

Approved: Feb. 7, 1994
Date

MINUTES OF THE HOUSE COMMITTEE ON FINANCIAL INSTITUTIONS AND INSURANCE.

The meeting was called to order by Chairperson William Bryant at 3:30 p.m. on January 31, 1994 in Room 527-S of the Capitol.

All members were present except: Representative Darlene Cornfield, Excused

Committee staff present: William Wolff, Legislative Research Department, Excused
Bruce Kinzie, Revisor of Statutes
Nikki Feuerborn, Committee Secretary

Conferees appearing before the committee: Dick Brock, Insurance Department
Bill Sneed, State Farm
Lee Wright, Farmers Group
Brad Smoot, AIA
Mike Mulligan, Travelers
Dave Hanson, Kansas Assoc of Property & Casualty Ins. Co.

Others attending: See attached list

Hearing on HB 2630: Private passenger automobile insurance

Dick Brock of the Insurance Department stated that the current law pertaining to the non-renewal or cancellation of private passenger automobile insurance policies applies only to automobile liability insurance policies (Attachment 1). The proposed amendments would make the laws applicable to all automobile insurance coverages and would extend the restrictions and prohibitions to unilateral reductions in coverage by the insurer as well as termination of the entire contract. This bill would require insurance companies to provide 30 days notice prior to non-renewing all private passenger automobile insurance coverages as is currently required for automobile liability insurance policies. An insurer could not cancel, non-renew or unilaterally terminate or reduce an insured's collision, comprehensive or liability coverage except for the specified reasons set forth in the bill and current law.

Larry Magill, representing Kansas Association of Insurance Agents as a proponent, stated that the proposed legislation would prohibit the practice commonly known as "stripping" (Attachment 2). Stripping is when the auto insurance liability limits are reduced to the state minimum required limits of \$25,000 per person \$50,000 per accident and/or eliminating the comprehensive and collision coverage on the auto itself. This can occur when a requirement for an SR 22 proof of insurance form is required by the State Department of Revenue Motor Vehicle Division or for other underwriting reasons that are not serious enough to trigger the cancellation and nonrenewal provisions in these two statutes. The impact of this provision could be lessened by allowing the insurance company to increase the deductible up to some stated maximum and/or by some stated percentage maximum. Another potential amendment would be to allow companies to provide stated amount coverage on a vehicle that has been previously damaged and not repaired.

Bill Sneed, State Farm Insurance, stated that this amendment would limit an insurance company's ability to unilaterally reduce limits of coverage to those specific reasons that are now enumerated and limit an insurer's ability to cancel an insurance policy (Attachment 3). Eliminating this tool may force more cancellations of business rather than attempt to continue that business under altered terms. The higher degree of underwriting at the beginning of a policy period may trigger two procedures: the discontinuance of binding policies until such investigation/underwriting is concluded; or create a marketplace where companies will either not enter into the marketplace for force companies to withdraw from the marketplace. Liability coverage is mandatory

CONTINUATION SHEET

MINUTES OF THE HOUSE COMMITTEE ON FINANCIAL INSTITUTIONS AND INSURANCE,
Room 527-S Statehouse, at 3:30 p.m. on January 31, 1994.

insurance and the Kansas Supreme Court has stated that rescission of the contract ab initio cannot be done under mandatory coverage insurance as it related to third parties and to liability issues.

Lee Wright of Farmers Insurance Group stated that the existing statute on renewal is vague as to what are unfavorable underwriting factors pertinent to the risk and of a substantial nature, leaving it wide open to interpretation by the Kansas Insurance Department (Attachment 4). The statute only allows an insurer the right to consider those risk factors occurring since the last renewal period which is usually only the past six months. The passage of this bill would result in tighter initial selection standards increasing availability problems and higher rates to offset additional losses incurred. They recommend that an insurance company will not be deemed to have denied renewal if replacement coverage is offered in a related company.

Brad Smoot, AIA, stated their opposition to the bill as it would expand mandated coverage for personal auto insurance by limiting an insurer's ability to reduce liability coverage for a period of five years (Attachment 5). It would also limit an insurer's ability to reduce or cancel physical damaged coverage except in those instances specified in the current statute. Few other states have limitations such as those proposed by this bill which is actually a guaranteed renewal law for even the poorest drivers. Mr. Smoot recommended further study of the bill by the Department's task force.

Mike Mulligan, Traveler's Insurance, stated that Kansas now has the most stringent statutes regarding auto insurance in his four-state area. Michigan has implemented laws similar to those being proposed in HB 2630 and it has caused excessive auto rate hikes. Creating barriers does not benefit consumers in the long run. States that heavily regulate the insurance business tend to have higher auto insurance rates according to the National Association of Independent Insurers (Attachment 6).

Dave Hanson, Kansas Association of Property & Casualty Insurance Companies, Inc., stated that the proposed amendments will force a continuation of additional coverages when reduction or cancellation of coverage would otherwise be justified and prudent (Attachment 7).

Hearing on HB 2637: Property insurance, cancellation, denial of renewal, notice

Dick Brock, Insurance Department, stated that enactment of the bill would benefit consumers by placing on insurance companies the same general type of restrictions for canceling or non-renewing residential property insurance, including homeowners and farm owners policies, which currently exists for private passenger automobile liability insurance (Attachment 8). Companies would no longer be able to cancel or non-renew residential coverage except for reasons specified in Section 2 of the bill. This bill limits permissible cancellation for changes in the risk to those within the reasonable control of the insured and pertinent to the risk. An insurance company would be allowed to non-renew for any reason after it has insured a specific risk for five years. This 5 year cycle then continuously repeats itself so the non-renewal restrictions would actually apply in five year segments in the absence of other permissible reasons to terminate coverage.

William Sneed, legislative counsel for State Farm Insurance Companies, appeared in opposition to the bill (Attachment 9). Problems found throughout the bill are partially due to vague language could in some instances lead to unnecessary conflicts on what is actually covered by this proposal. Mr. Sneed stated that the passage of this bill along with HB 2630 and HB 2631 would have a major impact on the insurance industry by forcing the elimination of binding property insurance until all of the items delineated in the bill can be reviewed. The addition of the statement "nothing in this act shall be construed to imply the repeal of the right to rescind property insurance policies."

