

Approved: February 21, 1997
Date

MINUTES OF THE Senate Committee on Financial Institutions and Insurance.

The meeting was called to order by Chairperson Don Steffes at 9:00 a.m. on February 12, 1997 in Room 529-S of the Capitol.

All members were present except:

Committee staff present: Dr. William Wolff, Legislative Research Department
Fred Carman, Revisor of Statutes
Nikki Feuerborn, Committee Secretary

Conferees appearing before the committee: Tom Wilder, Kansas Insurance Department
Kathleen Sebelius, Insurance Commissioner
Bill Sneed, State Farm Insurance
Dave Hanson, Kansas Association of Property & Casualty
Lee Wright, Farmers Insurance Group
Bob Hayes, Health Care Stabilization Fund
Jerry Slaughter, Kansas Medical Society

Others attending: See attached list

SB 93 -- Conversion of mutual insurer to stock insurer - Tom Wilder, Kansas Insurance Department, reassured the Committee that the testimony read at the February 11 meeting was policy questions and responses. The Department supports the request to simplify the conversion laws.

Hearing on SB 48 -- Cancellation due to storm loss

Kathleen Sebelius, Kansas Insurance Commissioner, reported to the Committee in her testimony that due to extremely high storm losses in Kansas in the 1980's and 90's, there are only 13 domestic companies left in Kansas doing business (Attachment 1). Thirty percent of the domestic companies are no longer doing business in Kansas either due to merger, bankruptcy, or choosing to leave the area. This is causing a near crisis in lack of insurance company choices as so many people have been canceled or non-renewed due to excessive or repetitive storm damage. The number of companies for agents to use to underwrite such insurance has been reduced so there is less competition and higher rates. Due to the number of complaints and grievances reported to the Insurance Department, the Commissioner formed a task force to review ways to help improve the homeowners insurance market in Kansas. The proposed legislation is a product of this task force after public hearings and study: prohibit the cancellation or non-renewal of a policy because the homeowner files a storm related claim within the three most recent years the policy is in force.

Bill Sneed, State Farm, reported that due to their market share, they were almost at their limit for writing property and casualty insurance in Kansas (Attachment 2). Companies considering coming into Kansas investigate current and proposed legislation regarding the industry before making application to do business. The approval of the proposed legislation would negate most companies from considering domiciling in Kansas. State Farm is in favor of territorial ratings. There is a strong probability that all rates would be raised if insurance companies are locked into non-cancellation clauses.

The Committee requested Mr. Sneed furnish the number of State Farm cancellations of all property owners in Kansas for the past five years. State Farm does not cancel after one storm loss, but rather a formula has been developed based on individual risk. That formula was requested by the Committee as well as criteria for raising the deductible.

Dave Hanson, Kansas Association of Property and Casualty Insurance Companies, explained that many people are not canceled due to storm loss, but the cancellation or nonrenewing may occur at that time (Attachment 3). The customer may have a long record of vandalism damage, burglaries, and should they then claim storm damage, the company would be locked into insuring them for another three years. Customers are not required to keep the same insurance company, so why should insurance companies be forced to keep suspect customers. Property and casualty insurance is not compulsory as is car insurance. Mr. Hanson said

CONTINUATION SHEET

MINUTES OF THE Senate Committee on Financial Institutions & Insurance, Room 529-S Statehouse, on February 12, 1997.

their Association was interested in the development of an amendment clarifying the multiple claim situation. He suggested a two-year trial period of territorial ratings in an attempt to entice insurance companies to remain in Kansas.

Lee Wright, Farmers Group Insurance, attributed much of their growth to the fact that so many companies left the state due to high storm losses (Attachment 4). Their agents live in and are part of their communities and leaving due to losses would be very difficult for their type organization. Should non-renewal be necessary, policy holders are informed in writing in advance so they can secure other insurance in a timely way.

The Committee requested Mr. Wright to furnish a sample of 100 letters over a time period written to non-renewed customers. He was also asked to provide criteria for underwriting. Mr. Wright agreed to furnish an estimate on what the increase in rates was when picking up a new customer due to a cancellation from another company.

The hearing was continued.

