



Kansas Insurance Department

Ken Selzer, CPA, Commissioner of Insurance

HOUSE INSURANCE COMMITTEE

TESTIMONY ON SB 410

March 15, 2018

Mr. Chairman and Members of the Committee,

Thank you for allowing me to testify in support of this bill on behalf of Commissioner Selzer and the Department of Insurance.

Many states have already updated or are currently updating their captive laws. In almost every state the updates have received overwhelming and bi-partisan support by their legislative bodies.

Missouri updated its captive law in 2007 intending to become a regional center for captive domiciles. They now have 3 individuals regulating 53 captives. Likewise, Texas updated its captive laws in 2013 and then made amendments in 2017. There are now 32 captives in Texas. Lastly, Oklahoma updated its laws in 2004 with several subsequent amendments. They now have 70 captives operating in their state.

The fact that Kansas has not updated its captive laws doesn't prevent or discourage corporations from forming a captive. They simply go to a state or offshore jurisdiction that has updated laws in order to form their captive. Our goal is to keep the captive assets and related services in our state.

A captive insurance company is a wholly owned subsidiary created to provide insurance to its parent company and others in its group. The captive is used to manage risk for that parent and group. Once established, the captive then operates like any commercial insurer by issuing policies, collecting premium, and paying claims.

A captive generally does not offer insurance to the public. Accordingly, it is regulated somewhat differently than an insurer selling policies to the public. Importantly, the policyholders (i.e., the parent company and others in the group) do not have access to guarantee funds should the captive become insolvent. Capital requirements are a bit less.

There would be a small additional cost to regulate an increased level of captive activity in Kansas, all of which would eventually be offset by fees charged to register and maintain the captive in our state.

This small additional cost and effort by the Kansas Insurance Department would be far more than offset by the additional economic development benefits to Kansas.

I look forward to your questions or comments.

Thank you.

Clark Shultz
Assistant Insurance Commissioner