Lee Wright, Farmers Insurance Group, stated that the bill unreasonable restricts an insurer from determining the acceptability and desirability of homeowner business (Attachment 10). It provides for specific cancellation reasons and provides criteria under which a policy may not be renewed. He related the years of storm losses and that companies who write through independent agents have tried to limit their future exposures by canceling or non-renewing homeowner policies. This bill would punish those companies who are still seeking business in this area.

Brad Smoot, AIA, stated in his opposition to the bill that while well-intentioned, this bill would limit the ability of insurers to revise, reduce or terminate individual contracts upon expiration and in effect amounts to a guaranteed renewal law (Attachment 11).

Dave Hanson, Kansas Association of Property and Casualty Insurance Companies, Inc., expressed concern that the proposed amendments will force a continuation of additional coverages when reduction or cancellation of coverage would otherwise be justified and prudent (Attachment 12). Increased rates and a decrease in the writing of new business will possibly result.

CONTINUATION SHEET

MINUTES OF THE HOUSE COMMITTEE ON FINANCIAL INSTITUTIONS AND INSURANCE,
Room 527-S Statehouse, at 3:30 p.m. on January 31, 1994.

Mike Mulligan stated that insurance companies are not interested in canceling insurees as the best customers are those that stay with a company through their life cycle. Kansas is considered a very insurance-friendly state for consumers.

The committee had many questions which were answered by Dick Brock in a memo on February 1. Attached is that memo which deals with HB 2637 and HB 2630 (Attachment 13).

Representative King moved to approve the minutes of January 24, 25, 26, and 27, 1994. The motion was seconded by Representative Minor. Motion carried.

The meeting adjourned at 4:55 p.m.

The next meeting is scheduled for February 1, 1994.

GUEST LIST

COMMITTEE:

DATE:

1-31-94

[illegible]

Testimony on
House Bill No. 2630
by
Dick Brock
Kansas Insurance Department

House Bill No. 2630 would amend K.S.A. 40-276, 40-276a and 40-277 which pertain to the non-renewal or cancellation of private passenger automobile insurance policies. Currently these laws apply only to automobile liability insurance policies. The proposed amendments would make the laws applicable to all automobile insurance coverages and would extend the restrictions and prohibitions to unilateral reductions in coverage by the insurer as well as termination of the entire contract.

There has been a growing tendency in recent years for many personal automobile insurance carriers to reduce or "strip" the coverage on existing automobile insurance policies to the minimum liability limits required by law. In other words, if, for example, a particular insured has a policy providing collision, comprehensive and liability limits in excess of the 25/50/10 required by law, the insurer can largely circumvent the restrictions on cancellation and non-renewal by maintaining the policy in force but eliminate all coverage except the basic limits of liability and required uninsured/underinsured motorists coverage. In other words, effectively cancel the collision, comprehensive and increased limits of liability coverage. As a result, the consumer protections originally intended by the legislation are being eroded.

House Bill No. 2630 would change this situation by simply requiring insurance companies to provide the same 30 days notice prior to non-renewing all private passenger automobile insurance coverages as is currently required for automobile liability insurance policies. In addition, an insurer could not cancel, non-renew or unilaterally terminate or reduce an insured's collision, comprehensive or liability coverage except for the specified reasons set forth in the bill and current law.

Harold F. D. D.
Attachment 1
Jan 31, 1994

1 of an automobile ~~liability~~ insurance policy except in one or more
2 of the following circumstances:

3 {a} (1) When such insurance company is required or has been
4 permitted by the commissioner of insurance, in writing, to reduce
5 its premium volume in order to preserve the financial integrity of
6 such insurer;

7 {b} (2) when such insurance company ceases to transact such
8 business in this state;

9 {c} (3) when such insurance company is able to show competent
10 medical evidence that the insured has a physical or mental disable-
11 ment that impairs ~~his~~ *the insured's* ability to drive in a safe and
12 reasonable manner;

13 {d} (4) when unfavorable underwriting factors, pertinent to the
14 risk, are existent, and of a substantial nature, which could not have
15 reasonably been ascertained by the company at the initial issuance
16 of the policy or the last renewal thereof;

17 {e} (5) when the policy has been continuously in effect for a
18 period of five ~~(5)~~ years: *Provided, except* that such five-year period
19 shall begin at the first policy anniversary date following the effective
20 date of this act: *Provided further*, That. If such policy is renewed
21 or continued in force after the expiration of such *five-year* period
22 or any subsequent five-year period, the provisions of this subsection
23 shall apply in any such subsequent period; or

24 {f} (6) when any of the reasons specified as reasons for *a unilateral*
25 *reduction or cancellation of coverage* in K.S.A. 40-277, and amend-
26 *ments thereto*, are existent; or

27 *Provided, That (1)-(7)(A)* when failure to renew is based upon
28 termination of agency contract, obligation to renew will be satisfied
29 if the insurer has manifested its willingness to renew; and (2) (B)
30 obligation to renew is terminated on the effective date of any other
31 *similar automobile liability* insurance procured by the named in-
32 *sured* with respect to any automobile designated in both policies;
33 *Provided further, That.*

34 (b) Renewal of a policy shall not constitute a waiver or estoppel
35 with respect to grounds for cancellation which existed before the
36 effective date of such renewal: *Provided further, That.*

37 (c) Nothing in this section shall require an insurance company
38 to renew an automobile ~~liability~~ insurance policy if such renewal
39 would be contrary to restrictions of membership in the company
40 which are contained in the articles of incorporation or the bylaws
41 of such company.

42 Sec. 3. K.S.A. 40-277 is hereby amended to read as follows: 40-
43 277. No insurance company shall issue a policy of automobile ~~lia-~~

(7) with respect to physical damage coverage,
when the insurance company has previously paid the
reasonable replacement value of the insured vehicle
and the insured has retained ownership;

(8)

1-2

Testimony on HB 2630
Before the House Financial Institutions and Insurance Committee
By: Larry W. Magill, Jr., Executive Vice President
Kansas Association of Insurance Agents
January 31, 1994

Thank you, Mr. Chairman, and members of the committee for the opportunity to appear today in support of HB 2630. This measure requested by the Kansas Insurance Department would prohibit the practice commonly known as "stripping." Stripping is where the auto insurance liability limits are reduced to the state minimum required limits of \$25,000 per person/\$50,000 per accident and/or eliminating the comprehensive and collision coverage on the auto itself.

