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MEMORANDUM

To: Chairman Longbine and the Senate Committee on Financial Institutions and Insurance

From: Office of Revisor of Statutes

Date: January 31, 2024

Subject: **SB 356**, Requiring that per diem amounts, expenses and funding for examinations be reasonable and establishing a tiered fee structure for examinations of insurance companies and societies based on gross premiums.

SB 356 amends K.S.A. 40-223, pertaining to expenses relating to the examination of insurance companies.

Under current law, any person who makes an examination of an insurance company may receive a per diem amount, set by the commissioner, as full compensation for the person's services. This payment includes travel time to and from the place where the examination is being conducted as well as the examiner's time in conducting the examination. SB 356 would place a reasonability requirement on the per diem amount that the examiner would receive and a reasonability limitation on the payment for necessary and actual expenses for travel and subsistence paid to the examiner.

Additionally, under current law, the insurance company is responsible for all expenses incurred during the examination. SB 356 stipulates that the expenses for outside consulting and the amount to fund the purchase, maintenance and enhancement of equipment and software must also be reasonable.

Finally, SB 356 establishes a tiered fee structure for examinations that is based upon the gross premiums that the insurance company receives. Currently, only two tiers exist, SB 356 establishes five additional tiers, which allow the insurance company to better anticipate the charge assessed by the commissioner for the examination.

Lastly, the bill requires that the amount paid to conduct a market regulation examination and the amount charged to fund the purchase, maintenance and enhancement of equipment be reasonable and not exceed \$25,000.