



Kansas Insurance Department

Vicki Schmidt, Commissioner of Insurance

Testimony in support of SB 66 - repealing exemption of certain companies from providing risk reports for the Senate Financial Institutions and Insurance Committee

February 13, 2019

Chairman Olson and members of the committee,

Thank you for the opportunity to submit testimony in support of Senate Bill 66. Included in my testimony is a letter from the National Association of Insurance Commissioners (NAIC), which is the organization responsible for accreditation of the Insurance Department, outlining the history of the Enterprise Risk Report filing requirements.

The purpose of Senate Bill 66 is to repeal the small group exemption currently in statute. Kansas is now the only state in the union that maintains an exemption for “small groups,” which applies in situations whereby the ultimate controlling person of an insurer has less than \$300 million in total direct and assumed annual premiums. The only exemptions among other states are for those who have premiums below the threshold and that do not conduct business in multiple states.

Absent the repeal, the Kansas Insurance Department would be out of compliance with NAIC accreditation standards, putting our accreditation at risk. Should Kansas lose accreditation through the NAIC, all of the other states in which Kansas domestic insurers are licensed may choose to treat the companies as their own domestics, resulting in higher costs, increased regulatory oversight and ultimately those companies departing Kansas for another state. Additionally, many states have indicated that they would request a completed Form F if it was not received by Kansas, meaning that even if we left the statute alone these small group companies would be unable to avoid completion of and filing a Form F.

The repeal of this statute would impact 10 companies. The Kansas Insurance Department’s next full accreditation review is in 2021. However, the department’s compliance with this accreditation standard will be reviewed during the next accreditation interim annual review in August 2019. It is imperative that we take every step necessary to help the department comply with the accreditation standards, as losing accreditation would have a detrimental impact on the insurance market and Kansas consumers. We request your support for SB 66 and would be happy to answer questions at the appropriate time.

Thank you for the opportunity to submit testimony on SB 66.

Sincerely,

Lee Modesitt
Director, Government Affairs & Communications
Kansas Insurance Department

MEMORANDUM

TO: Kansas Insurance Department

FROM: NAIC Staff, on behalf of the Financial Regulation Standards and Accreditation (F) Committee

DATE: September 15, 2016

RE: Enterprise Risk Report (Form F) Premium Threshold Exemptions

The 2010 revisions to the *Insurance Holding Company System Regulatory Act* (#440) and the *Holding Company System Model Regulation* (#450) became an accreditation requirement effective Jan. 1, 2016. One of the most significant revisions relates to the Enterprise Risk Report (Form F) filing. At the 2016 Summer National Meeting, the Financial Regulation Standards and Accreditation (F) Committee discussed whether inclusion of a blanket exemption for the Form F is in compliance with accreditation standards.

In previous discussions on the matter, the Committee expressed that the issue of exemptions was fully vetted and discussed during the drafting of the 2010 amendments to Model #440 and Model #450 and a small company exemption for the Form F filing was specifically excluded. At the 2013 Summer National Meeting when the related accreditation standard was adopted by the Committee, the National Association of Mutual Insurance Companies (NAMIC) provided a comment letter requesting the standard allow for inclusion of a premium threshold exemption. The Committee did not agree with the comment letter, and affirmed the decision to not include a small company exemption for the Form F filing. This stance was supported by the Executive Committee/Plenary when they adopted the accreditation standard at the 2013 Fall National Meeting. In addition, a reminder was provided by the Committee at the 2015 Spring National Meeting that the accreditation standard requires all insurers within a holding company system to file a Form F, regardless of premium level.

Based on historical documentation of the issue described above, the Committee decided not to reconsider the conclusion that premium threshold exemptions for Form F filings would not be compliant with the accreditation standard. As a result of this decision, the Committee recommended that any state with a blanket exemption for Form F should begin work to remove the exemption.

This communication of the Committee's approach and recommendation to begin the process to remove premium threshold exemptions for Form F is provided as a courtesy to all states that may have such an exemption. Identified exemptions will be presented to the Committee in conjunction with each state's interim annual review or full accreditation review and treated consistently.

If you have additional questions, please contact NAIC staff support Becky Meyer, Senior Accreditation Manager (bmeyer@naic.org) or Dan Schelp, Managing Counsel (dschelp@naic.org).