

February 16, 2015

Testimony for House Insurance Committee RE: 2241

Good afternoon Chairman Schwab, Vice Chairman Bruchman and members of the committee. I am Representative Susan Concannon of the 107th District in North Central Kansas.

I am here today to share some background and stories of how the absence of this language in statute has affected my community and the importance of passing this bill to protect the people of Kansas. You will hear testimony from insurance policy holders, one of our colleagues in the House who works in the insurance industry, and a former employee of the Kansas Department of Insurance.

Beloit was hit by a devastating hail storm on Aug. 31, 2014. The community was pounded by softball size hail for 50 minutes. I was out of town at the time, but witnesses state they had never seen anything like it. My 85 year old mother feared for her life. Nearly every roof in the city was a loss. The hail punched large holes through vinyl siding. Windows were shattered in homes, stores and vehicles. The community was declared a disaster area by Governor Brownback.

Prior to the 8/31 storm, the area was hit on Aug. 7, 2014 by hail; and again after the 8/31 storm, south of Beloit was hit by hail and 100 mph winds. These 3 storms in '14, made for 5 storms in 5 years for Mitchell County. As we all know the weather can be cyclical. I only recall one hail claim made on our homeowner's insurance prior to this series in the 28 years we have lived in Beloit.

A few months after these storms, there was chatter around the community about how insurance companies were not renewing policies due to weather related claims. My constituents started reaching out to me with questions. How could this happen? Is this legal? How can we be blamed for weather? Why have we never heard of this before?

As I started looking for answers, I discovered that nonrenewal for weather related claims is not only legal in Kansas, but common practice, because we allow it legislatively. Back in the days where a handshake sealed a deal, the people of Kansas were protected by the Insurance Department, as this type of business practice was frowned upon.

Further research showed this is not legal in Texas through their Homeowner Bill of Rights. I found this to be a fabulous document, but too extensive to put together for this year. Working with the revisor, I learned that Arkansas and Illinois also do not allow this business practice. These are 3 states with similar weather to Kansas. The bill you have before you is modeled after the Arkansas law.

I will tell you that I don't know a lot about the insurance industry, but I'm learning. I recently discovered that we pay an additional catastrophic rate because Kansas is a wind and hail state. My retired neighbors are moving to Phoenix, Arizona. They bought a house the same price as the home in Beloit. Their homeowner's insurance with the same company is drastically less and when they asked why, they were told about this additional CAT rate. So we not only pay for coverage, we pay EXTRA for this coverage, and as soon as we use the product, we are cancelled. This is just not right!

I have heard reports of homeowners with a policy for 30-40 years with no claims, only to face nonrenewal now. These people are able to move on to another company, but there are credit and insurance ratings involved; and when you do find a new policy, it is at a higher rate. Some stories are particularly tragic due to the timing around other stressful life events (i.e. loss of a spouse). You have written testimony from Don Poelma who really wanted to come testify but was too ill and has since passed away.

I also want to add that I am not opposed to the insurance industry and for them to make a profit. Common sense tells me, though, that storms hitting different parts of the state balance out. Common sense also tells me that homeowner's who have purchased policies for decades with no claims, do not deserve to be treated like this. The company has made a lot of money on them. Then, two weather related claims and they are not renewed.

Some non-renewals were multiple claims from one storm (i.e. roof and auto). There was one homeowner who didn't even have auto insurance with the same company, but his homeowner's found out about a hail claim on his car (filed with a different company), declared him a risk and cancelled.

I have also learned that the small town of Dighton, Kansas (population a little over 2,000) had a bad hail storm leaving 250 policies nonrenewed from one company alone. That's 10 percent of the town's population!

Again, let me say, this practice is in place because we allow it to happen legislatively. Now is the time to stop this unfair trade practice and pass this bill!

Have you had a storm in your area? You are one storm away from losing your insurance policy.

Thank you for your time and your attention to this important matter.

Representative Susan Concannon