

SESSION OF 2014

SUPPLEMENTAL NOTE ON SENATE BILL NO. 268

As Recommended by Senate Committee on
Financial Institutions and Insurance

Brief*

SB 268 would amend the effective date specified in current law for the risk-based capital (RBC) instructions promulgated by the National Association of Insurance Commissioners (NAIC) for property and casualty insurance companies, as well as for life insurance companies. The instructions currently specified are effective on December 31, 2012. The bill would update the effective date on the RBC instructions to December 31, 2013.

Background

Risk-based capital is a method of measuring the minimum amount of capital appropriate for an insurer to support its overall business operations, taking into consideration the company's size and risk profile.

The bill was introduced at the request of the Kansas Insurance Department, whose representative indicated that a legislative oversight process for updating the annual RBC instructions was established in 2009. This process allows the Department to update the requirements by rules and regulations, unless one of two triggers has been met. The Department projects a likely 2.5 percent change in the adjusted capital of most domestic insurers based on the application of the RBC instructions. Because this trigger (KSA 2013 Supp. 40-2c29) has been met, legislative approval of the new instructions is necessary. The representative stated

*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>

the Department does not believe the new instructions will adversely affect any domestic insurance companies. (Similar legislation was enacted by the 2010, 2011, 2012, and 2013 Legislatures.)

There was no opponent testimony at the Senate Committee hearing.

The Senate Committee recommended the bill be placed on the Consent Calendar.

The fiscal note prepared by the Division of the Budget states that the Kansas Insurance Department indicates enactment of the bill would have no fiscal effect.