

Kansas Association of Property and Casualty Insurance Companies

David A. Hanson, Legislative Counsel
825 S. Kansas Ave - Suite 510
Topeka, KS 66612-1233
Phone 785-232-0545
Fax 785-232-0005

Senate Financial Institutions and Insurance Committee Testimony on Senate Bill 266

January 24, 2012

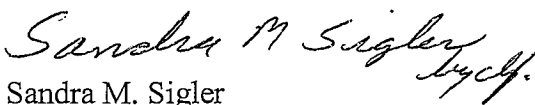
Madam Chair and Members of the Committee:

Thank you for this opportunity to present information on behalf of the Kansas Association of Property and Casualty Insurance Companies, our state trade association for domestic property and casualty insurance companies in Kansas.

The risk-based capital provisions referred in the Bill were developed by the NAIC for adoption and use by the states as a standardized method of monitoring the solvency of insurers and assessing the need for regulatory control levels. For a number of years, legislation was introduced to annually update changes that the NAIC adopted in the instructions and formula used to determine risk-based capital scores, thereby allowing our companies to bring any concerns to you and avoiding constitutional problems of allowing the NAIC and/or the Insurance Commissioner to exercise legislative powers in adopting changes without any guidelines or restrictions. Three years ago, legislation was passed which not only approved the previous year's update of the NAIC's model rules and regulations, but also established criteria that would permit the Insurance Commissioner to adopt NAIC suggested updates for the RBC calculation, subject to two guidelines established as exceptions. If the NAIC changes are projected to cause more than a 2.5% change in the adjusted capital of our domestic companies or to cause a change in the applicable control level, then the new instructions and formula should not be adopted in rules and regulations until approved by the Legislature. We had hoped we would not have to bring this bill back to you again each year, but again we did not anticipate the severity of either the continued storm losses nor of the economic downturn. Nevertheless, we believe the restrictions adopted three years ago have worked and are appropriate.

Therefore, the bill before you seeks legislative approval to adopt the NAIC updates through the end of last year, as has been done in previous years. And we hope you will approve the update again this year, as we do not believe the updated formula and instructions will adversely affect our member companies. We very much appreciate the work of the Insurance Commissioner and her staff in working with us on these changes and we certainly appreciate your consideration in light of the developments over the past year. Thank you again.

Respectfully,


Sandra M. Sigler