



James D. Hall
Regional Vice President, State Relations

January 28, 2013

The Honorable Robert Olsen
Chair, Senate Financial Institutions and Insurance Committee
State Capitol, Room 236-E
300 SW 10th St
Topeka, Kansas 66612

RE: Senate Bill 24 Risk-Based Capital

Dear Chairman Olsen:

The American Council of Life Insurers (ACLI) is a national trade association whose member life insurance companies hold over 90 percent of the life insurance and annuities in force in America today. Thank you for the opportunity to comment on SB 24 concerning the risk-based capital requirements for life insurance companies.

ACLI supports SB 24, the Kansas Insurance Department's proposed update to the exiting risk-based capital (RBC) requirements.

The risk-based capital requirements were developed nearly twenty years ago as part of a national insurance company solvency monitoring system. The requirements are intended to be used as one tool among many to assist insurance regulators in the financial analysis of insurance companies. The purpose of the RBC requirements is to establish certain minimum capitalization requirements for insurers based on the type of risk to which the insurance company is exposed. Specific RBC requirements have been developed for the different types of insurance, such as life insurance, health insurance and property/casualty insurance.

Adopted uniformly by all the states, the RBC requirements operate as a monitoring and tripwire tool that alerts insurance regulators to undercapitalized companies. The RBC law provides regulators with the legal authority to intervene in the business affairs of an insurer in order to avoid insolvency or to minimize the overall costs if insolvency proves unavoidable.

Adopting the latest updates to the Kansas RBC law is essential to allow the Kansas Insurance Department to make use of the most modern regulatory tools. Accordingly, the ACLI urges the Committee's favorable recommendation on SB 24.

Very truly yours,

James Hall

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Senate Financial Institutions & Ins.

Date: _____

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