

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.