Our association feels that the prohibition on auto liability insurance policy cancellation and nonrenewal contained in K.S.A. 40-276 and 40-276a mean very little when the policy can be stripped. Normally stripping occurs when a requirement for an SR 22 proof of insurance form is requested by the state Department of Revenue Motor Vehicle Division or for other underwriting reasons that are not serious enough to trigger the cancellation and nonrenewal provisions in these two statutes. For example, a person under a DUI diversion will almost always have their insurance coverage stripped. Another example is where a young driver in a household develops a bad record either through tickets or accidents that would allow the company under the present statutes to cancel coverage on that driver. Normally the driver and one of the household vehicles is then placed in the Kansas assigned risk plan. However, a number of insurance companies will also seek to strip the policy for the remaining drivers in the household for fear that the young driver will

House File D
Attachment 2
Jan 31, 1994

use one of those vehicles. Kansas law does not allow an insurance company to exclude coverage for a named driver in the household. These are just two examples. Stripping can occur for literally any reason that does not presently qualify for mid-term cancellation or nonrenewal.

If the insured has a loan on the vehicle, physical damage coverage (comprehensive and collision) is required by the lender. Even without a loan, if the vehicle is worth enough that the consumer is unwilling to self-insure its value, physical damage is a necessity. Stripping the coverage may amount to cancelling coverage in this case, often forcing the insured into the assigned risk plan.

The impact of this provision could be lessened by allowing the insurance company to increase the deductible up to some stated maximum and/or by some stated percentage maximum. Another potential amendment would be to allow companies to provide stated amount coverage on a vehicle that has been previously damaged and not repaired.

Stripping liability limits to the minimums required by state law can have a similar impact. If the insured is concerned about protecting personal assets, only offering state minimum limits is the equivalent to cancellation. Especially where the consumer needs certain minimum limits to meet the underlying limits required by a personal umbrella insurer. Failure to carry the required minimums creates a self-insured gap for the consumer. Generally, "buffer layer" policies are not available in the marketplace to fill this gap.

Keep in mind that the insurance company can non-renew for any reason every five years. Auto insurance is mandated by state law. That is the principal reason the statute is on the books.

While we generally do not favor statutory restrictions on a free, competitive marketplace because of the dampening effect they have on a company's willingness to do business in Kansas, this law has been on the books since 1967 for mid-term cancellation and 1972 for nonrenewal when mandatory auto insurance was first passed. HB 2630 simply plugs a major loophole in the law and gives effect to the original legislative intent. We urge the committee to act favorably on the bill.

MEMORANDUM

TO: The Honorable William Bryant, Chairman
House Financial Institutions and Insurance Committee

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

DATE: January 31, 1994

RE: H.B. 2630

Mr. Chairman, Members of the Committee: My name is Bill Sneed and I am legislative counsel for the State Farm Insurance Companies. My client and I appreciate this opportunity to testify before your Committee in opposition to H.B. 2630.

As you have been told by the proponents of this bill, this amendment to Kansas law would limit an insurance company's ability to unilaterally reduce limits of coverage to those specific reasons that are now enumerated and limit an insurer's ability to cancel an insurance policy. As you review current law, a company's ability to cancel private passenger automobile insurance can only be accomplished through any of the enumerated items listed under the current statute. In an effort to provide incentives within the marketplace, insurance companies will, in lieu of cancellation, reduce mandatory coverages to the financial responsibility minimums and eliminate all non-mandatory coverages.

As we have stated to the Committee in regard to H.B. 2637 and H.B. 2631, eliminating this tool may actually force more cancellations of business rather than attempt to continue that business under altered terms.

House F.I.I.
Attachment 3
Jan 31, 1994

Again, this will force a higher degree of underwriting to be taken at the beginning of a policy period, which will most likely trigger at least two possible procedures, i.e., the discontinuance of binding policies until such investigation/underwriting is concluded; and/or creating a marketplace whereby companies will either not enter into the marketplace or force companies to withdraw from the Kansas marketplace for fear of the inability to take corrective action when the market demands such action.

It is also important to point out that inasmuch as we are dealing with mandatory insurance, there are certain public policy reasons that do require a more narrow basis for cancellation. However, the management tool of reducing coverage under altered terms is a substantially different process, and as such, we believe comparing or including reduction of coverage under the same statutory guidelines is too restrictive for the marketplace and is without the same public policy that encompasses the rationale for cancellation criteria.

This is also compounded by the fact that the Kansas Supreme Court has stated that rescission of the contract *ab initio* cannot be done under mandatory coverage insurance as it relates to third parties and to liability issues. As we have stated in earlier testimony, what this means is that notwithstanding the common law right of rescission, insurance companies cannot rescind, even for fraud, as it relates to the liability of third parties. The Supreme Court in its decisions has stated the position that this needs to be done in order to protect non-contracting third parties under our no-fault mechanism.

Given the argument of the Supreme Court, one could make a similar argument as to why companies should have the ability to continue coverage under altered

terms. The utilization of this marketing tool does not disrupt the financial responsibility requirements stated in Kansas law, and as such does not disrupt or place in peril the public policy determined by the Kansas no-fault law.

Finally, an additional practical problem may generate from legislation of this type whereby insurance companies, in order to more accurately identify their actual risks, may be forced to only offer minimum financial limits for their policyholders, thus avoiding this problem from the beginning. Accordingly, those Kansas citizens who wish to purchase higher limits for more protection may find this market drying up and the possible result of increased expense for this type of coverage.

Based upon the foregoing, we see no real public policy being served by this proposal. Currently if an individual insured has an insurance company that reduces his or her coverage to the financial responsibility minimums and eliminates non-mandatory coverages, the insured still has the option to go to the open market in order to obtain additional insurance. If because of underwriting rationale the individual can only procure that type of insurance and such underwriting is justified, the insured has not been harmed and the basis of the Kansas no-fault financial responsibility act has been maintained inasmuch as that insured still has those minimum financial coverages. Therefore, we respectfully request that the Committee act unfavorably on H.B. 2630.

