

MINUTES OF THE SENATE FINANCIAL INSTITUTIONS AND INSURANCE COMMITTEE

The meeting was called to order by Chairperson Jeff Longbine at 9:30 am on Wednesday, January 28, 2015, 546-S of the Capitol.

All members were present

Committee staff present:

Ellen Martinez, Kansas Legislative Committee Assistant
Melissa Calderwood-Renick, Legislative Research Department
Whitney Howard, Legislative Research Department
Norm Furse, Office of Revisor of Statutes
Eileen Ma, Office of Revisor of Statutes

Conferees appearing before the Committee:

James Hall, Regional Vice President, State Relations, ACLI
Clark Shultz, Director, Governmental Affairs, Kansas Insurance Department

Others in attendance:

[See Attached List](#)

Possible bill introductions

Senator Schmidt made a bill introduction request concerning opioids and analgesics. *Senator Schmidt moved to accept the bill introduction, and Senator Kelly seconded the motion. The motion passed.*

Hearing on: SB 47 -- Establishing principle-based reserves and updating the standard nonforfeiture law for life insurance companies

The Chairman opened the hearing. Eileen Ma, Office of the Revisor of Statutes, gave a brief overview of the bill.

James Hall, American Council of Life Insurers, strongly supports **SB 47**. If enacted, the bill would adopt the National Association of Insurance Commissioners Model amendments to modernize the state's insurance code to allow life insurance companies to conduct "principle-based reserving." Principle-based reserving will help ensure that consumers are paying the appropriate price for the risk coverage being provided.

Principle-based reserving retains certain elements of the existing reserving system that provides "floors" for the minimum amount of reserves required. It also is "self-correcting" in the sense that each year the insurance company must demonstrate that its assumptions underlying its reserve calculations are correct. To the extent those underlying assumptions are not correct, the principle-based reserving system allows the company and the state insurance regulator to identify any concerns and take appropriate corrective action in a more timely manner.

Consumers will benefit from having the price of the products more closely aligned with the risk being assumed by the company. Life insurers will benefit by being able to more accurately reserve for risks

CONTINUATION SHEET

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and by gaining the flexibility to develop new products and new product features. The ACLI strongly urges the Committee's favorable recommendation of this bill. ([Attachment 1](#))

Clark Shultz, Director, Governmental Affairs, Kansas Insurance Department, testified in support of **SB 47**. He informed the Committee that the bill is made up of two different parts having proposed changes to two different statutes. The first part amends the Standard Valuation Law to introduce a revised method for calculation life insurance policy reserves to more easily adapt requirements for changing products. Principles-Based Reserving replaces the current formulaic approach in determining policy reserves with an approach that more closely reflects the risks of new innovative insurance products.

The second part amends the Standard Nonforfeiture Law to be in alignment with the amendments of the Standard Valuation Law.

The Kansas Insurance Department asks that the Committee recommend **SB 47** favorable for passage. ([Attachment 2](#))

The following proponent provided written testimony only:

Kathy Damron, Strategic Communication of Kansas ([Attachment 3](#))

Senator Longbine closed the hearing at 10:05 A.M.

Senator Wilborn introduced his pages, Stevie Stockham and Luke Williams, both from McPherson, Kansas.

Senator Longbine informed the committee that they would be working the bills next week. There being no further business, the Chairman adjourned the meeting at 10:10A.M.