

February 14, 2025

The Honorable William Sutton, Chairperson  
House Committee on Insurance  
300 SW 10th Avenue, Room 218-N  
Topeka, Kansas 66612

Dear Representative Sutton:

**SUBJECT:** Fiscal Note for HB 2334 by House Committee on Insurance

In accordance with KSA 75-3715a, the following fiscal note concerning HB 2334 is respectfully submitted to your committee.

HB 2334 would enact the Kansas Protected Cell Captive Insurance Company Act. One or more sponsors could form a protected cell captive insurance company. A captive insurance company would be incorporated as a stock insurer with its capital divided into shares and would be held by the stockholders as a mutual corporation, as a nonprofit corporation, or as a limited liability company. The bill would detail the information required by each applicant protected cell captive insurance company to file with the Commissioner. The bill would also detail provisions for formation, operations, participant qualifications, and conversion of a protected cell captive insurance company into a standalone captive insurance company. The bill would detail the Commissioner's authority to enact and rules and regulations or other authorities necessary for the Commissioner to enforce the Act.

The bill would expand the types of insurance that captive insurance companies can provide, to include workers' compensation insurance and excess or stop-loss accident and health insurance unless prohibited by federal or state law. The bill would reduce the application and renewal fee for new captive insurance companies from \$10,000 to \$2,500 and would extend the period between required financial examinations from three years to five years. The bill would also allow a provisional certificate of authority to allow a captive insurance company to begin operations while completing the full application process.

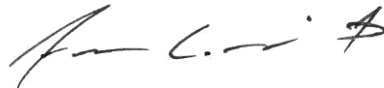
The Kansas Insurance Department states that the bill has the potential to increase or decrease revenues to its fee funds starting in FY 2026. The reduction to the captive application

and renewal fees could reduce revenues into its Captive Insurance Regulation and Supervision Fund. However, the fee reduction and other changes in the bill could result in additional captive insurance companies being licensed, thus increasing revenues from application and renewal fees. If there are additional captive insurance companies as a result of the enactment of the bill, then there would also be an increase in premium taxes collected and deposited into the State General Fund. However, the Department cannot estimate the fiscal effect of the bill.

The Office of Judicial Administration states that the bill could increase the number of cases filed in district court because it establishes a cause of action. This, in turn, would increase the time spent by district court judicial and nonjudicial personnel in processing, researching, and hearing cases. Enactment of the bill could result in the collection of docket fees that would be deposited into the State General Fund. However, the agency cannot estimate a precise fiscal effect. Any fiscal effect associated with HB 2334 is not reflected in *The FY 2026 Governor's Budget Report*.

The League of Kansas Municipalities and the Kansas Association of Counties state that the bill would have no fiscal effect on cities or counties.

Sincerely,

A handwritten signature in black ink, appearing to read "Adam C. Proffitt", with a stylized flourish at the end.

Adam C. Proffitt  
Director of the Budget

cc: Kyle Strathman, Insurance Department  
Trisha Morrow, Judiciary  
Wendi Stark, League of Kansas Municipalities  
Jay Hall, Kansas Association of Counties  
Lynn Robinson, Department of Revenue