

SESSION OF 2013

SUPPLEMENTAL NOTE ON SENATE BILL NO. 24

As Recommended by Senate Committee on
Financial Institutions and Insurance

Brief*

SB 24 would amend certain risk-based capital (RBC) provisions in the Insurance Code to update the specified effective date of risk-based capital instructions and increase an RBC factor associated with a trend test calculation for life and health insurance companies.

The bill would update the effective date specified in current law for the RBC instructions promulgated by the National Association of Insurance Commissioners from the date currently specified, December 31, 2011, to December 31, 2012.

The bill also would increase, from 2.5 to 3.0, one of the RBC calculation factors specified in determining a company action level event for a life and health insurance company.

Background

The bill was introduced at the request of the Kansas Insurance Department, whose representative indicated one of two triggers put into place by 2009 legislation for the update of RBC instructions had been met and, therefore, legislative approval of the new instructions is necessary (the Department projects a likely 2.5 percent change in the adjusted capital of most domestic insurers based on the application of the new RBC instructions). Increasing the factor of 2.5 to 3.0 in the formula for calculating a company

*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>

action level event, the representative noted, allows the Department to intervene and require a company to produce a plan to restore its RBC levels at an earlier point. The Department does not anticipate this formula change to have a current impact on any Kansas companies. Representatives of the American Council of Life Insurers and the Kansas Association of Property and Casualty Insurance Companies (KAPCIC) testified in support of the bill at the Senate Committee hearing. The KAPCIC representative indicated the bill is necessary to the domestic insurance industry and characterized domestic companies, while having a change of more than 2.5 percent adjusted capital, as healthy.

There were no opponents present at the Senate Committee hearing.

The Senate Committee recommended the bill be placed on the Consent Calendar.

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 on the Department.