

MINUTES OF THE SENATE FINANCIAL INSTITUTIONS AND INSURANCE COMMITTEE

The meeting was called to order by Chairperson Jeff Longbine at 9:30 am on Tuesday, February 10, 2015, 546-S of the Capitol.

All members were present

Committee staff present:

Ellen Martinez, Kansas Legislative Committee Assistant  
Melissa Calderwood-Renick, Legislative Research Department  
Whitney Howard, Legislative Research Department  
Norm Furse, Office of Revisor of Statutes  
Eileen Ma, Office of Revisor of Statutes

Conferees appearing before the Committee:

Keri Kish, Director of Government Relations, National Association of Professional Surplus Lines Offices, Ltd.

Others in attendance:

[See Attached List](#)

**Possible bill introductions**

There were no bill introductions.

**Hearing on: SB155 — Surplus lines insurance definitions and gross premiums tax.**

Senator Longbine opened the hearing. Norm Furse, staff revisor, gave a brief overview of **SB 155**.

Keri Kish, from NAPSLO, testified in support of **SB 155**. The conferee gave a brief overview of the Non-admitted and Reinsurance Reform Act (NRRA) which sought to simplify and make more efficient the system of regulation and taxation of the surplus lines industry by establishing the insured's "home state" as the one and only jurisdiction to regulate and tax surplus lines transactions. Congress also clearly expressed its intent that states establish a uniform, nationwide approach to the regulation and taxation of the surplus lines industry. Immediately following the NRRA's enactment, many states began the development of uniform national tax sharing mechanisms. Many industry representatives, including NAPSLO, worked hard and collaborated extensively with states to develop the SLIMPACT proposal as an option for uniformity in national tax sharing. However, data quickly developed and indicated the cost of tax allocation exceeded the actual amount of taxes shared among participating states, negating any benefit to participate in tax sharing. NAPSLO believes this is a key reason that SLIMPACT did not reach the requisite number of states to become operational and therefore they strongly support Kansas repeal of the SLIMPACT statutes. ([Attachment 1](#))

NAPSLO strongly supports the home state approach that would be implemented by **SB 155** and it is the only approach to support the uniform national solution to the NRRA's implementation. The home state approach simplifies and reduces the regulatory burden for surplus lines brokers, but also simplifies the

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process for state regulators.

There being no further testimony, Senator Longbine closed the hearing at 10:02 A.M.

**Hearing on: SB144 — Affidavit requirement of surplus lines broken changed to signed statement.**  
Senator Longbine opened the hearing on **SB 144**. Norm Furse, staff revisor, gave a brief overview of the bill.

Keri Kish, Director of Government Affairs, NAPSLO, testifies in support of the bill. Often called the "safety valve" of the insurance industry, surplus lines insurers fill the need for coverage in the marketplace by insuring those risks that are declined by the standard underwriting and pricing processes of admitted insurance carriers. Surplus lines insurers are able to cover unique and hard-to-place risks because, as non-admitted insurers, they are able to react to market changes and accommodate the unique needs of insureds that are unable to obtain coverage from admitted carriers.

The revisions to **SB 144** contemplate the regulatory relationship and requirements in the surplus lines transaction and implement a modernized, streamlined and efficient regulatory requirement. If adopted, the process will now be such that the surplus lines broker will maintain a signed statement that demonstrates the retail agent's diligent search that will be maintained in the insured's file. Should the Commissioner wish to see the statement for the transaction, the broker will provide it upon the request.

NAPSLO strongly supports the revisions proposed by **SB 144** for the diligent search broker affidavit. These changes will modernize, streamline and simplify the regulatory process for regulatory and brokers. We urge your support for this bill. ([Attachment 2](#))

There being no further business, Senator Longbine closed the hearing at 10:13 A.M.

**Hearing on: SB145 — Nonadmitted insurers authorized to write excess coverage on Kansas risks.**  
Senator Longbine opened the hearing. Norm Furse gave a brief overview of the bill.

Keri Kish, Director of Government Relations, NAPSLO, testified in support of **SB 145**. In passing the Non admitted and Reinsurance Reform Act (NRRA), the U.S. Congress sought to achieve a simpler and more efficient system of regulation and taxation of the surplus lines industry by establishing in insured's "home state" as the one and only jurisdiction to regulate and tax surplus lines transactions.

The law provides reforms on a national basis to a number of problems that historically challenged the surplus lines industry. The NRRA established the exclusive standard a state can utilize as eligibility criteria for U.S. domiciled insurers to be that (1) an insurer must be authorized to write the type of insurance in its domiciliary jurisdiction; and (2) an insurer must possess capital and surplus or its equivalent under the laws of its domiciliary jurisdiction with equals the greater of (i) the minimum capital and surplus requirements under the law of the home state of the insured or \$15,000,000, or (ii)

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the requirements may be satisfied by an insurer possessing less than the minimum capital and surplus upon an affirmative finding of acceptability by the commissioner.

The proposed revisions of **SB 145** will implement these standards in Kansas. Further, as proposed, the revised statute would still allow the Commissioner to maintain a voluntary list for insurers to participate. This would allow insurers to establish their eligibility in accordance with the law and give brokers some relief in placing a risk with these insurers as well.

NAPSLO supports the implementation of appropriate insurer eligibility standards that would be implemented by SB **145**. ([Attachment3](#))

There be no further testimony, Senator Longbine closed the hearing at 10:20 A.M.

Senator Longbine reminded the Committee that tomorrow they would have Final Action on **SB 101, 117, 144, 145 and 155**. There being no further business, the meeting was adjourned at 10:25 A.M.