

SESSION OF 2007

SUPPLEMENTAL NOTE ON SENATE BILL NO. 219

As Amended by House Committee on
Insurance and Financial Institutions

Brief*

SB 219 would amend a statute governing insurance holding companies to allow a domestic insurance company to invest, with certain limitations, in the common stock, preferred stock, debt obligations, and other securities of its subsidiaries. The amount of the investment could not exceed the lesser of 10 percent of the insurance company's assets or 50 percent of the insurance company's surplus, if after the investment is made, the company has enough remaining surplus to meet its obligations (outstanding liabilities and other financial needs). The insurance company's total investment could not exceed the investment limitations set forth in articles 2a (insurers other than life insurers) and 2b (life insurers) in Chapter 40 of the *Kansas Statutes Annotated*.

When calculating the amount of investments, the company is not to consider in domestic or foreign insurance subsidiaries and health maintenance organizations and would instead include: total net moneys or other consideration expended and obligations assumed in the acquisition or formation of a subsidiary and all amounts expended in acquiring additional common stock, preferred stock, debt obligations, and other securities (includes all contributions to the capital or surplus of the subsidiary). The Insurance Commissioner would be permitted to approve an investment by an insurance company that exceeds the limits set forth in the bill.

The bill also would provide, in the instance where an insurance company ceases to control a subsidiary, to dispose

*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>

of any such investment within three years within the cessation or within a time-frame determined by the Commissioner.

Current law permits domestic insurance companies, either by itself or in corporation with other parties, to organize or acquire one or more subsidiaries.

Background

SB 219 was requested by Security Benefit whose representative indicated that the proposed investments provisions mirror those from the National Association of Insurance Commissioner's model holding company act and would make it clear that subsidiaries would not need to comply with investment statutes that are applicable to insurance companies. Kansas has adopted most of the act (in 1974), but this provision was not adopted at that time. The bill was supported by the Kansas Insurance Department.

The House Committee on Insurance and Financial Institutions made a technical amendment.

The fiscal note prepared by the Division of the Budget indicates that passage of the bill could be implemented within the current budget and staffing resources of the Kansas Insurance Department, as the Department states that it is currently responsible for monitoring the investment holdings of domestic insurance companies.