

SESSION OF 2012

**SUPPLEMENTAL NOTE ON SENATE BILL NO. 266**

As Recommended by Senate Committee on  
Financial Institutions and Insurance

**Brief\***

SB 266 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) for property and casualty insurance companies. The instructions currently specified are effective on December 31, 2010. The bill would update the effective date of the RBC instructions to December 31, 2011.

**Background**

The Senate Committee on Financial Institutions and Insurance recommended the bill be placed on the consent calendar.

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, KSA 2011 Supp. 40-2c29, states that if an insurer's total adjusted capital or RBC report varied by more than 2.5 percent, from the previous year, based upon changes made in the RBC factors then the new standards must be adopted by statute. The Department projected that a majority of domestic insurers would experience a variance greater than 2.5 percent, necessitating the need for the legislation. (Similar

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\*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>

legislation was enacted by the 2010 and 2011 Legislatures). The Kansas Association of Property and Casualty Insurance Companies (KAPCIC) appeared in support of the bill, stating that the KAPCIC does not believe the updated formula and instructions will adversely affect its member companies. The representative noted that the bill this year was necessitated by severity of the continued storm losses and the economic downturn and further stated that the restrictions adopted three years ago have worked and are appropriate.

There were no opponents at the Senate Committee hearing.

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