Proponent Testimony for SB 121

February 10, 2025

Chairwoman Dietrich and Members of the Committee,

Thank you for the opportunity to testify in support of Senate Bill 121.

Senate Bill 121 amends Kansas insurance law relating to regulatory tools and financial oversight of insurance companies operating in Kansas. The bill contains requirements for the Kansas Department of Insurance to maintain accreditation with the National Association of Insurance Commissioners (NAIC). The Department financially examines the 42 insurance companies domiciled in Kansas to ensure they maintain solvency. Through the accreditation process, the Department can verify that 1,600 insurance companies domiciled in other states selling policies in Kansas meet solvency standards.

Senate Bill 121 creates new law to authorize the Kansas Insurance Commissioner to publish the most up-to-date version of risk-based capital (RBC) instructions promulgated by the NAIC in the Kansas Register. RBC instructions enforce the minimum amount of capital needed for insurance companies to support overall business operations in consideration of its size and risk profile. Every year for the past 31 years, the Department has introduced legislation to update K.S.A. 40-2c01, which is an accreditation standard. This change will eliminate the need to amend this statute annually.

Secondly, insurance companies are regularly required to submit financial statements to the Department. The unique requirements of these statements correspond with the line of insurance of which the company is organized. There are occasions when a company is organized as a life insurance company though predominantly sells health insurance products. Senate Bill 121 allows flexibility for those companies who are selling multiple products when filing their financial statements.

Next, Senate Bill 121 repeals K.S.A. 40-249, which requires insurance companies who do not issue policies within two years of their charter to dissolve. This statute dates back to 1927, and hampers the operations of insurance companies who may not immediately desire to sell policies after receiving their charter. Additionally, this presents unnecessary work for the Department as these companies must reapply for admission.

Lastly, the bill updates two financial regulatory tools to better ascertain insurance company solvency: group capital calculation and liquidity stress testing. This will allow the Department to identify potential financial vulnerabilities of insurance companies, specifically within the macroprudential space, and to better understand how a company might handle financial stress. These updates are required for accreditation through the NAIC. Kansas is up for accreditation again in 2026.

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