL NOTE ON SENATE BILL NO. 287

As Amended by Senate Committee on Financial
Institutions and Insurance

Brief*

SB 287 would amend and repeal several statutes governing the regulation of credit unions in Kansas to delete provisions that allowed credit unions to purchase private share insurance. Credit unions would be required, under the bill (and the current law), to insure shares through the National Credit Union Share Insurance Fund (NCUSIF) or its successor. Credit unions also would be permitted to do all things necessary to obtain, continue, pay for and terminate private insurance coverage of its shares and share certificates in excess of the coverage provided by the NCUSIF. Under the bill, the private insurer providing excess share insurance coverage would be required to be approved by the Insurance Commissioner.

The bill would clarify that the application for NCUSIF insurance would be filed with the Kansas Department of Credit Unions and then forwarded to the National Credit Union Administration.

The bill would repeal KSA 17-2250 through 17-2259, KSA 17-2261, and KSA 17-2265 through 17-2267. Under the prior law, state-chartered credit unions were permitted to obtain share insurance through NCUSIF or private insurance (either an insurance company or a guarantee corporation). Under the bill, credit unions would be permitted to purchase excess share insurance from a private insurer.

*Supplemental notes are prepared by the Legislative Research Department and do not express legislative intent. The supplemental note and fiscal note for this bill may be accessed on the Internet at <http://www.kslegislature.org>

Background

The bill was introduced at the request of the Administrator, Kansas Department of Credit Unions, who testified that a requirement enacted by the Kansas Legislature in 1992 required credit unions to insure their members' shares (deposits) with insurance provided by the National Credit Union Share Insurance Fund (NCUSIF). The NCUSIF standard maximum share insurance amount is \$250,000 (permanently established in the Dodd-Frank Wall Street Reform and Consumer Protection Act) and is backed by the full faith and credit of the U.S. Government. The Administrator noted amending and repealing sections of the credit union law will remove language that is not used and is unnecessary. The Administrator later appeared before the Committee to request consideration of an amendment providing authority to appoint certain agency positions in the unclassified service.

A representative of the Kansas Credit Union Administration (KCUA) appeared in opposition to the bill at the Senate Committee hearing and requested an amendment to allow credit unions the ability to utilize excess share insurance. The representative also requested restoration of stricken language addressing disclosure of confidential information to a private insurer, stating that private insurers could be interpreted to mean a wider variety of entities, including bonding companies providing coverage for losses to credit unions. The representative indicated that if the amendments were adopted, the KCUA would hold a neutral position on the bill.

The Senate Committee on Financial Institutions and Insurance recommended amendments to allow for the purchase of excess coverage for share insurance through a private insurer and to restore a disclosure provision in the current law.

The fiscal note prepared by the Division of the Budget on the original bill states the the Kansas Department of Credit

Unions indicates that the bill would have no fiscal effect on its operations or the operations of credit unions. The Department indicates that credit unions have been required to purchase share insurance from the NCUSIF since 1992 and this bill would eliminate outdated language referring to private share insurance. The Insurance Department indicates that the bill would have no fiscal effect.