TESTIMONY ON SB 47

HOUSE INSURANCE COMMITTEE
March 11, 2015

Chairman and Members of the Committee:

I am Clark Shultz, Director of Governmental Affairs of the Kansas Insurance Department, and with me today is Ken Abitz, who is the Director of our Financial Surveillance Division. Thank you for the opportunity to testify in support of SB 47.

SB 47 is made up of two different parts having proposed changes to two different statutes.

The first part amends K.S.A. 2014 Supp. 40-409, regarding the Standard Valuation Law to introduce a revised method for calculating life insurance policy reserves to more easily adapt requirements for changing products. Principles-Based Reserving (PBR) replaces the current formulaic approach in determining policy reserves with an approach that more closely reflects the risks of new innovative insurance products.

The second part amends K.S.A.2014 Supp. 40-428, regarding the Standard Nonforfeiture Law to be in alignment with the amendments to the Standard Valuation Law.

PBR will be effective only after the Standard Valuation Law and Standard Nonforfeiture Law revisions are adopted by at least 42 states representing 75% of total U.S. Premium and then, after a three-year transition period. PBR will apply only to new life insurance business.

The Department supports the proposed amendments to Standard Valuation Law and the Standard Nonforfeiture Law by the industry.

For these reasons, we would ask the Committee to recommend SB 47 favorable for passage.

Thank you for the opportunity to appear in support of this bill.

Clark Shultz
Director, Governmental Affairs
Kansas Insurance Department