



February 4, 2013

TO: Chairman Clark Shultz and the House Insurance Committee

FROM: Kevin R. Davis, Security Benefit Life Insurance Company

SUBJECT: HB 2007 - Insurance Holding Company

Mr. Chairman and members of the Committee:

Thank you for the opportunity to appear today in support of this important bill. I am Kevin Davis appearing on behalf of Security Benefit Life Insurance Company (“Security Benefit”) and I am pleased to provide testimony in support of HB 2007.

Security Benefit is a Kansas-domiciled life insurance company in business since 1892 and is a part of the Guggenheim Partners holding company. We are a leading provider of savings and income solutions for America’s pre and post-retirees. We are located here in Topeka and employ over 721 associates and we are growing rapidly.

This legislation that was considered by the 2012 Kansas Legislature in HB 2508, where after considerable discussion the House Insurance committee recommended an interim study on the topic. The 2012 Special Committee on Financial Institutions and Insurance conducted a hearing on the topic last fall and recommended the introduction of the current bill. There was no opposition to the bill and a number of industry proponents including Security Benefit testified in favor of the bill.

The impetus for this bill is the need by insurance regulators to better identify potential solvency risks (within insurance holding companies) that could affect insurers, including risks to insurers posed by non-insurer affiliates. There are four main provisions in the bill: the establishment of supervisory colleges, which are really just meetings of regulators with insurance holding companies to discuss their international plans, affiliates and operations; a requirement to file certain financial information if requested and a statement that internal controls are maintained by directors and principal officers; a requirement to file an annual enterprise risk report which identifies the risks within the holding company system that could pose material risk to the insurer; and provisions to maintain and enhance the confidentiality of the privileged information required to be disclosed under the act.

This legislation is extremely important to Security Benefit as a Kansas domestic life insurance company. We have worked closely with the Kansas Insurance Department for many months on this bill. This bill is necessary for KID to maintain national accreditation for financial surveillance laws. Accreditation signifies to insurance regulators in other jurisdictions that the home state regulator is adequately monitoring

the financial solvency of its domiciled companies. Moreover, under these national accreditation standards, an accredited insurance department may accept the required financial examination conducted by another accredited regulator. This in turn reduces the need for an insurer to undergo multiple, duplicative financial condition examinations, saving the insurer a considerable amount of time and expense. Thus, the passage of the Holding Company Act legislation will not only strengthen the oversight of insurance holding company systems and give the KID a better picture of the risk affiliates pose to domestic insurers, but will also allow the KID to maintain its accreditation, which is of substantial benefit to Kansas-domiciled insurers such as Security Benefit.

For the above reasons, Security Benefit strongly supports HB 2007 and requests the passage of this important bill. Thank you again for the opportunity to appear today. I would be happy to answer any questions.

Kevin R. Davis