

**SENATE FINANCIAL INSTITUTIONS AND INSURANCE COMMITTEE**

Hearing on Senate Bill 273

January 31, 2012

Testimony presented by:

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Topeka, Kansas

On behalf of Security Benefit Life Insurance Company (SBL), I want to thank you for the opportunity to present testimony on SB 273. SBL has been doing business in Kansas for 120 years. Our company currently does business in 49 states and in New York through our affiliated company First Security Benefit Life Insurance and Annuity Company of New York. We understand the importance of the financial examination process to maintaining a safe and sound life insurance industry in this state and across the country. As you know, the financial examination performed by the Kansas Insurance Department is shared with the other insurance departments where our company does business. This cooperation by the states prevents us from being subject to 50 separate financial examinations. As you can expect, this domestic controlled examination process is much more cost effective for companies doing business in a number of states.

SBL agrees with the Kansas Insurance Department that the statutory cap of \$25,000 for expenses associated with the financial examination is too low to actually cover the expenses of an examination. It has been a number of years since the state raised this cap and with the increase in complexity of the products and services offered within insurance, as well as the depth that the regulators are looking into the risk management practices of their regulated entities, it is more expensive to bring in the expertise required to do a thorough and effective review

However, we would propose to amend Senate Bill 273 to implement a cap for all companies. Our company would fall within the uncapped provision of Senate Bill 273. We have concerns about moving to a system where there is no cap. Our experience in other states is that a statutory cap encourages the examiners to plan the exam process more carefully and efficiently. The Chief Financial Officer of SBL, John Frye, worked with the Chief Financial Examiner for the Insurance Department, Ken Abitz, to reach a proposed cap that is acceptable to both.

The attached amendment would replace the language on page 2, lines 18 through 19, of the bill. The proposed amendment would place a one million dollar cap on the external financial examination expenses for companies with more than \$50 million in gross premium. The proposed amendment also clarifies that all of the examination expenses are considered for purposes of this statutory cap. The proposed cap of \$1 million is a compromise reached with the Insurance Department and I believe they will support the amendment.

On behalf of SBL, I request your support for the proposed amendment to Senate Bill 273. I would be glad to respond to questions. Thank you.

**SECURITY BENEFIT LIFE –PROPOSED AMENDMENT TO SB 273**

**Page 2—lines 18-19 strike and replace with this language:**

(2) The amount paid for all outside consulting and data processing fees necessary to perform any examination at any one company or society, including examination of such company's or society's subsidiaries or any combination thereof, and the pro rata amount to fund the purchase of examination equipment and computer software shall not collectively total more than ~~\$25,000 at any one company examination including examination of its subsidiaries or combination thereof:~~

(A) \$100,000 for any insurance company or society which has less than \$50,000,000 in gross premiums, both direct and assumed, in the preceding calendar year; or

~~(B) the total of all fees and expenses incurred in making the examination for any other insurance company or society.~~

(B) \$1,000,000 for any insurance company or society which has \$50,000,000 or more in gross premiums, both direct and assumed, in the preceding calendar year.