Respectfully submitted,



William W. Sneed

HOUSE BILL 2630

HOUSE FINANCIAL INSTITUTIONS & INSURANCE COMMITTEE

JANUARY 31, 1994

***Testimony by Lee Wright
The Farmers Insurance Group of Companies***

Thank you Mr. Chairman and members of the committee, my name is Lee Wright and I represent The Farmers Insurance Group of Companies. We appreciate this opportunity to appear in opposition to HB2630.

This bill deals with auto cancellation and non-renewal restrictions. It basically prohibits an insurance company's ability to reduce or cancel a particular coverage such as collision or comprehensive without the policyholder's consent.

My company does not like to resort to stripping of auto coverages and seldom uses this procedure to encourage a bad risk policyholder to seek coverage elsewhere.

However, the existing statute on renewals, KSA 40-276a, is vague as to what are unfavorable underwriting factors pertinent to the risk and of a substantial nature, leaving it wide open to interpretation by the Kansas Insurance Department.

Furthermore, the statute only allows an insurer the right to consider those risk factors occurring since the last renewal period. This equates to only the past six months on most policies. The six month time frame means insurers cannot use historical experience trends of a policyholder occurring over a period beyond six months.

*Lee Wright
Attachment 4
Jan 31, 1994*

Passage of HB2630 would further restrict insurers underwriting options for controlling risk. The result will be tighter initial selection standards increasing availability problems and higher rates to offset additional losses incurred.

As an alternative to further underwriting restrictions, we would propose language to the effect that an insurance company will not be deemed to have denied renewal if replacement coverage is offered in a related company.

Thank you Mr. Chairman that concludes my remarks.

BRAD SMOOT

ATTORNEY AT LAW

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STATEMENT OF BRAD SMOOT, LEGISLATIVE COUNSEL FOR THE AMERICAN INSURANCE ASSOCIATION,

PRESENTED TO THE KANSAS HOUSE FINANCIAL INSTITUTIONS AND INSURANCE COMMITTEE REGARDING 1994 HOUSE BILL 2630, JANUARY 31, 1994.

Mr. Chairman and Members of the Committee:

I am Brad Smoot, Legislative Counsel for the American Insurance Association (AIA), a trade association representing more than 200 companies providing a variety of insurance products to Kansans and across the nation.

House Bill 2630 would expand mandated coverage for personal auto insurance in two ways: First, it limits an insurers ability to reduce liability coverage for a period of five years. Current law only limits cancellation. Second, it would limit an insurers ability to reduce or cancel physical damage coverage except in those instances specified in the current statute.

While some limitation on cancellation of liability coverage makes sense where drivers are required by law to carry such coverage, it does not make sense to limit a company's ability to reduce liability coverage since the insured could have purchased a lesser amount to begin with or could reduce or cancel it at any time. The effect of forcing carriers to maintain higher levels of coverage and thus risk, is to require all insurance buyers to subsidize the few drivers whose experience would justify a reduction in coverage.

In addition, the limitation on reduction or cancellation for physical damage by a carrier makes little sense since Kansas drivers are not required to carry such coverage in the first place. Carriers may be very reluctant to insure certain risks which they might now insure knowing that under this proposed law they would not be able to cancel or reduce their liability exposure. Under the bill, a household of poor drivers with high losses could continue their coverage with few consequences while knowing that their carrier

Have I.D. I
Attachment 5
Jan 31, 1994

must continue to insure the damage to their vehicles. Such a policy hardly encourages careful driving.

This bill amounts to a guaranteed renewal law for even the poorest drivers and is likely to have the effect of discouraging carriers from entering or expanding their markets in Kansas. Rather than improving market availability, this type of legislation often has the unintended consequence of further reducing the availability of insurance and of increasing its costs.

Few if any other states have limitations such as those proposed by H2630 and while we appreciate the Department's desire to remedy the problems of some Kansas drivers, we believe these issues should be studied by the Insurance Department's recently-created task force on personal lines and made a part of other reforms being considered by the Department.

Thank you for this opportunity to comment on this legislation and I would be pleased to respond to questions from the Committee.

Hunter Named Texas Insurance Commissioner

Robert Hunter, the founder and current president of the National Insurance Consumer Organization, has been selected as the new insurance commissioner for Texas. Hunter founded NICO in 1980 with the support of Ralph Nader and trial lawyers from California. — *The Wall Street Journal*, 10/11

Kmart Held Liable for Selling Gun to Drunk Man

A Florida jury has awarded \$12.5 million to a woman who was severely paralyzed after being shot by her boyfriend in December 1987. The Kmart Corp. was found partially responsible since the rifle the man used was purchased immediately before the incident from one of the chain's stores. The jury set the store's liability at over \$11 million. The clerk who sold the gun testified the man did not appear to be drunk at the time he purchased the gun, but he admitted having to assist him in filling out the paperwork required by federal law. Kmart will appeal. — *The Wall Street Journal*, 10/11

Metropolitan Life Pays For Investigation

The Metropolitan Life Insurance Co. agreed Oct. 6 to cover the cost of an independent investigation of the sales practices of its agents. Florida's insurance commissioner has accused the insurer's Tampa office of coaching agents on the use of deceptive sales tactics to sell the company's whole life insurance policies as retirement plans. Pennsylvania, North Carolina and West Virginia has also begun an investigation of charges against Metropolitan Life's sales practices, and Texas authorities report they have received complaints about the company's agents.

— *The New York Times*, 10/7

Air Bags Going on Sale

Two companies in the New York area will soon begin marketing the first retrofitted auto air bags to be sold in the U.S. Applied Safety Inc., of Ventnor, N.J., says its air bags are only about half the size of the devices currently installed in new cars. Wholesalers at new and used auto dealerships will sell the

air bags for about \$900, including installation. Safety experts say the retrofitted air bags, while not as effective as factory-installed devices, offer more protection than seat belts used alone.

— *New York Newsday*, 10/7

Insurance Rates Higher in Heavily Regulated States

States that heavily regulate the insurance business tend to have higher auto insurance rates, according to the National Association

of Independent Insurers. "Of the 20 with the highest 1990 average auto insurance rates," an NAII spokesman said, "13 were rated in a survey of insurance companies and regulators as offering the lowest overall freedom to manage their personal lines business. Of the 20 states with the lowest 1990 average auto premiums, 16 were rated by insurance companies and regulators as granting the most freedom to manage personal lines business."