Hearing on SB 229 -- Health Care Stabilization Fund

Bob Hayes, Health Care Stabilization Fund, explained that the bill would make the wording regarding claims more explicit, remove HMO's from the required membership, clarify to whom the Fund coverage limits are to be applied when the coverage limits are increased or decreased by a health care provider, and revises the annual percentage surcharge requirement to a rating classification system (Attachment 5). Because HMO's paid only \$144,000 into the Fund this past year, the Board of Governor's did not think the premium justified the amount of risk involved. KaMMCO is the largest malpractice insurer of Kansas doctors. The Health Care Stabilization Fund takes over the liability after a certain dollar amount. They currently have \$194 million invested with the Pooled Money Investment Board. They have reduced the surcharge for the past seven years.

Committee members requested copies of the latest fiscal report of the Health Care Stabilization Fund.

Jerry Slaughter, Kansas Medical Society, spoke in support of the bill which would give the Board of Governor's more flexibility. HMO's do not provide this type of insurance for their physicians; they must carry their own.

Tom Wilder, Kansas Insurance Department, said they had no position on this issue.

Senator Clark moved to accept the amendment and report the bill favorably as amended. Motion was seconded by Senator Biggs. Motion carried.

The meeting was adjourned at 10:02 a.m. The next meeting is scheduled for February 13, 1997.

SENATE FINANCIAL INSTITUTIONS & INSURANCE COMMITTEE GUEST LIST

DATE: 2/12/97

NAME	REPRESENTING
Tom Wilder	Kansas Insurance Dept
Bill Wampler	" "
BOB HAYES	HCSF
RITA NOEL	HCSF
Pat Morris	K.A.I.A.
David Hanson	Ks Insur Assoc
Kevin DAVIS	Am. Family
Lee Wright	Farmers Ins. Group
Bill Sneed	State Farm
Matt Goddard	HCB A
Danielle Mc	Governor's Office
Richard Wilkerson	Farmers Alliance
BILL HOGLE	GOVT. COMM. COMMITTEE LAWRENCE CHAIRMAN of COMMERCE
Bud Swoot	AIA
Roger Franzke	KGC



Kathleen Sebelius
Commissioner of Insurance
Kansas Insurance Department

MEMORANDUM

To: Senate Financial Institutions and Insurance Committee

From: Kathleen Sebelius, Commissioner of Insurance

Re: Senate Bill 48 (Cancellation of Homeowners Insurance)

Date: February 12, 1997

Harsh weather is a reality in Kansas. In the winter we have freezing temperatures and in the spring high winds and tornadoes. If you choose to live in Kansas, you have no choice but to live with the weather.

Unfortunately, some Kansans are currently being penalized because of the often harsh weather conditions of this state. The Insurance Department receives many complaints each year from Kansans who have lost their homeowners coverage based on the filing of a storm loss claim.

Take for example this complaint from an elderly Mission, Kansas man. He writes,

"We have been insured by this company since we purchased our home in 1961.

...Because of unavoidable claims we've been issued a termination notice. We are in our

Senate FD&D

Attachment 1

3/12/97

Consumer Assistance Hotline
1 800 432-2484 (Toll Free)

420 SW 9th Street
Topeka, Kansas 66612-1678

913 296-3071
Fax 913 296-2283

Printed on Recycled Paper

70s and are devastated...” I have attached several similar letters to my written testimony for your review.

Today, I am asking the committee to consider Senate Bill 48. The bill would prohibit the cancellation or nonrenewal of a policy because the homeowner files a storm related claim within the 3 most recent years the policy is in force.

There are over 640,000 owner-occupied homes in Kansas. Most of these homes are insured. In fact, purchasing insurance is usually a requirement of banks and other lenders as a condition of making a home loan.

Last year, I formed a Homeowners Insurance Availability Task Force to review ways to help improve the homeowners insurance market in Kansas. The task force held public hearings in Kansas City and Wichita to take testimony from homeowners.

This legislation is a result of the task force findings.

The bottom line is that Kansas needs to adopt an insurance code that does not penalize its citizens for using insurance they have bought and paid for. I've heard from too many consumers who say, "I lost my insurance, because I used it."

In Kansas we do protect car owners from losing insurance for filing a single claim. I believe it is time we provide homeowners with that same kind of insurance guarantee. A consumer should not have their homeowners insurance canceled just because the insured must file a storm loss claim. I would ask the Committee to approve SB 48.

January 6, 1994

Dear Commissioner:

Effective 12-6-93 the above named policy was non-renewed by my insurance company. The reason they gave for non-renewal was claim history. I feel like I have been treated unfairly by my company because none of the claims that I have reported have been due to any negligence on my part. Below find a list of the claims that I have reported to the company.

