

SESSION OF 2022

SUPPLEMENTAL NOTE ON HOUSE BILL NO. 2510

As Amended by Senate Committee on Financial
Institutions and Insurance

Brief*

HB 2510, as amended, would amend certain investment limitation requirements to increase the permissible investment options in equity interests and preferred stock for Kansas-domiciled life insurance companies. The bill would also correct the unlawful delegation of authority in current statutes.

Investments in Preferred Stock

The bill would retain the existing statutory limitation on a Kansas-domiciled life insurance company's investment in the preferred stock of, or stocks guaranteed by, a corporation incorporated in the United States or any of its states, districts, insular, or territorial possessions, or incorporated in Canada or any of its provinces, to 25.0 percent of its admitted assets as shown on the annual report or more recent quarterly financial statement filed by the life insurance company with the Commissioner of Insurance (Commissioner). The bill would remove all additional requirements placed on investments in preferred stock by Kansas-domiciled life insurance companies.

Investments in Equity Interests

The bill would increase a Kansas-domiciled life insurance company's allowable investment in the equity interests of any business entity organized and doing business

*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>

under the laws of the United States, any state, the District of Columbia, Canada, or any of its provinces, from 15.0 percent to 20.0 percent of its admitted assets, based on cost.

The bill would remove five of seven existing limitations on investments in equity interests and the writing of call options by a Kansas-domiciled life insurance company. Regarding the two remaining limitations, the bill would:

- Remove language prohibiting a Kansas-domiciled life insurance company from investing in more than 5.0 percent of the outstanding equity interests of the above-described business entities. The bill would retain language limiting the insurance company's investment in the outstanding equity interests of such business entities to no more than 2.0 percent of the insurance company's admitted assets, determined on the basis of the cost of such equity interests to the insurance company at the time of purchase; and
- Retain language pertaining to the valuation of an equity interest owned by an insurance company that is obligated under an unexpired written call option.

Unlawful Delegation of Authority

To correct the unlawful delegation of authority in current statutes, the bill would remove the requirement that the annual report or quarterly financial statement of Kansas-domiciled life insurance companies filed with the Commissioner be on a form prescribed by the National Association of Insurance Commissioners and instead require these documents to be filed in the form and manner prescribed by the Commissioner in rules and regulations.

[*Note:* The need to correct the unlawful delegation of authority language was identified by the Office of the Revisor of Statutes staff while drafting the bill.]

The bill would also make technical amendments.

The bill would be in effect upon publication in the *Kansas Register*.

Background

The bill was introduced by the House Committee on Insurance and Pensions at the request of Representative Steven Johnson.

[*Note:* A companion bill, SB 336, has been introduced in the Senate.]

House Committee on Insurance and Pensions

In the House Committee hearing, a representative of Security Benefit Life Insurance Company provided **proponent** testimony, stating the bill would modernize the Kansas statutes governing the investments of Kansas-domiciled life insurance companies in preferred stock and equity interests while maintaining appropriate limits. The proponent stated the bill would allow Kansas life insurers to compete more effectively with companies in other states with guidelines similar to those found in the bill. The proponent provided charts comparing the current requirements in Kansas law pertaining to investments in preferred stock and equity interest with those of several other states.

No opponent or neutral testimony was provided. A representative of the Kansas Insurance Department was asked to comment on the bill during its hearing. The representative noted the Department has discussed the changes proposed in the bill with the proponent. Both the proponent and Department representatives indicated the

regulatory oversight of the Department would not change and the Department will continue to regulate and review investments through its comprehensive financial analysis.

Senate Committee on Financial Institutions and Insurance

In the Senate Committee hearing, a representative of Security Benefit Life Insurance Company provided **proponent** written-only testimony, which noted the bill would modernize the Kansas statutes governing the investments of Kansas-domiciled life insurance companies in preferred stock and equity interests while maintaining appropriate limits. The proponent testimony also noted the bill would allow Kansas life insurers to compete more effectively with companies in other states with guidelines similar to those proposed in the bill. Identical testimony was presented orally on the companion bill (SB 336).

No opponent or neutral testimony was provided.

The Senate Committee amended the bill to change the effective date to publication in the *Kansas Register*.

Fiscal Information

According to the fiscal note prepared by the Division of the Budget on the bill, as introduced, the Kansas Insurance Department states the bill would not have a fiscal effect.

Life insurance companies; preferred stock investments; equity interest investments