— *National Association of Independent Insurers*, 9/28



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Jan 31, 1994 Attachment 6

Kansas Association of

PROPERTY & CASUALTY
INSURANCE COMPANIES, INC.

January 31, 1994

L. M. Cornish
Legislative Chairman
Merchants National Tower
P. O. Box 1280
Topeka, Kansas 66601

MEMBER COMPANIES

Armed Forces Ins. Exchange
Ft. Leavenworth
Bremen Farmers Mutual Ins. Co.
Bremen
Consolidated Farmers Mutual Ins. Co., Inc.
Colwich
Farm Bureau Mutual Ins. Co., Inc.
Manhattan
Farmers Alliance Mutual Ins. Co.
McPherson
Farmers Mutual Insurance Co.
Ellinwood
Great Plains Mutual Ins. Co., Inc.
Salina
Kansas Mutual Insurance Co.
Topeka
Marysville Mutual Insurance Co., Inc.
Marysville
Mutual Aid Assn. of the Church of the Brethren
Abilene
Patrons Mutual Insurance Co.
Olathe
Skandia U.S. Insurance Co.
Topeka
Swedish American Mutual Insurance Co., Inc.
Lindsborg
Town and Country Fire and Casualty Ins. Co., Inc.
Hutchinson
Upland Mutual Insurance, Inc.
Chapman
Wheat Growers Mutual Hail Ins. Co.
Cimarron

House Committee on Financial
Institutions and Insurance
State Capitol Building
Topeka, Kansas

Re: House Bill 2630

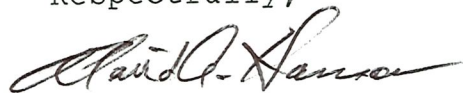
Dear Chairman Bryant and Members of the
Committee:

I am David Hanson appearing on behalf
of the Kansas Association of Property and
Casualty Insurance Companies, which consists of
domestic property and casualty insurers in
Kansas.

The Association is concerned about the
amendments proposed in House Bill 2630. Our
primary concern is that the proposed amendments
will force a continuation of additional
coverages when reduction or cancellation of
coverage would otherwise be justified and
prudent. By restricting management decisions in
this way, exposure is both increased and
extended. We fear the end result will be
increased rates to compensate for the increased
exposure. Further, we fear this will cause a
chilling effect on writing new business due to
the extended coverage involved.

We must therefore oppose House Bill
2630. Thank you for your consideration.

Respectfully,



DAVID A. HANSON

DAH:kls/7918K

David F. D. D.
Attachment 7
Jan 31, 1994

Testimony on
House Bill No. 2637

by

Dick Brock

Kansas Insurance Department

House Bill No. 2637 would impose limitations on an insurance company's ability to cancel or non-renew property insurance coverage on an owner-occupied 1 to 4 family dwelling. Additionally, in those situations where non-renewal would be authorized, insurance companies would be required to provide their insureds with at least 30 days written notice of such intent.

As a result of the severe storms that have occurred in Kansas in recent years and the resulting losses paid by property and casualty insurance companies, the Insurance Department has been receiving an increasing number of consumer complaints with respect to carriers who are canceling or non-renewing homeowners insurance because of losses paid for perils not within the control of insureds. These include losses due to lightning, tornadoes, windstorms, hail and other acts of nature.

Enactment of House Bill No. 2637 would benefit consumers by placing on insurance companies the same general type of restrictions for canceling or non-renewing residential property insurance, including homeowners and farmowners policies, which currently exists for private passenger automobile liability insurance. More specifically, under House Bill No. 2637 companies would no longer be able to cancel or non-renew residential coverage except for specified reasons. Section 2 specifies the reasons an insurer would be able to cancel a residential policy. Attached to my testimony is a copy of the cancellation provisions of a homeowners policy the Insurance Services Office files on behalf of its members and subscriber companies and which a number of other insurers utilize. I am told similar provisions appear in most if not all farmowners policies. I

House I.D.D.
Attachment 8
Jan 31, 1994

have attached this information because, although the wording is somewhat different, you will see that the reasons available for cancellation under House Bill No. 2637 are essentially the same as those most if not all insurers impose on themselves by contract. There is, however, one important difference and that appears in Subsection (d), lines 30-34, page 1 of the bill as compared to item 5 (b)(3)(b) of the contract language. House Bill No. 2637 limits permissible cancellation for changes in the risk to those "... within the reasonable control of the insured and pertinent to the risk...". This is, however, a significant difference and is, to me, the primary change in current practice that House Bill No. 2637 asks you to consider i.e., should an insurer be permitted to cancel a dwelling, homeowners or farmowners policy, because of hail losses, windstorm losses or other types of losses over which the insured has no control?

The fundamental question embodied in Section 3 of the bill is whether or not an insurer should be permitted to refuse to renew a policy if a reason for cancellation does not exist? House Bill No. 2637 says "No" except it would allow an insurer to non-renew for any reason after it has insured a specific risk for 5 years. This 5 year cycle then continuously repeats itself so the non-renewal restrictions would actually apply in 5 years segments in the absence of other permissible reasons to terminate coverage.

SECTIONS I AND II—CONDITIONS

Policy Period. This policy applies only to loss in Section I or **bodily injury or property damage** in Section II, which occurs during the policy period.

2. Concealment or Fraud. We do not provide coverage for an **insured** who has:

- a. intentionally concealed or misrepresented any material fact or circumstance; or
- b. made false statements or engaged in fraudulent conduct;

relating to this insurance.

3. Liberalization Clause. If we adopt a revision which would broaden the coverage under this policy without additional premium within 60 days prior to or during the policy period, the broadened coverage will immediately apply to this policy.

4. Waiver or Change of Policy Provisions.

A waiver or change of a provision of this policy must be in writing by us to be valid. Our request for an appraisal or examination will not waive any of our rights.

5. Cancellation.

- a. You may cancel this policy at any time by returning it to us or by letting us know in writing of the date cancellation is to take effect.
- b. We may cancel this policy only for the reasons stated below by letting you know in writing of the date cancellation takes effect. This cancellation notice may be delivered to you, or mailed to you at your mailing address shown in the Declarations.

Proof of mailing will be sufficient proof of notice.

