

January 27, 2015

The Honorable Jeff Longbine, Chairperson  
Senate Committee on Financial Institutions and Insurance  
Statehouse, Room 235-E  
Topeka, Kansas 66612

Dear Senator Longbine:

**SUBJECT:** Fiscal Note for SB 47 by Senate Committee on Financial Institutions and Insurance

In accordance with KSA 75-3715a, the following fiscal note concerning SB 47 is respectfully submitted to your committee.

SB 47 would make changes in calculating required life insurance policy reserves. The bill would allow a method called "Principles-Based Reserving" (PBR). Depending on the insurance product, PBR would require additional reserves for some products, while decreasing reserves for others.

According to the Kansas Insurance Department, the use of the PBR method would only become effective when at least 42 states would approve the change. In addition, there would be a three-year transition period before the method would be fully utilized. The Department estimates that enactment of SB 47 would require additional expenses of approximately \$50,000 for salaries and wages expenses for an additional 1.00 FTE Financial Examiner position. However, because of the three-year transition period, FY 2018 would be the earliest that the Department would incur these additional expenses. Any fiscal effect associated with SB 47 is not reflected in *The FY 2016 Governor's Budget Report*.

Sincerely,



Shawn Sullivan,  
Director of the Budget

cc: Glenda Haverkamp, Insurance Department