5-27-91	sewer backup in the basement
10-1-91	lightening strike to my satellite dish
9-7-92	lightening strike to my satellite dish
12-9-92	roof leak

Only one of these claims is not weather related and the sewer back-up is certainly not negligence on my part. The reason I carry insurance is to cover claims such as these. It is clear to me that my company wants to collect premiums but they are not very excited about payout of money for justified claims.

I want to register a formal complaint against my insurance company in the State of Kansas for unfair treatment.

Sincerely,

An Overland Park resident

Kansas Insurance Department response:

The insurance company was unwilling to negotiate a settlement. The non renewal on the policy stood, and the consumer was forced to find insurance elsewhere.

01400098

December 8, 1993

Dear Commissioner:

I am writing you concerning my Homeowners policy. I am 39 years of age, I have a wife and daughter of 5 years. One morning, on October 16, 1993 around 10:00, a storm was blowing through our town of Leon. Me and my wife heard a large cracking sound above our heads. We were sitting in our living room at the time, which is adjacent to our dining room. These two rooms are divided by an entry way, the header above the entry way had buckled the wall out at both ends.

The wind that morning had caused several limbs to fall around town, but I haven't heard of any structural damage done to anyone else. Well, we called our insurance company. I'm sending you a copy of our policy and cancellation notice with this letter.

The point is when I took up the insurance, they never came out and inspected the structure. The people who I bought the house from had the same insurance for some 20 odd years. They are very upset also.

Well, they sent someone out to look at the damage and refused to cover it. Along with that, a week later, they canceled my insurance on the house. I don't think they have a right to let me pay my premiums since May 1st, 1991 and then to cancel me like this. Would you please look into this for me?

Sincerely yours,

A Leon resident

Kansas Insurance Department response:

The insurance company revoked notice of cancellation since there was a clerical error on the notice that confused the dates. Instead the company issued a non-renewal effective May 1, 1994. The Kansas Insurance Department was unable to help the consumer, and he had to find insurance elsewhere.

12309046

September 7, 1994

Dear Commissioner:

I first wanted to thank you for taking the bull by the horns and stepping up to the plate for my wife and I regarding this matter. We began our renters insurance policy September 27, 1991 and have made two justified claims as noted on the enclosed letter. However, the first claim on the water damage was not covered due to a clause in the agreement stating that "surface water" was not covered, which I understood once it was explained. The second claim was from a lightening strike which critically damaged our family's home computer. There was a \$250.00 deductible and our company assisted in \$200.00 of the loss.

It was my understanding that insurance is designed so policy holders can routinely make premium payments to cover losses at times when the financial burden is beyond what an individual or family can afford to pay in one lump sum. My wife & I have been contributing premiums in the amount of \$113.00 annually for the last three years.

I find it very disheartening as I am sure you do, that for a very poor reason an Insurance company can discontinue coverage. I understand that policies canceled by an insurance company do not reflect well on ones record. It is my goal to maintain coverage with this company.

It really disappoints both my wife & myself when in good faith we enter into an agreement with a large financially wealthy institution who can, at the drop of a hat, decide they want to take our hard earned money and run. I guess, if my wife and I were "rolling in the dough" it probably would be more a fight of principal. However, we are just your basic middle class working poor trying to do the best we can with what we have and to be raked over the coals by this company is not something we can either afford financially or allocate the time to fight.

Please keep in contact and let me know what can be done about this matter.

Thank you greatly,

An Overland Park resident

Kansas Insurance Department response:

The Insurance Department was unable to help the consumer. The company is currently allowed to deny renewal for any reason. The notice of non-renewal was given immediately after a claim was made for a lightening loss.

09406761

November 12, 1994

Dear Commissioner:

Enclosed is a copy of the notice that my insurance company sent me telling me they were canceling my home policy. I received two claims - one for my barn because the ice and snow caved it in, the other one on my roof.

I never missed a premium payment. Could you help me in any way?

Yours truly,

A DeSoto resident

Kansas Insurance Department response:

The company agreed to rescind the non-renewal and offered renewal with an increased deductible of \$1,000. The consumer was faced with the choice of taking a higher deductible or finding insurance elsewhere, which would be difficult since her policy was dropped.

03401593

March 1, 1994

Dear Commissioner:

I want you to know of my disgust for the insurance company captioned above for the manner in which they have canceled the insurance on our home. They make decisions as to why they want to non-renew the policy, but those reasons keep changing as they change the rules.

