

MINUTES OF THE SENATE FINANCIAL INSTITUTIONS AND INSURANCE COMMITTEE

The meeting was called to order by Chairman Ruth Teichman at 9:30 A.M. on March 26, 2008 in Room 136-N of the Capitol.

All members were present.

Committee staff present:

Melissa Calderwood, Kansas Legislative Research Department  
Ken Wilke, Office of Revisor of Statutes  
Bev Beam, Committee Secretary  
Jill Shelley, Kansas Legislative Research Department

Conferees appearing before the committee:

John Meetz, Kansas Insurance Dept.  
David Hanson, Kansas Insurance Associations

Others attending:

See attached list.

The Chair called the meeting to order.

Hearing on

**HB 2689 - concerning insurance; pertaining to risk-based capital requirements**

John Meetz, Kansas Insurance Department, said risk based capital is the method by which regulators and insurance companies determine appropriate reserves to have in order to pay out claims for disasters. He noted this method has been in place since the mid 90's to evaluate financial solvency of insurance companies doing business in Kansas. He said companies must file financial reports with the Insurance Department using RBC instructions and formulas developed by the National Association of Insurance Commissioners. He said these instructions and formulas are often amended to address various matters, such as changes to line references in the annual statement blanks and to reflect any necessary modifications or adjustments to the formulas. He continued that current law requires companies to use the December 31, 2006 version of the RBC instructions. He said this bill would reflect a change in the date of the standard so that companies would use the RBC instructions, including the formulas, in effect as of December 31, 2007. He said the most recently adopted RBC standards do not represent a significant change from the standards of the previous year.  
(Attachment 1)

Dave Hanson testified on behalf of Kansas Insurance Associations in support of HB 2689. (Attachment 2)

The Chair closed the hearing on HB 2689.

**Final Action**

Senator Barone moved to pass HB 2689 out favorably. Senator Wysong seconded. Motion passed.

The Chair announced she would like to have some interim committees this summer. She said mandates must be reviewed this year. She asked for a motion by the committee to request an interim study of all mandates. Senator Steineger so moved. Senator Barnett seconded. Motion passed.

The Chair announced she would also like to have an interim committee on SB 540 and SB 564. Senator Steineger so moved. Senator Wilson seconded. Motion passed.

The Chair thanked her staff for all the hard work they have done this year.

The meeting adjourned at 10:05 a.m.

**SENATE FINANCIAL INSTITUTIONS & INS. COMMITTEE  
GUEST LIST**

DATE: 3-26-08

NAME	REPRESENTING
<i>J. Slack</i>	<i>Federico Consulting</i>
<i>Ken Albright</i>	<i>Ks. Ins. Dept.</i>
<i>John Meetz</i>	<i>KID</i>
<i>David Hanson</i>	<i>Ks Insur Assns</i>
<i>Alex Kotlyantz</i>	<i>P. I. A.</i>
<i>LARRY MAGILL</i>	<i>KAIA</i>
<i>Austin Hayden</i>	<i>Hein Law Firm</i>



# Kansas Insurance Department

Sandy Praeger, Commissioner of Insurance

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## TESTIMONY ON HB 2689

### SENATE FINANCIAL INSTITUTIONS AND INSURANCE COMMITTEE March 26, 2008

Madam Chair and Members of the Committee:

Thank you for the opportunity to visit with you on behalf of the Kansas Insurance Department. This bill is a proposal to amend K.S.A. 40-2c01(j), which is the definition of RBC instructions for insurance companies.

Risk-based capital (RBC) is a method that has been used by the Kansas Insurance Department since the mid 1990's to evaluate the financial solvency of insurance companies doing business in this state. The RBC statutes also prescribe various forms of regulatory action that may be taken, or shall be taken, in the event that a company's calculated RBC meets certain thresholds.

Companies must file financial reports with the Insurance Department using RBC instructions and formulas developed by the National Association of Insurance Commissioners (NAIC). These instructions and formulas are often amended to address various matters, such as changes to line references in the annual statement blanks and to reflect any necessary modifications or adjustments to the formulas.

The current law requires companies to use the December 31, 2006 version of the RBC instructions. This bill would reflect a change in the date of the standard so that companies would use the RBC instructions, including the formulas, in effect as of December 31, 2007. The most recently adopted RBC standards do not represent a significant change from the standards of the previous year.

Thank for the opportunity to speak today I would be happy to stand for any questions the committee may have.

John Meetz  
Government Affairs Liaison

*FI&I Committee  
March 26, 2008  
Attachment 1*

**NO**

**ATTACHMENT 2**

**IN BOOK**