

SESSION OF 2015

SUPPLEMENTAL NOTE ON HOUSE BILL NO. 2066

As Recommended by House Committee on
Insurance

Brief*

HB 2066 would amend statutes in the Insurance Code governing investments by insurance companies other than life and life insurance companies to unify the language in these complementary statutes; add definitions for clarification; expand the investments a life insurance company could make to permit all allowable domestic investments to be made on a foreign basis; and allow both life insurance companies and other than life insurance companies to invest in second lien mortgages, with an increase in the loan-to-value ratio for first and second liens from 80 percent to 90 percent, and clarify that insurers may be indirectly secured by a mortgage.

In the statutes governing investments by life insurance companies and investments by other than life insurance companies, the following additional changes would be made:

- “Business entity” would replace references to “corporation” or “company”;
- Definitions for “business entity,” “NAIC” (National Association of Insurance Commissioners), and “SVO” (Securities Valuation Office of the NAIC or any successor office established by the NAIC) would be added;
- A more recent quarterly financial statement filed with the Insurance Commissioner would be allowed to establish the admitted assets for purposes of investment limits; and

*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>

- Clarification the ratings for mortgage related securities would be designated by the SVO or its equivalent rating by a nationally-recognized statistical rating organization recognized by the SVO.

Background

The House Committee on Insurance introduced the bill at the request of Security Benefit Life Insurance Company (Security Benefit) and the Kansas Insurance Department (KID). Representatives of both entities testified at the House Committee hearing in support of the bill. The Security Benefit representative testified the bill would unify language in statutes relating to investments made by life insurance companies and statutes governing investments made by other types of insurance companies, such as property and casualty. The Security Benefit representative also stated expanding allowable foreign investments, allowing investments in second lien mortgages with an increased loan-to-value ratio, and clarifying an insurer may be indirectly insured are consistent with practices allowed in nearby states and allow the insurer to compete more effectively with insurers from other states. The KID representative testified the agency proposed changes to the statutes pertaining to investments made by insurance companies other than life to complement the changes proposed by Security Benefit to statutes governing investments by life insurance companies. Written proponent testimony was provided by a representative of the American Council of Life Insurers. No opposing or neutral testimony was received at the House Committee hearing.

According to the fiscal note prepared by the Division of the Budget, the Kansas Insurance Department indicated enactment of the bill would have no fiscal effect.