

KANSAS OFFICE *of*  
**REVISOR *of* STATUTES**

LEGISLATURE *of* THE STATE *of* KANSAS  
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300 SW TENTH AVENUE ■ SUITE 24-E ■ TOPEKA, KS 66612 ■ (785) 296-2321

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**MEMORANDUM**

To: Chairman Johnson and the House Committee on Insurance and Pensions

From: Office of Revisor of Statutes

Date: Wednesday, January 26, 2022

Subject: Bill Brief HB 2510 – Updating certain investment limitation requirements to provide increased options for Kansas domiciled life insurance companies investing in equity interests and preferred stock.

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HB 2510 amends K.S.A. 40-2b06 and 40-2b07, relating to limitations on permissible investments made by Kansas domiciled life insurance companies investing in equity interests and preferred stock.

Section 1 amends K.S.A. 40-2b06, pertaining to investments in preferred stock. Under current law, a Kansas-sitused life insurance company may invest up to 25% of its admitted assets in the preferred stocks of, or stocks guaranteed by, "a corporation incorporated under the laws of the United States of America, or of any state, district, insular or territorial possession thereof, or of the Dominion of Canada, or any province thereof. The life insurance company's admitted assets are based upon the company's last annual report, as filed with the Commissioner, or a more recent quarterly financial statement filed within 45 days of the end of the quarter to which the statement pertains. Subsections (a) through (e) are all requirements that current law places upon any potential investment made by a Kansas-sitused life insurance company in the preferred stock of an American or Canadian corporation. HB 2510 would amend the statute by removing all of the requirements placed upon any such potential investment.

Section 2 amends K.S.A. 40-2b07, pertaining to investments in equity interests. Under current law, a Kansas-sitused life insurance company may invest up to 15% of its admitted assets in the equity interests of an American or Canadian business entity. As with K.S.A. 40-2b06, the life insurance company's admitted assets are based upon the company's last annual report, as filed with the Commissioner, or a more recent quarterly financial statement filed within 45 days of the end of the quarter to which the statement pertains. Subsections (a) through (g) place requirements on any potential investment made by such life insurance company in such a business entity. HB 2510 raise the admitted asset investment limit from 15% to 20% and it would remove the requirements in subsections (a) through (d). Finally, an exemption to subsections (b) and (d) provided in subsection (g) has also been removed.

Lastly, two unlawful delegations of legislative authority were found in the bill. Essentially, the crux of an unlawful delegation of legislative authority is that the legislature cannot delegate its legislative powers to other entities. Both statutes in the bill stated that the filing of a financial report with the Commissioner would be made "...on a form prescribed by the national association of insurance commissioners."<sup>1</sup> The issue was corrected by amending the language to read that the filing be made "in the form and manner prescribed by the commissioner in rules and regulations."<sup>2,3</sup>

The bill would become effective upon publication in the statute book.

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<sup>1</sup> Page 1, lines 20-21 and page 2, lines 21-23.

<sup>2</sup> Page 2, lines 9-10 and page 2, lines 24-25.

<sup>3</sup> The Commissioner has the legislature's grant of authority to prescribe the form and manner in which financial reports are filed in K.S.A. 40-225.