



DATE: March 1, 2023

TO: The Honorable Bill Sutton
Members of the House Insurance Committee

FROM: Dirk Daveline
Vice President/Chief Financial Officer and Treasurer
SPS Companies, Manhattan, Kansas

RE: Support of SB 25

Thank you for the opportunity to present testimony for support of Senate Bill 25 today.

In 1933, Sam Goldstein founded the company that would become SPS Companies, Inc. Today, SPS Companies has 9 subsidiaries, the largest being Steel and Pipe Supply Company, which provides a variety of steel-related products and services throughout the Midwest, Southern U.S., and Mexico. Based in Manhattan, the SPS Family of Companies employes 780 people, including 216 in Kansas.

I am providing written testimony in favor of Senate Bill 25. Due to the size and complexity of our businesses, SPS Companies has a large portfolio of insurance products as part of a larger risk management strategy. Some of these insurance products/policies are written by non-admitted carriers because there are not admitted carriers willing to write policies for our business. In addition to the premium we pay on these non-admitted policies, we pay an additional 6% surplus lines tax.

In 2022, we paid \$55,000 in surplus lines taxes, with similar amounts for prior years. We understand there is some cost associated with administering the surplus lines taxes on non-admitted policies. However, 6% seems to be an egregiously high amount compared to other states and to the underlying product. By decreasing this tax rate, we can use the money saved to reinvest in our companies, our employees, and the communities where we live and work.

For these reasons, we firmly support SB 25 and encourage the committee to pass this bill out favorably.