

TO: The Honorable Scott Schwab, Chair
House Insurance Committee

FROM: William W. Sneed, Legislative Counsel
The State Farm Insurance Companies

SUBJECT: H.B. 2241

DATE: February 16, 2015

Mr. Chairman, Members of the Committee: My name is Bill Sneed and I am Legislative Counsel for the State Farm Insurance Companies ("State Farm"). State Farm is the largest insurer of homes and automobiles in Kansas. State Farm insures one out of every three cars and one out of every four homes in the United States. Please accept this memorandum as our opposition to H.B. 2241.

Because Kansas has a history of strong storm activity or other severe weather, interest may develop in restricting an insurer's ability to use weather-related information or claims history for underwriting purposes. Although restrictions on the use of weather-related information and claims history may be appealing to some, such restrictions are unfair to the broad base of policyholders and threaten the proper functioning of the insurance marketplace.

In many instances, weather-related claims could have been eliminated or reduced by adequate maintenance, more resilient construction, or the use of other methods proven to mitigate loss. If insurers are prevented from considering weather-related claims in pricing and underwriting, homeowners will have less motivation to properly maintain their homes, which can lead to an increased risk of loss. If insurers are prevented from considering weather-related claims, all other customers will bear the costs in the form of higher premiums.

Homeowners are responsible for proper maintenance of their property. Proper maintenance can reduce, and in some cases even eliminate, damage caused by severe weather events. Because weather-related losses can be reflective of a failure to properly maintain a home, or of other hazardous conditions on a property, weather-related claims are properly considered in making underwriting decisions.

Claims, including weather-related claims, are predictive of future claims. State Farm projects the expected cost of future claims based on historical claim experience. By basing rates on this information, State Farm can accurately and fairly price its insurance products and ensure that it can meet the promises made to its policyholders. Restrictions on the use of weather-related information for underwriting purposes can mask the actual risk presented by the property.

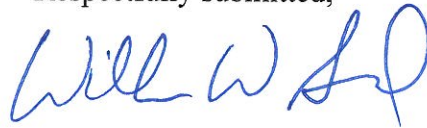
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Preventing insurers from considering this information can result in responsible policyholders subsidizing less responsible policyholders. Limiting the use of legitimate underwriting factors can lead to limitations on the availability and affordability of insurance. Insurers need the ability to consider weather claims to be fair to all policyholders. State Farm seeks to retain its policyholders and maintain competitive rates. Accordingly, State Farm's consideration of weather-related claims in underwriting decisions is governed by these interests.

Thus, on behalf of my client, the State Farm Insurance Companies, we respectfully request that you do not act favorably on HB 2241.

Thank you, and I will be happy to answer any questions you may have at your convenience.

Respectfully submitted,



William W. Sneed

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