The third letter we received stated that they were non-renewing because we have had 2 losses in 3 years. When in fact, we have had 2 losses in 6 years since the company has written our insurance on both our home and auto since 1988. In these 6 years we have paid our company \$2,521.00 in homeowners premium and over \$2,700.00 in auto premium. Mr. Commissioner, one loss was a hail storm in March 1993 which was a catastrophe and the other loss was on December 29, 1992. A simple little ring that is scheduled on the policy and we pay extra premium to have it covered. The loss was for \$340.00.

I think that you should investigate the company's standards and practices. They have taken on the attitude of "the insurance company" that being that they can charge whatever they want but don't you dare have a claim or we will cancel you. This is an attitude I find disgusting and cannot defend.

Thanks for your consideration in this matter.

Sincerely,

A Dodge City resident

Kansas Insurance Department response:

The company canceled this policy after a claim for hail damage was filed. The company agreed to renew the policy after we pointed out the minor nature of one of the claims. However, the consumer had lost confidence in the company by that time and secured insurance elsewhere.

03401593

February 6, 1995

Dear Commissioner:

[I received a notice from my insurance company] telling me that my company will not renew my 13 year long policy due to claims which they have paid to me for damage to my property due to Acts of God. Lightening, ice, etc.

I would like to know if this is their legal right and do I have an objection or appeal under state laws of Kansas. Notice that in April of 1995 two riders to my homeowners policy due to having had damage from and wind. I, not the insurance company, took the loss. The reason I took the loss is because the company agent pointed out to me that my outside antenna coverage was only for the sum of \$200.00. So, the company sent out a representative to my home to look and take pictures of my ham radio antennas and equipment. They then wrote and initiated an additional rider to my policy just to cover my outdoor antennas and inside expensive Ham radio electronics. Also at this time the representative told me that I would have insurance for any type of damage to my equipment.

In December 1994 an ice storm broke my outdoor antennas and damaged my ham equipment and now the company is denying me further coverage. I feel this is wrong and with prejudice. Please advise what I can or can not do.

Thank you,

Junction City resident

Kansas Insurance Department response:

The insurance company refused to renew the homeowners policy, but offered a dwellingowners policy in its place. The new policy would only cover actual cash value, providing less coverage than the additional policy. Additionally, the insurance company placed a \$1,000 deductible on the policy.

02500922

February 22, 1995

Dear Commissioner:

Per our telephone conversation we had regarding my home owners insurance. I have had this insurance since 1985. We tried to insure another house that I own, located at 2510 N. 10th, Kansas City, Kansas, and they refused to insure it.

I believe that I am being red-lined and the losses were not that great. I also found out that they won't insure any of the homes around in our area.

So, I have come to you for assistance on this matter.

Sincerely,

A Kansas City resident

Kansas Insurance Department response:

The company refused renewal on the number of losses in the last three years. Of her two losses, both were due to acts of nature, wind and lightening. However, because Kansas statutes maintain that a consumer can be dropped for any reason, the department was unable to help.

02501413

July 29, 1994

Dear Commissioner:

Two years ago, April 1992, I had damage to my roof. I did get a new roof from Sears, but I've had interior water damage on four ceilings. After making my claims which were caused by my faulty roof, I've been canceled by my insurance company.

I have had homeowners insurance for over fifty years and never had a claim. I do not think this was fair.

I am a widow, 76 years old.

Hope you will give this your immediate attention and that I will hear from you soon.
Thank you in advance.

I remain yours truly,

An Overland Park resident

Kansas Insurance Department response:

The claims the company paid on were very minor. There was one major loss due to hail damage. The company based its non-renewal on the grouping of water damage losses the consumer claimed. The Insurance Department was unable to help this consumer get her insurance reinstated.

07405462

May 17, 1994

Dear Commissioner:

This is to appeal a cancellation - expiration 6/26/94.

About two years ago I contacted my insurance company to explore a roof leak in my upstairs bathroom extending to downstairs bathroom. A man came out, climbed up on the roof and said I need a new roof because of hail damage. I was surprised as I did not recall recent or serious hail in this area. He proceeded to tell me he was a roofer (not an adjuster) and would give the company damage claim for an amount in excess of \$2,000. He planned to do the work and wanted \$500 - \$600 in excess of the claim reported. He stated this was for anticipated damage to structure after removal of old shingles. He became angry/defensive when I questioned him about this.

