

March 2, 2011

The Honorable Ruth Teichman, Chairperson  
Senate Committee on Financial Institutions and Insurance  
Statehouse, Room 236-E  
Topeka, Kansas 66612

Dear Senator Teichman:

**SUBJECT:** Fiscal Note for SB 206 by Senate Committee on Ways and Means

In accordance with KSA 75-3715a, the following fiscal note concerning SB 206 is respectfully submitted to your committee.

SB 206 would create the Surplus Lines Insurance Multi-State Compliance Compact Commission, an Executive Committee, and a Clearinghouse for the purposes of addressing the requirements of the federal Dodd-Frank Wall Street Reform Act. This legislation requires that no state but the home state of an insured may require any premium tax payment for non-admitted insurance (surplus lines). States are authorized to set up an interstate compact or other agreement to establish procedures to collect and allocate among the states the premium tax paid to the insured's home state. SB 206 details the organization and powers of the Compliance Compact Commission and the Executive Committee. The Commissioner of Insurance would represent the State of Kansas on the Compliance Compact Committee.

The Kansas Insurance Department states that it currently collects revenue from the 6.0 percent tax on surplus lines premiums. Taxes are required to be submitted by March 1 of each year. The revenue from this tax is deposited in the State General Fund. Passage of SB 206 has the potential to protect the State General Fund from revenue loss. Kansas currently collects approximately \$10.0 million in surplus lines premium taxes each year. The Insurance Department estimates that as much as \$2.0 million of this revenue could be lost to the State if a bill is not passed to comply with the Dodd-Frank Wall Street Reform Act. Any fiscal effect associated with SB 206 is not reflected in *The FY 2012 Governor's Budget Report*.

Sincerely,



Steven J. Anderson, CPA, MBA  
Director of the Budget

cc: Zac Anshutz, Insurance Department