

SESSION OF 2011

SUPPLEMENTAL NOTE ON SENATE BILL NO. 15

As Recommended by Senate Committee on
Financial Institutions and Insurance

Brief*

SB 15 would amend the effective date specified in current law for the risk-based capital (RBC) instructions promulgated by the National Association of Insurance Commissioners (NAIC). The instructions currently specified are effective on December 31, 2009. The bill would update the effective date of the RBC instructions to December 31, 2010.

Background

The bill was introduced at the request of the Kansas Insurance Department whose representative indicated that one of two triggers put into place by recent legislation for the update of risk-based capital instructions had been met and therefore, the new RBC instructions must be instituted statutorily, as had been done prior to the 2009 law. The trigger states that if an insurer's total adjusted capital or RBC report varied by more than 2.5 percent based upon changes made in the RBC factors then the new standards must be adopted by statute. The representative provided statistical data indicating that most domestic property and casualty companies' scores changed by more than the 2.5 percent variable. The representative for the Kansas Association of Property and Casualty Insurance Companies (KAPCIC) appeared in support of the bill and indicated that the severity of either the continued storm losses or of the economic downturn could not be anticipated last year and while it is

*Supplemental notes are prepared by the Legislative Research Department and do not express legislative intent. The supplemental note and fiscal note for this bill may be accessed on the Internet at <http://www.kslegislature.org>

regrettable to have to bring this legislation so soon, the criteria established last year did work in bringing the formula to review when conditions warranted legislative oversight.

There were no opponents to the bill at the time of the Committee hearing.

The fiscal note prepared by the Division of the Budget states that the Kansas Insurance Department indicates that passage of the the bill would have no fiscal effect.