I secured someone to do the roof with the money paid by my insurer. Later in the midst of a rain, water poured in through my wall above my kitchen window. In response, a man from my insurance company came with an umbrella, walked into my kitchen, and saw what was happening. The damage also destroyed my telephone answering machine, but I didn't know this then. I believe he allowed me about \$100.

I appeal this cancellation. I ask that the insurance be reinstated with a \$500 deductible, so what you might call frivolous claims can be avoided. I feel the irresponsible behavior of the claims department contributed to this sad calamity for us.

Respectfully,

Kansas City resident

Kansas Insurance Department response:

Since the company is allowed to non-renew for any reason, the Insurance Department was unable to help this consumer. The consumer was informed that the only remedy for a situation like this could be through protection from the legislature.

05403243

August 28, 1995

Dear Commissioner:

We have been insured by this company since we purchased our home in 1961. Within a 2 1/2 year period, approx., we had hail damage to our roof and car - flooded kitchen carpet replaced from broken pipe and our refrigerator caught fire and they replaced it.

Because of these unavoidable, authorized claims we've been issued a termination notice as of 10-16-95. We are in our 70's and are devastated that our insurance company could do this to us after all these years. Can you please help us. We feel like this is an injustice and cannot afford a more expensive policy since our income is solely our social security.

Thank you,

Mission residents

Kansas Insurance Department response:

The company responded by offering to reinstate the policy with no lapse in coverage. However, the company raised the deductible to \$1,000. This put the consumers in a difficult position since it is hard to obtain insurance after one has been dropped from a company.

09505703

July 15, 1994

Dear Commissioner:

This is to register a complaint against our insurance company and to seek continuation of coverage as previously written. Please note the enclosed cancellation notice. We have suffered four losses under this policy in recent years. Three were due to violent weather and only one which might have been preventable.

3/26/91	Wind damage	\$750
4/26/91	Wind damage	\$1197
9/21/93	Hail damage	\$3660
11/27/93	Linoleum damage	\$1325

The two 1993 claim were, then, at our new residence. The result of the company's incompetent recording of policy changes and the unfortunate if uncontrollable series of claims is the notice of cancellation enclosed. The insurance company has informed me, through my agent, that they will continue our coverage only if I will consent to a \$1000 deductible.

My contention is that the insurance company is intolerably incompetent in their handling of policy changes and that they now propose to refuse to re-underwrite unless I consent to up my deductible to \$1000, based on previous losses which are primarily classified as "Acts of God."

If your office chooses to become involved here I would prefer to continue my 24 year relationship with Duane O'Hara, our agent, due to his excellent personal service in spite of the main office. I would, of course, only consider continuation under the conditions of the current policy. If you find this in not rectifiable under those conditions, please advise me of my options with regard to the next level of complaint available to me because I have a sense that if the previous loss is not admissible in my case, the company is using not only unethical, but possibly illegal leverage to cause me to modify my policy. Please excuse the urgent nature of the communication: we have been attempting to reconcile with the company since 6/20/94 to no avail.

Sincerely,

A Topeka resident

Kansas Insurance Department response:

The company responded that the policy no longer conforms to their underwriting guidelines due to six losses in seven years, all but one a result of an act of nature. Since the consumer did not accept the increased deductible, the company proceeded with non renewal.

07404745

June 9, 1994

Dear Commissioner:

Enclosed is a NOTICE OF NON RENEWAL from my homeowners policy, dated 6-1-94 with the expiration date to take effect 7-9-94.

I received a letter from my agent that my insurance claims were "excessive". These were 1-18-93 and 5-14-94 claims for damage to appliances caused by lightening.

I began insurance with this company in 1984 or 85 and have always paid my monthly premiums on time, mainly early. My last premium was sent in a day before I received the non-renewal notice.

My feeling that the claims are "excessive" is ridiculous. The 1987 roof damage was SEVEN YEARS AGO! The robbery and lightening damage are simply things I have no control over. Acts of nature and crooked thieves are nothing I made happen, and I feel I have worked with this company in good faith; that I have not made unusual or unfair demands.

I would appreciate it if you would look into this. I want to remain insured with this company, and would appreciate any efforts you can offer to bring this to a fair and equitable solution.

Sincerely,

A Topeka resident

Kansas Insurance Department response:

The company responded by reinstating the consumer's policy if she agreed to increase the deductible to \$500. The consumer was informed of the changes that the Insurance Department has attempted to make within the legislature, but without success.