- (1) When you have not paid the premium, we may cancel at any time by letting you know at least 10 days before the date cancellation takes effect.
- (2) When this policy has been in effect for less than 60 days and is not a renewal with us, we may cancel for any reason by letting you know at least 10 days before the date cancellation takes effect.
- (3) When this policy has been in effect for 60 days or more, or at any time if it is a renewal with us, we may cancel:
 - (a) if there has been a material misrepresentation of fact which if known to us would have caused us not to issue the policy; or
 - (b) if the risk has changed substantially since the policy was issued.

This can be done by letting you know at least 30 days before the date cancellation takes effect.

- (4) When this policy is written for a period of more than one year, we may cancel for any reason at anniversary by letting you know at least 30 days before the date cancellation takes effect.

- c. When this policy is cancelled, the premium for the period from the date of cancellation to the expiration date will be refunded pro rata.
- d. If the return premium is not refunded with the notice of cancellation or when this policy is returned to us, we will refund it within a reasonable time after the date cancellation takes effect.

6. Non-Renewal. We may elect not to renew this policy. We may do so by delivering to you, or mailing to you at your mailing address shown in the Declarations, written notice at least 30 days before the expiration date of this policy. Proof of mailing will be sufficient proof of notice.

7. Assignment. Assignment of this policy will not be valid unless we give our written consent.

8. Subrogation. An **insured** may waive in writing before a loss all rights of recovery against any person. If not waived, we may require an assignment of rights of recovery for a loss to the extent that payment is made by us.

If an assignment is sought, an **insured** must sign and deliver all related papers and cooperate with us.

Subrogation does not apply under Section II to Medical Payments to Others or Damage to Property of Others.

9. Death. If any person named in the Declarations or the spouse, if a resident of the same household, dies:

- a. we insure the legal representative of the deceased but only with respect to the premises and property of the deceased covered under the policy at the time of death;
- b. **insured** includes:
 - (1) any member of your household who is an **insured** at the time of your death, but only while a resident of the **residence premises**; and
 - (2) with respect to your property, the person having proper temporary custody of the property until appointment and qualification of a legal representative.

MEMORANDUM

TO: The Honorable William M. Bryant, Chairman
House Financial Institutions and Insurance Committee

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

DATE: January 31, 1994

RE: H.B. 2637

Mr. Chairman, Members of the Committee: My name is Bill Sneed and I am legislative counsel for the State Farm Insurance Companies. We appreciate the opportunity to testify before this Committee with respect to H.B. 2637.

We believe it is important that the Committee be cognizant of our testimony on not only this bill, but of our previous testimony on H.B. 2631 (inspection of real property) and our testimony on H.B. 2630 (reduction of limits). All are collective, and individual, major changes in insurance law, and we believe are potentially very damaging to the Kansas consumers when viewed in their totality. Thus, we urge the Committee to review these bills cautiously when you are deliberating these proposals and their effect on the Kansas public.

Section 1 of the bill provides the definition of "policy of property insurance" that is to be covered by this proposal. We are concerned with the language found on line 15 in which the bill proposed to create a "catch-all" category of "any other risk usually insured against by such policies." We believe this language is vague and could in some instances lead to unnecessary conflicts on what is actually covered by this proposal. An

*Have F.S. 2
Attachment 9
Jan 31, 1994*

example would be whether add-on coverages or special endorsements not normally included in the policy, if coupled with the original policy, would constitute coverage under this Act.

It is our understanding that the technical problem found in Section 2 will be proposed to be corrected by the Insurance Department in its testimony. Assuming that to be correct, we then have the following comments on Section 2.

On line 26 as it relates to Section 2(b), we believe that for purposes of contract law a standard of "fraudulent misrepresentation" is inappropriate. It is our contention that the more appropriate standard would be one similarly adopted by the NAIC, which utilizes the language "fraud or material misrepresentation."

Next, starting on line 30, new Section 2(d), the bill states that the policy may be cancelled or non-renewed if underwriting factors have turned "unfavorable," but only if they are in the control of the insured. Initially, we would contend that such provisions are vague and would be a very difficult standard to apply. Further, this again goes against the general principles of contract law inasmuch as a contract requires a meeting of the minds. Since it is undefined as to what is in the reasonable control of the insured, it would be difficult at best to determine what underwriting factors could or could not be utilized under this proposal. For example, after a period of time, could an insurance company non-renew a policy because an insured failed to undertake "major maintenance," thereby in the opinion of the insurer creating an unfavorable underwriting factor? This could create a situation wherein the insured would argue that such a factor is beyond his or her control

(lack of funds, etc.), thus creating severe underwriting problems for the insurance company.

New Section 3 establishes that a company cannot non-renew unless thirty days' written notice is given and creates several categories for the basis of that non-renewal, one of which is the categories listed in new Section 2. It is important to note that Section 2 deals with when a policy has been in effect for sixty days or has been renewed. Section 3 goes on to state that a company is limited in its decision to renew a policy and can only non-renew if it fits in one of the categories in Section 3. You will note that the language in Section 3 has been extrapolated from K.S.A. 40-276a. Aside from the legal distinctions, there are also management differences between cancellation and non-renewal. The language found in K.S.A. 40-276a is within the mandatory automobile insurance law. The key is that such coverages are mandatory. Thus, there is a public policy rationale to limit an insurance company's ability to non-renew these types of insurance coverages. These kinds of public policy issues simply do not exist in "homeowners" insurance. Beside the fact that automobile coverage is mandatory and homeowners coverage is not, the underwriting of the risk for an automobile is substantially different than the underwriting of an individual's home. Thus, my client has no problem with the requirement of giving notice at least thirty days prior to non-renewal. However, we believe the remaining language starting on line 39 after the word "policy" should be deleted through and including the remaining language found on page two through line 21.

As we have stated with regard to H.B. 2630 and H.B. 2631, such major changes will undoubtedly force the elimination of binding property insurance until all of the items delineated in the bill can be reviewed. Also, the insurer would inspect the property and either require the insured to correct all defects or reject homes with such problems. This is particularly important if H.B. 2637 were to be passed along with H.B. 2631 (inspection of property) in that without such inspections any defects could not be excluded under the policy. This could also lead to another public policy problem in that a real dilemma will exist if the insured does not have the financial resources to correct the problems needed in order to write to policy.

