

STATE OF KANSAS

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GOVERNOR JEFF COLYER, M.D.
LARRY L. CAMPBELL, CHIEF BUDGET OFFICER

February 13, 2018

The Honorable Jeff Longbine, Chairperson
Senate Committee on Financial Institutions and Insurance
Statehouse, Room 341-E
Topeka, Kansas 66612

Dear Senator Longbine:

SUBJECT: Fiscal Note for SB 410 by Senate Committee on Financial Institutions and Insurance

In accordance with KSA 75-3715a, the following fiscal note concerning SB 410 is respectfully submitted to your committee.

SB 410 would create the Captive Insurance Act to update and modernize captive insurance laws. Under current law, the definition of captive insurance company includes any pure captive insurance company or industrial insured captive insurance company formed under existing law. SB 410 would modify the definition of captive insurance company to mean any pure captive insurance company or association captive insurance company formed under the provisions of this Act. The definition further specifies that a branch captive insurance company would qualify as a pure captive insurance company with respect to operations in Kansas, unless otherwise permitted by the Kansas Insurance Commissioner. The bill would provide new definitions for association captive insurance company and branch captive insurance company.

The bill would create the Captive Insurance Regulatory and Supervision Fund to be administered by the Insurance Commissioner. The bill would provide that all moneys credited to the fund must be expended only for the administration of this Act. Each captive insurance company not in existence on January 1, 2018, would be required to pay a nonrefundable fee of \$10,000 for examining, investigating and processing its application for a certificate of authority. Each captive insurance company currently in existence on January 1, 2018, would continue paying an annual renewal fee of \$110 through January 1, 2028, after which the annual renewal fee would increase to \$10,000. The bill includes the provisions required to effectuate the Act as well as other technical or clarifying amendments to existing statutes. The Kansas Insurance Department would be required to promulgate the rules and regulations necessary to carry out the provisions of the bill.

Estimated State Fiscal Effect				
	FY 2018 SGF	FY 2018 All Funds	FY 2019 SGF	FY 2019 All Funds
Revenue	--	--	--	--
Expenditure	--	--	--	\$35,000
FTE Pos.	--	--	--	--

The Kansas Insurance Department estimates the provisions of SB 410 would increase its expenditures by \$35,000 in FY 2019, which would be used for actuarial fees to assist with regulating an increased level of captive activity in Kansas. The Department indicates the increased expenditures would eventually be offset by additional revenues from fees assessed to register and maintain the captive insurance companies. Any additional revenue would be credited to the newly created Captive Insurance Regulatory and Supervision Fund beginning in FY 2020. However, the Department indicates an estimate of new revenues cannot be determined because the number of companies that may establish captives in Kansas is unknown. Any fiscal effect associated with SB 410 is not reflected in *The FY 2019 Governor's Budget Report*.

Sincerely,



Larry L. Campbell
Chief Budget Officer

cc: Glenda Haverkamp, Insurance