06403733

MEMORANDUM

TO: The Honorable Don Steffes, Chairman
Senate Financial Institutions and Insurance Committee

FROM: William W. Sneed
The State Farm Insurance Companies

DATE: February 12, 1997

RE: S.B. 48

Mr. Chairman, Members of the Committee: My name is Bill Sneed and I represent The State Farm Insurance Companies. We appreciate this opportunity to present testimony in opposition to S.B. 48. S.B. 48, as drafted by the Kansas Insurance Department, would prohibit an insurance company from canceling or not renewing a policy of property insurance based solely on one storm loss within any three-year consecutive period that the policy is in force. A similar bill put forward by the Department failed to pass last session.

First, it is important to note that State Farm, like many of the property casualty companies doing business in this state, does not cancel or nonrenew a property insurance policy after one storm loss. The decision to cancel or nonrenew is not taken lightly at State Farm, and is always made only as a last resort after considering a number of factors which arise in connection with a property insurance policy.

State Farm is opposed to S.B. 48 because it unduly restricts our writing of policies in this state. The three-year loss limitation makes underwriting a homeowners policy in Kansas more difficult. The restrictions make pricing the policy less of a mathematical function of risk of loss and more of a guess. Ultimately, this may affect the pricing and availability of homeowners policies in this state.

Senate FID
Attachment 2

Further, we view the restriction as a penalty on the very companies who have remained in

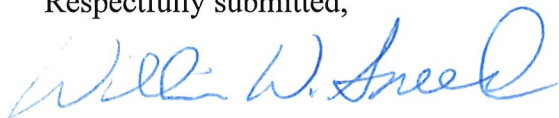
2/12/97

Kansas notwithstanding the recent less-than-favorable homeowners insurance climate due to heavy storm loss. State Farm does not engage in the practice of canceling or nonrenewing a homeowners policy after a single storm-related claim. Neither do many of the companies that continue to do business in this state. The real culprits--the ones that this legislation seeks to reach--have long ago canceled their policies and withdrawn from the Kansas insurance market.

At the most basic level, this legislation seeks to place more restrictions on the writing of insurance in the state of Kansas. We do not believe it appropriate to punish those insurance companies who have remained here to provide homeowners insurance to Kansas citizens, despite recent heavy storm losses. We urge you to reject S.B. 48.

We appreciate the opportunity to present our testimony. Please feel free to contact me if you have any questions.

Respectfully submitted,



William W. Sneed

David A. Hanson
Kansas Association of Property
and Casualty Insurance Companies
Topeka, Kansas
(913) 232-0545

TESTIMONY ON SB48
February 12, 1997

TO: Senate Financial Institutions and Insurance Committee
State Capitol
Topeka, Kansas

RE: Senate Bill No. 48

Mr. Chairman and Members of the Committee:

Thank you for this opportunity to appear before the Committee. I am David Hanson and am appearing on behalf of the Kansas Association of Property and Casualty Insurance Companies, whose members are domestic insurance companies in Kansas. Our member companies have remained in Kansas through the last seven years of catastrophic storm losses and have continued to provide insurance coverage while other companies have left the State.

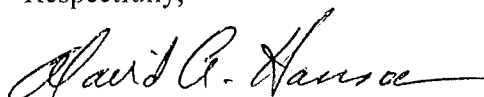
We are concerned with this legislative proposal to limit our companies' ability to cancel or nonrenew policies due to storm loss claims for several reasons. First, we believe that such cancellations and nonrenewals may be limited to isolated nontypical instances and not the general practice in Kansas. We therefore feel that the proposed restriction may be unwarranted and unduly encroach on appropriate underwriting of risks. Our companies need to be allowed to reasonably manage their businesses, including management of coverage concentrations. The proposed restriction on cancellation and nonrenewal would in effect penalize our companies that have tried to continue providing coverage, even taking on higher risks in some areas where others have withdrawn.

We are also concerned that the proposed restriction fails to take into account that we sometimes encounter a problem with a policyholder that may have already had a number on nonstorm related loss claims, such as repeated fire, theft or vandalism claims, and we need to cancel or nonrenew the policy, but the policyholder then turns in a storm loss claim, thereby preventing cancellation or nonrenewal under this proposed legislation. Thus, we could be forced to continue providing coverage when cancellation or nonrenewal may otherwise be justified and prudent.

