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REVISOR of STATUTES

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MEMORANDUM

To: House Committee on Insurance and Pensions

From: Office of the Revisor of Statutes

Date: March 15, 2021

Subject: **Brief for SB 28** - Updating the National Association of Insurance Commissioners Credit for Reinsurance Model Law, the Insurance Holding Company Act and Codifying the Credit for Reinsurance Model Regulation

SB 28 creates one new section of law and amends K.S.A. 2020 40-221a, 40-3302, 40-3304 and 40-3306. This is essentially the same bill as HB 2134.

Section 1 would create all new law by codifying the National Association of Insurance Commissioners Credit for Reinsurance Model Regulation into statute.

Section 2 amends K.S.A. 2020 Supp. 40-221a, which is the state's credit for reinsurance statute. Under current law, a domestic ceding insurer is permitted a credit for reinsurance, as an asset or reduction from liability, ceded to an assuming insurer if the ceding insurer satisfies one of six different conditions that each have different requirements that must be met in order for the ceding insurer to receive the credit. Senate bill 28 would add an additional condition under which such a credit may be permitted. The requirements of this new condition are listed on page 42.

Section 3 amends K.S.A. 2020 Supp. 40-3302, which is the definitions statute of the Insurance Holding Company Act. Senate bill 28 has added two new definitions to the statute.

First, the definition of "group-wise supervisor" to mean "the regulatory official authorized to engage in conducting and coordinating group-wide supervision activities who is determined or acknowledged by the commissioner under K.S.A. 40-3318, and amendments thereto, to have sufficient significant contacts with the internationally active insurance group."

Secondly, the definition of "internationally active insurance group" has been added to mean: "an insurance holding company system that: (1) Includes an insurer registered under K.S.A. 40-3305, and amendments thereto; and (2) meets the following criteria: (A) Has premiums written at least three countries; (B) the percentage of gross premiums written outside the United States is at least 10% of the insurance holding company system's gross written premiums; and (C) based on a three-year rolling average, the total assets of the insurance holding company system are at least \$50B or the total gross written premiums of the insurance holding company system are at least \$10B."

Section 5 amends K.S.A. 2020 Supp. 40-3304 of the Insurance Holding Company Act to require that any controlling person of a domestic insurer seeking to divest its controlling interest in the domestic insurer file a confidential notice of its proposed divestiture with the commissioner, with a copy to the insurer, at least 30 days prior to the cessation of control. The bill would also require the commissioner to determine those circumstances under which each party seeking to divest or acquire a controlling interest in an insurer shall be required to file for and obtain approval of the transaction. Finally, Senate bill 28 would require the acquiring person to file a preacquisition notice with the commissioner, containing information in the form and manner prescribed by the commissioner in rules and regulations. These requirements are not a part of current law and would be new language added to the statute.

Finally, the Senate Committee on Financial Institutions and Insurance made a technical amendment to the bill. That amendment occurs on page 15, in line 23, where the revisor failed to make an update to the sunset date pertaining to the confidentiality of certain information provided to the commissioner during the application for certification as a reinsurer.

The bill passed the Senate on a vote of 39 – 0.