

SESSION OF 2007

SUPPLEMENTAL NOTE ON SENATE BILL NO. 121

As Recommended by Senate Committee on
Financial Institutions and Insurance

Brief*

SB 121 would amend KSA 40-1611 to specify that for the purpose of paying the levies and taxes, a "reciprocal" and its "attorney-in-fact" be considered as the same entity. Under current law, an "attorney-in-fact" serves as the person (often a corporation managing the day-to-day operations of the reciprocal exchange) designated and authorized by subscribers in their subscriber agreements.

Background

SB 121 was requested by Farmers Insurance Group whose representative indicated that during the 2000 Session, the Insurance Department had requested amendments to KSA 40-1611. The amendments did not address the issue of dual taxation, where taxing would be applied separately to the reciprocal (subscribers organized under a common name) and the attorney-in-fact (subscribers' manager). The bill was requested to remove any ability to create an unfair double tax on reciprocal insurance company structures. A representative of the Kansas Insurance Department indicated that the Department has always treated reciprocal insurance companies as one entity for tax purposes, has every intention to do so in the future, and is supportive of any effort to make tax procedures for reciprocals more clear. The bill was supported by the Kansas Association of Property & Casualty Insurance Companies.

The fiscal note prepared by the Division of the Budget indicates that passage of the bill would have no fiscal effect.

*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>