This proposal may also have an unintended effect of impeding competition, since companies may be reluctant to enter new market areas when there are restrictions on canceling or nonrenewing policies. This not only affects our companies, but may also discourage other companies from coming into Kansas.

Thank you for letting us present these concerns.

Respectfully,



DAVID A. HANSON

Senate F&I

Attachment 3

2/12/97



FARMERS INSURANCE GROUP OF COMPANIES

10850 LOWELL AVENUE
SHAWNEE MISSION, KANSAS 66210-1613
Mailing Address: P.O. BOX 387
SHAWNEE MISSION, KANSAS 66201-0387
Telephone Number: 913-661-6300

SENATE FINANCIAL INSTITUTIONS & INSURANCE COMMITTEE TESTIMONY BY LEE WRIGHT RE: SENATE BILL 48

Mr. Chairman and members of the committee, my name is Lee Wright and I represent the Farmers Insurance Group of Companies. We appreciate this opportunity to testify in opposition to Senate Bill 48.

Farmers is the third largest writer of Homeowner's Insurance in Kansas, with approximately 10% of the market share.

Farmers is also a "direct writer" company. Our agents are independent contractors who commit, by contract, to write Homeowner's Insurance exclusively for us.

As a company, we are aware of what this type of commitment means. Just as our agents are committed to serving the families of the communities they live and work in, Farmers is committed to the career success of it's professional agents and their families.

This commitment to our agents and customers means we can't simply pull out of a territory or state because of a sudden surge in storm losses.

Senate FDJ
Attachment 4
2/12/97

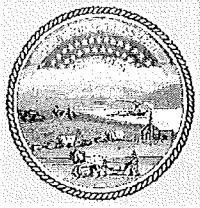
During the 90's, despite several years of catastrophic storm losses in Kansas, we not only continued to write business in the state, we grew. Part of this growth can be attributed to picking up business that had been dropped by other insurance companies who chose to leave the state.

In 1993, we had 68,784 total Fire policies in force in Kansas. By the end of 1996, our Fire policies in force were up to 90,764. This reflects a 31% increase for that time period.

In the same period, from 1993 to 1996, our percentage of policies non-renewed was less than 2% in each year.

If there is a Homeowner's Insurance availability problem within our state, then the best remedy is to encourage new companies to come to Kansas. However, underwriting restrictions to Homeowner's business will only discourage rather than attract new companies to enter the Kansas marketplace.

We respectfully request the committee find SB 48 unfavorable for passage.



Health Care Stabilization Fund

Robert D. Hayes, Executive Director
300 S.W. 8th Avenue, Second Floor
Topeka, Kansas 66603-3912

Compliance Section
Claims Section
Fax

913-291-3475
913-291-3777
913-291-3550

February 12, 1997

Senate Financial Institutions and Insurance Committee

TESTIMONY ON SENATE BILL NO. 229

Presented By
Robert D. Hayes
Executive Director of the
Health Care Stabilization Fund

The Board of Governors of the Health Care Stabilization Fund requested the substantive changes set forth in this Senate Bill. These changes are:

1. Replace the inconsistent *per occurrence* wording with the *per claim* wording that is consistent with existing Fund coverage provisions. Page 1, line 18
2. Remove Health Maintenance Organizations from the requirement to maintain the basic professional liability insurance and Fund compliance requirement as of July 1, 1997. Page 1, lines 24 & 25
Page 15, lines 27 - 41
Page 16, lines 15 & 16
3. Add a new provision to clarify how the Fund coverage limits are to be applied when the coverage limits are increased or decreased by a health care provider. Page 13, lines 38 - 41
4. Revise the annual percentage surcharge requirement to a rating classification system. Page 16, lines 25 - 27

The remaining revisions presented in this Senate Bill are general housekeeping changes and are not intended to have any affect on the operation of the Fund.

It is also apparent that two further technical corrections need to be made to the current version of this Senate Bill. These needed corrections are on:

- a. page 6, line 35, delete the unneeded word "thereafter"; and
- b. page 8, line 43, add subparagraph (q) to the existing list of subsections found on this line.

To the best of my knowledge, there is no opposition to any of the revisions set forth in this Senate Bill.

Keith Hall
Gaylon Lowery
James Rider, D.O.

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Attachment 5
2/12/97
William J. Walls, M.D.
Mark J. Hatesohl, D.C.
Ross Shook, D.O.