

SESSION OF 2022

SUPPLEMENTAL NOTE ON SENATE BILL NO. 336

As Recommended by Senate Committee on
Financial Institutions and Insurance

Brief*

SB 336 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 Kansas 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 under the laws of the United States, any state, the District of

*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>

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 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.

Background

The bill was introduced by the Senate Committee on Financial Institutions and Insurance at the request of Senator Dietrich.

[*Note:* A companion bill, HB 2510, has been introduced in the House.]

Senate Committee on Financial Institutions and Insurance

In the Senate Committee hearing, the Vice President and Associate General Counsel for Security Benefit Life Insurance Company provided **proponent** testimony on the bill. The proponent stated the bill would modernize the Kansas statutes governing investments by Kansas-domiciled life insurance companies in preferred stock and other equity interests while maintaining appropriate guardrails to protect the public. The proponent also stated the bill would help Kansas insurers grow their businesses, serve their customers, and compete more effectively and efficiently against companies located in states with less restrictive preferred stock and other equity interest investment statutes. The proponent further noted the amendments would not dilute or change the responsibility of the Kansas Insurance Department to supervise Kansas-domiciled insurers, including their investment activity. The proponent provided a chart comparing the current requirements in Kansas pertaining to investments in preferred stock and equity interest with those of several other states.

No opponent or neutral testimony was provided.

Fiscal Information

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

Life insurance companies; preferred stock investments; equity interest investments