We also have serious concerns regarding the possible impact of this bill on rescission of insurance contracts. Under insurance contract law, which is more restrictive than general contract law, when a material misrepresentation is made, no contract was ever formed. This is legally stated as the contract is void *ab initio*. When it is discovered, an insurer returns all premiums paid, and since no contract ever existed, any claims made under the contract are not compensable. Because this bills provides "fraudulent misrepresentation" as a reason for non-renewal or cancellation, it may be interpreted by the courts to imply that the legislature intended to repeal the common law right to rescind insurance policies. Thus, if fraudulent misrepresentation is discovered after a claim has been made, an insurer's only remedy would be to pay the claim and cancel the policy. We contend that such an outcome is not in the best interest of the insuring public of the state of Kansas. Therefore, if this bill is to be moved through the legislative process, we believe

the law should include a statement that "nothing in this act shall be construed to imply the repeal of the right to rescind property insurance policies."

As with the other bills previously mentioned, we understand the Department is attempting to provide a legislative means to assure reasonable availability of insurance products in the marketplace. However, we believe this bill (individually and/or in conjunction with the others) may in rare instances provide such availability to those who are having difficulty obtaining insurance, but for the most part will act as a disincentive to expanding the current insurance companies in the marketplace. Thus, we respectfully request your disfavorable action on H.B. 2637.

Respectfully submitted,



William W. Sneed

HOUSE BILL 2637

HOUSE FINANCIAL INSTITUTIONS AND INSURANCE COMMITTEE

JANUARY 31, 1994

*Testimony by Lee Wright
The Farmers Insurance Group of Companies*

Thank you Mr. Chairman and members of the committee. My name is Lee Wright and I am here representing The Farmers Insurance Group of Companies. We appreciate the opportunity to appear here today in opposition to House Bill 2637.

This bill unreasonably restricts an insurer from determining the acceptability and desirability of homeowner business.

Specifically, Section 2 provides for specific cancellation reasons and section 3 provides criteria under which a policy may not be renewed.

Kansas has suffered three of the worst years in a row of storm losses. Some companies, particularly those who write business through independent agents, have tried to limit their future exposures by cancelling or non-renewing homeowner policies. The Wichita area seems to be the most affected by the recent availability problem.

I am proud to say that my company is not one of those companies.

We are aggressively going after additional new business in Wichita and throughout Kansas as we continue to pick up the slack left by those companies exiting the marketplace. Our homeowner rates are among the lowest and most competitive in the state right now.

Lee Wright
Attachment 10
Jan 31, 1994

we write business through a captive agency force. Our agents represent Farmers Insurance exclusively. We have approximately 308 agents in Kansas and we are currently the third largest writer of homeowner policies within the state.

We also have two regional offices and five branch claims offices in our state. Our Kansas employees number nearly 1,000.

In short, our company, its customers, agents and employees have a big stake in the Kansas market and we are not planning on going anywhere.

Since July of 1990, our overall average rate increase for that time period has been just 4% annually, only slightly over the annual inflation rate. Our policies in force during that same period have increased 14.8%.

We are proud of the fact we have been able to keep our rates low and increase business despite experiencing the three worst years of storm losses ever recorded in the state, and they occurred back to back to back.

While we don't condone what some of our competitors may be doing in the market, we feel this bill is an attempt to close the barn door after the chickens have already left.

It penalizes companies like ours for hanging in there when the going gets tough and others are leaving.

2637 will do nothing to improve the personal lines market place and may actually create additional availability problems by discouraging new insurers from entering the state.

Maybe the most important factor an insurance company reviews when deciding whether to enter a new state is that states' cancellation/non-renewal provisions. It cannot be overemphasized how negatively an adverse cancellation/non-renewal statute impacts that decision to enter a state.

Thank you Mr. Chairman, that concludes my remarks.

BRAD SMOOT

ATTORNEY AT LAW

EIGHTH & JACKSON STREET
MERCANTILE BANK BUILDING
SUITE 808
TOPEKA, KANSAS 66612
(913) 233-0016
(913) 234-3687 FAX

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SUITE 230
LEAWOOD, KANSAS 66206
(913) 649-6836

STATEMENT OF BRAD SMOOT, LEGISLATIVE COUNSEL FOR THE AMERICAN INSURANCE ASSOCIATION,

PRESENTED TO THE KANSAS HOUSE FINANCIAL INSTITUTIONS AND INSURANCE COMMITTEE REGARDING 1994 HOUSE BILL 2637, JANUARY 31, 1994.

Mr. Chairman and Members of the Committee:

I am Brad Smoot, Legislative Counsel for the American Insurance Association (AIA), a trade association representing more than 200 companies providing a variety of insurance products to Kansans and across the nation.

The American Insurance Association opposes legislation that, while well-intentioned, limits the ability of insurers to revise, reduce or terminate individual contracts upon expiration and in effect amounts to a guaranteed renewal law.

AIA opposes unreasonable statutory or regulatory restrictions on the ability of individual companies to withdraw, restrict, or revise their writings. Such restrictions impede the operation of fully competitive markets and force some policyholders to subsidize others. Moreover, while exit barriers deter potential new companies from entering insurance markets, there is little evidence that they ultimately prevent companies from withdrawing, although they can substantially raise the cost of doing so. Most importantly, they fail to address the underlying problems.

Moreover, this bill as drafted is vague and may result in increased litigation. Look, for example, at Sec. 2 (d), which references "unfavorable underwriting factors," "substantial nature" and the phrase "could not have reasonably been ascertained by the insurer." All these phrases, while appearing in other statutes, require determination of "facts" and the proof of "facts" which, of course, is what much of litigation is all about. I envision a constant struggle between insurers, their insureds and the department over the meaning and application of these terms.

Brad Smoot
Attachment 11
Jan 31, 1994

While we recognize that the business of insurance is one of the most highly regulated industries in the country, the "product or service" of insurance is still a contract between an individual buyer and seller. If one party is no longer willing to provide the product or service or the other no longer wishes to purchase the product or service, it should not be the business of government to force the continuation of the contract. This is especially true where there is no evidence that buyers of insurance have only one carrier to choose from. In fact, there is contrary evidence that forced transactions actually tend to reduce competition and the willingness of insurance companies to enter or expand in the market place.

