

SESSION OF 2019

**SUPPLEMENTAL NOTE ON SENATE BILL NO. 66**

As Amended by House Committee on Insurance

**Brief\***

SB 66, as amended, would amend registration requirements in the Insurance Holding Company Act related to a filing exemption for enterprise risk reports. The bill would also amend the effective date specified in the Insurance Code for risk-based capital (RBC) instructions.

***Enterprise Risk Reports [Section 2]***

The bill would require an enterprise risk report filed by the ultimate controlling person of every insurer subject to registration to be appropriate to the nature, scale, and complexity of the insurer.

The bill would exempt the ultimate controlling person of a domestic insurer from submitting an enterprise risk report if the domestic insurer is authorized, admitted, or eligible to engage in the business of insurance only in Kansas with total direct and assumed annual premiums of less than \$300.0 million, unless the ultimate controlling person of the domestic insurer also controls other insurers not meeting the requirements of the section. The bill would specify an insurer is not considered to be authorized, admitted, or eligible to engage in the business of insurance only in Kansas if the insurer directly or indirectly writes or assumes insurance in any other manner in another state.

The bill would make technical amendments.

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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>

### ***Risk-based Capital Instructions [Section 1]***

The bill would also amend the effective date specified in the Insurance Code for the RBC instructions promulgated by the National Association of Insurance Commissioners (NAIC) for property and casualty companies and for life insurance companies. The instructions currently specified became effective on December 31, 2017. The bill would update the effective date on the RBC instructions to December 31, 2018.

### **Background**

The bill contains provisions of SB 66 and SB 28.

### ***SB 66 (Enterprise Risk Reports)***

SB 66 was introduced by the Senate Committee on Financial Institutions and Insurance at the request of the Kansas Insurance Department (Department).

In the Senate Committee on Financial Institutions and Insurance and House Committee on Insurance hearings, a representative of the Department testified in favor of the bill, noting its purpose is to repeal the small group exemption currently in statute. The representative stated Kansas is the only state that maintains an exemption for small groups and, absent repeal of this provision, the Department would be out of compliance with the NAIC accreditation standards. The representative noted repeal of this provision would impact ten companies. The representative also provided a letter from the NAIC outlining the history of the enterprise risk report filing requirements. No neutral or opponent testimony was provided.

The House Committee on Insurance amended SB 66 to add the provisions of SB 28 (RBC instructions).

According to the fiscal note prepared by the Division of the Budget, the Department indicates enactment of SB 66, as introduced, would result in additional expenditures from the increased processing time required for submissions of Form F-Enterprise Risk Report. However, the Department indicates the additional expenditures would be negligible and could be absorbed within existing resources. Any fiscal effect associated with enactment of SB 66, as introduced, is not reflected in *The FY 2020 Governor's Budget Report*.

### ***SB 28 (RBC Instructions)***

SB 28 was introduced by the Senate Committee on Financial Institutions and Insurance. In the Senate Committee on Financial Institutions and Insurance and House Committee on Insurance hearings, a representative of the Department provided written-only proponent testimony that noted the goal of the RBC law is to ensure each Kansas domestic company has the required amount of capital needed to support its overall business operations in consideration of its size and risk profile. The representative also noted amendments to the effective date of the instructions have been made each year since 2009. [*Note:* In 2009, a legislative oversight process for updating the annual RBC instructions was established. This process allows the Department to update the requirements by rules and regulations, unless one of two statutory triggers has been met.] No neutral or opponent testimony was provided.

The House Committee on Insurance amended SB 28 by removing its contents and placing the contents in SB 66. [*Note:* The contents of HB 2213, relating to fraudulent insurance acts, were placed in SB 28. See the supplemental note on SB 28 for more information.]

According to the fiscal note prepared by the Division of the Budget, the Department indicates enactment of SB 28, as introduced, would have no fiscal effect.