

MINUTES OF THE SENATE FINANCIAL INSTITUTIONS AND INSURANCE COMMITTEE

The meeting was called to order by Chairman Ruth Teichman at 9:30 a.m. on March 11, 2009, in Room 136-N of the Capitol.

All members were present except:

Senator Ty Masterson- excused

Committee staff present:

Bruce Kinzie, Office of the Revisor of Statutes
Melissa Calderwood, Kansas Legislative Research Department
Terri Weber, Kansas Legislative Research Department
Beverly Beam, Committee Assistant

Conferees appearing before the Committee:

Melissa Calderwood, Principal Analyst, Research Department
John Meetz, Liaison, Kansas Insurance Department ([Attachment 1](#))
Dave Hanson, Kansas Association of Property & Casualty Insurance Cos., Inc. ([Attachment 2](#))

Others attending:

See attached list.

The Chair called the meeting to order and welcomed everyone to the meeting.

Hearing on

HB 2214 - Insurance, risk-based capital requirements.

Melissa Calderwood, Principal Analyst, Research Department, gave an overview of **HB 2214**. She stated that this bill would allow the Insurance Commissioner to adopt rules and regulations for the most current version of the risk-based capital instructions as published by the National Association of Insurance Commissioners. She said **HB 2214** would require that before such adoption, the Commissioner must prepare an impact statement indicating the projected impact upon domestic insurers and then notify the domestic insurers of the impact. She noted that if the projected impact would cause the amount of the domestic insurer's total adjusted capital or its risk-based capital report from the previous year to change by more than 2.5 percent, or cause a domestic insurer's control level to change upon application of the later version of the risk-based capital instructions, then the Insurance Commissioner would not adopt the latest version of the RBC instructions until approved by legislative action.

John Meetz, Legislative Liaison, Kansas Insurance Department, testified in support of **HB 2214**. Mr. Meetz said the KID has accepted legislation authored by Dave Hanson from the Kansas Association of P & C Companies that closes the six month "lag" but still allows a reasonable review process for the risk based capital standards. He said **HB 2214** would allow the Insurance Commissioner to adopt the new RBC instructions through the rules and regulations process unless those new RBC instructions would cause a company's total adjusted capital or RBC report from the previous year to vary by more than 2.5%, or change a company's control level. He noted that in these events, the new RBC instructions would require legislative action to be adopted, giving the new instructions proper scrutiny. Mr. Meetz said this compromise legislation will allow the KID to hold insurance companies to the most up-to-date RBC instructions while still allowing for a review process in the event of dramatic RBC changes. ([Attachment 1](#))

David Hanson, Legislative Counsel, Kansas Insurance Association, testified as neutral on **HB 2214**. Mr. Hanson said the risk-based capital provisions referenced in **HB 2214** were developed by the NAIC for adoption and use by the states as a standardized method of monitoring the solvency of insurers and assessing the need for regulatory control levels. He said the reference date in the statutory definition of "RBC instructions" was originally requested to make sure that the adopted instructions and formula were limited to those we have had an opportunity to review, rather than potential future revisions, which could adversely affect their companies' risk-based capital evaluation and the resulting action or control levels. He noted that while they believe their companies remain in good standing under the previously adopted NAIC instructions and formulas, they also believe any significant changes in those instructions and formulas by the NAIC

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should be carefully considered before adoption in Kansas. He stated further that the amendments in **HB 2214** will hopefully achieve this by establishing two guidelines for adoption of any future changes that may be developed by the NAIC. He said if those changes are projected to cause more than a 2.5% reduction in the adjusted capital of domestic companies or cause a change in the applicable control level, then the new instructions and formula should not be adopted in rules and regulations until approved by the Legislature. (Attachment 2)

The Chair closed the hearing on **HB 2214**.

Final Action

HB 2185 - Public moneys, reciprocal deposit program.

The Chair called Melissa Calderwood to briefly update the Committee on **HB 2185**. She stated that this bill would amend current law to allow local governments and the Pooled Money Investment Board (PMIB) to deposit public funds with banks that participate in a reciprocal deposit program, such as the Certificate of Deposit Account Registry Service (CDARS).

Senator Brownlee moved that **HB 2185** be passed out favorably. Senator Steineger seconded. Motion passed.

Final Action

HB 2052 - Life and health insurance guaranty association, claims.

The Chair called Melissa Calderwood to briefly update the Committee on **HB 2052**.

Ms. Calderwood said **HB 2052** would increase the maximum annuity benefit from \$100,000 to \$250,000 for which a life and health guaranty association would be liable in the event of insurer insolvency. She noted that also under current law, any increased limit of liability of a guaranty association does not apply to an impaired or insolvent insurer prior to July 1, 1993. She said **HB 2052** would apply the guaranty association's limits of liability in effect on the date the association became liable for the impaired or insolvent insurer.

Senator Barnett moved to favorably pass out the amendments to **HB 2052** as presented by Nancy Zogelman, America's Health Insurance Plans. Senator Holland seconded. Motion carried.

Senator Brownlee moved to pass out favorably **HB 2052** as amended. Senator Kelsey seconded. Motion carried.

The next meeting is scheduled for March 12, 2009.

The meeting was adjourned at 10:00 a.m.