

SESSION OF 2009

**SUPPLEMENTAL NOTE ON SENATE BILL NO. 50**

As Recommended by Senate Committee on  
Financial Institutions and Insurance

**Brief\***

SB 50 would amend the law governing risk based (RBC) capital requirements to establish a risk based capital trend test calculation for property and casualty insurance companies. The trend test would be a calculation that takes into account total adjusted capital, company action level RBC, and the authorized control level RBC (an assessment of losses, loss adjustment expenses, and general expenses compared to premiums earned). If a certain ratio is not met, it would trigger a "company action level event" by the Insurance Commissioner.

Under existing law, if the company action level event is triggered, the insurer would then be required to submit an RBC plan to the Insurance Commissioner.

**Background**

The bill was requested by the Kansas Insurance Department whose representative indicated that the trend test calculation itself does not necessarily mean companies doing business in Kansas will have to maintain a higher level of capital; instead, it will serve as an additional tool for the Department to determine a company's solvency and potential trends toward insolvency. There were no opponents at the time of the Committee hearing.

The fiscal note prepared by the Division of the Budget states that the Kansas Insurance Department indicates the bill could be implemented within existing staff and resources.

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\*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>