State of Kansas
House of Representatives

State Capitol
Topeka, Kansas 66612
785-296-7696
steven.johnson@house.ks.gov

10197 S. Hopkins Rd.
Assaria, Kansas 67416
785-829-0319

Steven C. Johnson
Representative, 108th District

Thank you Mr. Chairman and members of the committee.

My name is Steven Johnson and I am honored to serve as one of your colleagues in the House.

I appear before you today as proponent of HB 2241.

In my professional career, my area of specialty was identifying, quantifying and managing financial risks.

Insurance products are valuable to manage risks. These contracts must be in the best interest of all parties to the contract.

Risk Management Options: Take, Reduce, Transfer

If I can afford to take a risk, I may or may not decide to purchase insurance and still be acting wisely with regard to my finances. If it is a large risk that I cannot afford financially, it is prudent and perhaps necessary that I take some action to reduce or transfer the risk. For many of us, things like our homes, life and health fall into this category of a large risk. If I choose to transfer that risk, it is necessary to rely on the party to whom I transfer it.

Cancellation Resulting from Insured Claim May Not Transfer Risk

While I don't know all of the reasons behind our state's current law, it is a concern that someone who relies on their insurance coverage could be cancelled for the very reason they needed to purchase the insurance. I recognize that someone would have at least 30 days to look for and hopefully secure another policy. Further, it is likely their agent would work diligently to help them find that coverage. Nonetheless, is there a chance that due to health, work circumstance or age that someone might be challenged to look into and acquire a new policy? And what if another weather event should happen in that window of time?

Cancellation is in order in cases such as where the insured might have some influence over events leading to a possible claim. However, when the insured acts in good faith to maintain their property and insurance coverage, it seems cancelling them for having the claims they chose to insure may fall short of the coverage they thought they were buying. To address this, there are other states that do not allow cancellation in these circumstances.

While it is certainly not the same situation, what if I had health insurance for some time, and soon after I identify that I have a health issue (such as cancer), my health insurance could be cancelled? There are laws that prevent this from happening with health insurance.

Possible Remedies for Parties Resulting from Changes in Claim Experience

A second concern I have, is what remedy does each party have in the possible cancellation? The insured would appear to have no other possible action. The insurer may have the ability to increase premiums at renewal, and perhaps other remedies to make their side of the transaction sustainable. It is necessary to be able to charge a fair premium to cover the cost of the risk.

However, it may also be necessary to consider how much the premium can change. An appropriate increase in premium, while still continuing coverage, might provide a better opportunity for the insured to consider other coverage options and to secure it if necessary. At the same time, a significant change in premium might be a way to simply force insured to cancel their coverage.

I recognize there is more to this issue than I initially observe. Nonetheless, I hope these thoughts will be considered as you discern how to serve the best interest of the citizens of Kansas. Part of our responsibility is to educate citizens or regulate issues to make sure Kansas can get and keep the insurance they need.

I will be happy to stand for questions.