

October 8, 2009

John Campbell, General Counsel  
Kansas Department of Insurance  
420 SW 9<sup>th</sup> Street  
Topeka, Kansas 66612

RE: Letter in Opposition to proposed Flex-Rating Bulletin

Dear Mr. Campbell,

Thank you for this opportunity to express NAMIC's opposition to the Department's proposed Flex-Rating Bulletin. As currently written, NAMIC believes that the draft bulletin is counter to legislative intent and that it would effectively negate the flex-rating statute, which would be a step backwards for insurance consumers in Kansas.

Founded in 1895, the National Association of Mutual Insurance Companies is the largest, most diverse national insurance trade association in the United States. NAMIC represents the interests of its property/casualty insurance company members and their policyholders. NAMIC's membership includes farm mutual insurance companies, single-state and regional writers, and national insurers operating across North America. The more than 1,400 NAMIC members underwrite 41 percent of the automobile and homeowner's insurance market and 31 percent of the business insurance market in the United States. In Kansas, 135 member companies (including 14 domiciled companies) underwrite 60 percent of the auto insurance market and 67 percent of the homeowner's insurance market.

During the 2008 legislative session, NAMIC was a strong proponent of the flex-rating proposal. The original bill, SB 560, which is based on the NCOIL flex-rating model, was the bi-product of a unanimous recommendation made in 2007 by the Kansas Insurance Department Fee Modernization and Rating Laws Task Force. The task force was established to study personal lines regulatory modernization and other topics. As NAMIC stated during legislative debate of the proposal, we believe that passage of rate modernization laws such as the NCOIL flex-rating model benefits consumers with respect to price and availability of insurance products. We further believe that such statutes encourage more insurers to enter the market, thus enhancing competition. It is worth noting that the Kansas Department of Insurance testified as a proponent of the bill in the House of Representatives stating that such legislation was necessary in order to improve competition and ultimately preserve the state-based system.

The Kansas flex-rating statute states that "... a filing made by an insurer for personal insurance under this section that provides for an overall statewide rate increase or decrease of no more than 12% in the aggregate for all coverages that are subject to the filing may take effect the date it is filed. The 12% shall not apply on an individual insured basis. ..." The statute makes no mention of "base rate" restrictions (terminology used in the draft bulletin) or of using "base rate" as the standard and, in fact, the statute specifically mentions "all coverages that are subject to the filing..." which suggests that various coverages are within the scope of the statute. If the Department only reviews the "base rate" to determine if a filed rate change had an overall change within or outside of the 12% flex-ban, such analysis would be inaccurate and would not properly reflect the rate change applied to the customer.

Again, thank you for this opportunity to express NAMIC's views on this important issue. If you have questions or require further information, please do not hesitate to contact me at (614) 262-4798 or via e-mail at [jthesing@namic.org](mailto:jthesing@namic.org).

Sincerely,

A handwritten signature in black ink, appearing to read "Joe Thesing". The signature is fluid and cursive, with a large initial "J" and a long, sweeping underline.

Joe Thesing  
Assistant Vice President-State Affairs