

SESSION OF 2015

**SUPPLEMENTAL NOTE ON SENATE BILL NO. 55**

As Amended by Senate Committee on Financial  
Institutions and Insurance

**Brief\***

SB 55 would amend provisions in the Insurance Code pertaining to permissible fees and expenses associated with certain financial examinations and the frequency rate of a financial examination of the plan administrator for the Kansas Uninsurable Health Insurance Plan Act (an act governing the State High Risk Pool).

***Outside Consulting Fees and Expenses***

Specifically, the bill would increase for certain insurance companies, from \$100,000 to \$500,000, the maximum amount allowed for the collective total of payment of outside consulting and data processing fees associated with the financial examination of an insurance company or society or its subsidiaries and the *pro rata* amount to fund the purchase of examination equipment and computer software. Those companies subject to this consulting fee and equipment purchase limitation are those with \$200 million or more in gross premiums, both direct and assumed, in the prior calendar year.

***Kansas Uninsurable Health Insurance Plan Act—  
Amendments***

The bill would amend the Kansas Uninsurable Health Insurance Plan Act to decrease the frequency of the required examination period of the financial status of the Plan, from at least once every three years to at least once every five years.

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\*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>

By law, the Insurance Commissioner is required to transmit a copy of these examination results to the Legislature by February 1 of the year following the year in which the examination occurred.

## **Background**

The bill was introduced by the Senate Committee on Financial Institutions and Insurance at the request of the Kansas Insurance Department.

In the Senate Committee, a representative of the Department indicated the statutory cap on financial examinations is inadequate, stating the Department's long-term ability to hire and retain qualified financial examiners with the expertise to conduct full-scope financial condition exams is at risk because the Department is limited in its ability to compete with private consulting firms in hiring qualified examiners. The representative indicated the change in frequency for the examination of the financial examination of the Uninsurable Health Insurance Plan was appropriate as the Plan was terminated on December 31, 2013, and has been in run-off since that date. The Plan will continue to have independent audits, which are submitted to the Department. There was no neutral or opponent testimony at the bill hearing.

The Senate Committee amendment removes a date in the Kansas Uninsurable Health Insurance Plan Act originally associated with the financial examination requirement.

The fiscal note prepared by the Division of the Budget indicates the bill would have no fiscal effect. However, the bill would allow additional expenditures for insurance companies and societies for outside consulting and data processing fees. Testimony before the Senate Committee indicated 10 of the 46 domestic insurance companies would be subject to the increased statutory cap of \$500,000 (gross premiums exceeding the established threshold).