

SESSION OF 2016

SUPPLEMENTAL NOTE ON SENATE BILL NO. 438

As Amended by Senate Committee on Financial
Institutions and Insurance

Brief*

SB 438 would enact new law to permit the transfer of insurance policies within a group of affiliated property and casualty insurance companies. Property and casualty policies could be renewed by either:

- Issuing and delivering the policy by the current insurer or by an insurer within the same group of affiliated insurers, replacing the existing policy at the end of the policy period or term with no gap in coverage; or
- Issuing and delivering a certificate of notice extending the term of the policy beyond its policy period or term.

The bill would define “group affiliated insurers” to mean two or more insurance companies that are under substantially the same management or financial control.

The bill would require, 30 days before the end of the existing insurance policy term, notice to the insured’s last known address and made available to the agent of record that the insurance policy is being renewed by a group affiliated insurer. Notice could be satisfied by the delivery of the new policy to the insured.

Background

The bill was introduced by the Senate Committee on Financial Institutions and Insurance at the request of the

*Supplemental notes are prepared by the Legislative Research Department and do not express legislative intent. The supplemental note and fiscal note for this bill may be accessed on the Internet at <http://www.kslegislature.org>

American Insurance Association (AIA) whose representative indicated the bill would allow a group of insurance companies to transfer a customer from one affiliated company to another instead of sending a nonrenewal notice to the customer at the end of their policy term. The representative noted the customer does not have to accept the policy from the affiliate, but the offered policy would give the customer peace of mind knowing they have coverage available from the insurance group with which they have a relationship. An official with the Kansas Insurance Department (Department) also testified in favor of the bill and recommended an amendment regarding notice. Written proponent testimony was submitted by representatives of American Family Insurance; Farmers Insurance; the Kansas Association of Property and Casualty Insurance Companies, Inc.; and the Property and Casualty Insurers Association of America.

Testimony in opposition to the bill was provided by a representative of the Kansas Association of Insurance Agents (KAIA). The representative expressed concern that the bill, as introduced, would repeal two statutes, including one statute applying to automobile insurance that provides for premium protection for insureds when a carrier moves the coverage from one company to another. The representative indicated the KAIA would reconsider its opposition to the bill if these statutes are not repealed by the bill.

The Senate Committee amended the bill to define the term “group affiliated insurers,” clarify the renewal process by the current insurer or insurer within the group affiliated insurers, and add notice requirements. In addition, the bill, as amended, would no longer update the definition specified for “group of affiliated insurers” in KSA 40-297 or repeal KSA 40-296.

According to the fiscal note prepared by the Division of the Budget on the original bill, the Department states enactment of the bill would have no fiscal effect.