

Approved: February 26, 2008

Date

MINUTES OF THE SENATE FINANCIAL INSTITUTIONS AND INSURANCE
COMMITTEE

The meeting was called to order by Chairman Ruth Teichman at 9:30 A.M. on February 12, 2008 in Room 136-N of the Capitol.

All members were present.

Committee staff present:

Melissa Calderwood, Kansas Legislative Research Department

Ken Wilke, Office of Revisor of Statutes

Bev Beam, Committee Secretary

Jill Shelley, Kansas Legislative Research Department

Conferees appearing before the committee:

John Meetz, Kansas Insurance Department

Others attending:

See attached list.

The Chair called the meeting to order.

Hearing on:

SB 464 - concerning insurance; relating to waiving certain requirements regarding reinsurance agreements when an insurance company ceases to do business.

Melissa Calderwood, Legislative Research, gave an overview of the bill. She stated SB 464 was introduced at the request of the Kansas Insurance Department. She said this bill would amend the statute governing reinsurance arrangements to permit the Commissioner, at her discretion, to waive certain reinsurance requirements. Specifically, the Commissioner would be permitted to waive any requirement of the act or the transfer of obligation or risk or both that results from a discontinuance of business by the transferring insurer. The fiscal note states there would be no fiscal effect associated with the enactment of the bill.

John Meetz, Kansas Insurance Department, testified in support of SB 464. He stated that Article 52 of Chapter 40 of the Kansas Statutes outlines the things that must happen in order for an insurance company to assume the contracts of insurance of another insurance company. He said the assuming company is taking on all the liabilities of a block of business of the ceding insurer for a negotiated premium. These requirements are extensive and time consuming, he said. He noted that in some situations, the requirements are considered unnecessary and burdensome. He continued that for these reasons, the Insurance Department proposes SB 464 to give the Department the ability to waive some or all of these requirements for assumption reinsurance. He said the waiver is especially applicable when both companies are in good financial standing, affiliated in some way or, if the transfer makes good business sense for both parties. He said the Insurance Department believes the Assumption Reinsurance Agreement Act is an important tool to determine if a reinsurance transfer is appropriate for the business environment in Kansas and in the best interests of Kansas consumers; however, under some circumstances, the Assumption Reinsurance Agreement Act serves no purpose other than providing some bureaucratic hoops to jump through. It is under these circumstances that the Department asks for judgment to waive requirements of the act. (Attachment 1)

The Chair closed the hearing on SB 464.

There being no further business, the meeting adjourned at 9:50 a.m.