We at AIA believe that the Department's objective of increasing the availability of insurance is laudable. However, we do not believe that H2637 will be successful in accomplishing that objective and may well have the opposite unintended consequence.

There are regulatory solutions to the problems facing Kansas insurance consumers. The Insurance Commissioner has current authority to respond to these problems. Legislative action is not required to overcome the current difficulties. In fact, Commissioner Todd has appointed a task force to study personal lines market availability and to make recommendations. We applaud his action and encourage the committee to let the task force complete its work. The legislature should not preempt a thorough and deliberate study of the issues by this group.

The bills being considered by the committee would take Kansas farther in restricting a company's ability to revise, non-renew or cancel an individual policy than any other state has gone. Kansas should not move to the extreme when there are other less drastic solutions which could be implemented more quickly and have a positive effect.

For these reasons, we encourage the Committee to reject H 2637. I would be pleased to respond to questions.

Kansas Association of

PROPERTY & CASUALTY
INSURANCE COMPANIES, INC.

L. M. Cornish
Legislative Chairman
Merchants National Tower
P. O. Box 1280
Topeka, Kansas 66601

MEMBER COMPANIES

January 31, 1994

Armed Forces Ins. Exchange
Ft. Leavenworth
Bremen Farmers Mutual Ins. Co.
Bremen
Consolidated Farmers Mutual Ins. Co., Inc.
Colwich
Farm Bureau Mutual Ins. Co., Inc.
Manhattan
Farmers Alliance Mutual Ins. Co.
McPherson
Farmers Mutual Insurance Co.
Ellinwood
Great Plains Mutual Ins. Co., Inc.
Salina
Kansas Mutual Insurance Co.
Topeka
Marysville Mutual Insurance Co., Inc.
Marysville
Mutual Aid Assn. of the Church of the Brethren
Abilene
Patrons Mutual Insurance Co.
Olathe
Skandia U.S. Insurance Co.
Topeka
Swedish American Mutual Insurance Co., Inc.
Lindsborg
Town and Country Fire and Casualty Ins. Co., Inc.
Hutchinson
Upland Mutual Insurance, Inc.
Chapman
Wheat Growers Mutual Hail Ins. Co.
Cimarron

House Committee on Financial
Institutions and Insurance
State Capitol Building
Topeka, Kansas

Re: House Bill 2637

Dear Chairman Bryant and Members of the
Committee:

I am David Hanson appearing on behalf
of the Kansas Association of Property and
Casualty Insurance Companies, which consists of
domestic property and casualty insurers in
Kansas.

The Association is concerned about the
amendments proposed in House Bill 2637. Our
primary concern is that the proposed amendments
will force a continuation of additional
coverages when reduction or cancellation of
coverage would otherwise be justified and
prudent. By restricting management decisions in
this way, exposure is both increased and
extended. We fear the end result will be
increased rates to compensate for the increased
exposure. Further, we fear this will cause a
chilling effect on writing new business due to
the extended coverage involved.

We must therefore oppose House Bill
2637. Thank you for your consideration.

Respectfully,



DAVID A. HANSON

DAH:kls/7918K

House File
Attachment 12
Jan 31, 1994



STATE OF KANSAS

KANSAS INSURANCE DEPARTMENT

420 S.W. 9th
Topeka 66612-1678 913-296-3071

1-800-432-2484
Consumer Assistance
Division calls only

RON TODD
Commissioner

M E M O R A N D U M

TO: The Honorable Bill Bryant, Chair
House Committee on Financial Institutions and Insurance

FROM: Dick Brock, Administrative Assistant
Kansas Insurance Department

SUBJECT: Cancellation and Nonrenewal Complaints
Private Passenger Auto and Homeowners

DATE: February 1, 1994

In response to the request of members of your Committee, I have visited with the representatives of our Consumer Assistance Division who handle the subject complaints and inquiries. As a result of this discussion, I was able to develop the following information.

Because the recommendation to propose legislation of the nature contained in House Bill Nos. 2630 and 2637 emanated from the Consumer Assistance Division, they had anticipated the need for information that would reasonably describe the magnitude of the problems these two bills address. As a result, late last summer a computer run was requested and obtained on the number of written complaints about cancellation and nonrenewal the Department received from January 1992 through August 1993. During this 20 month period, the recorded complaints totaled 116 relating to homeowners policies and 493 relating to private passenger automobile coverage. Of these, approximately 89 involved homeowners cancellation, 27 homeowners nonrenewal, 379 automobile cancellation and 114 automobile nonrenewal.

It is important to note that the above numbers are significantly understated. First, they do not include a count of the complaints received involving farmowners, dwelling fire or other residential property policies except homeowners. Second, the numbers are based only on the written complaints received by the Department (one Consumer Assistance Representative said that a conservative estimate of the telephone complaints and inquiries not followed up in writing was probably a ratio of 5 telephone calls to every 1 written communication). Third, we don't have any idea how many consumers have had the same problems the above numbers represent that don't register any type of complaint or inquiry but simple logic tells us we get only a small fraction of them. Fourth, much of the disparity between the number of complaints received with respect to private passenger auto as compared to homeowners can be explained by the fact that (1) there are many more cars

*Attachment 13
House #1 & 2
filed in / Jan 31, 1994 minutes*

The Honorable Bill Bryant
February 1, 1994
Page 2

than homes insured; (2) continual underwriting of autos is facilitated by motor vehicle information; (3) cars and drivers change and move more than homes and homeowners; and (4) the statutory restrictions on cancellation and nonrenewal of private passenger auto insurance are described in a number of consumer brochures and publications. Consequently, the public is aware that some restrictions exist and are therefore encouraged to ascertain if the insurer is permitted to cancel or nonrenew their policy.

Finally, even without numbers, the Consumer Assistance Representatives were unanimous in their view that cancellation and particularly nonrenewal of dwelling policies because of storm losses was a significant problem. As I indicated during the course of the discussion yesterday, persons who are cancelled or nonrenewed not only suffer the trauma of losing their insurance coverage but, because they have been cancelled or nonrenewed, encounter additional problems when they attempt to find replacement coverage. The application used by the vast majority if not all property and casualty insurers has a question on it which inquires as to whether the applicant has previously been cancelled or nonrenewed. Very, very frequently when a person answers this question in the affirmative, the underwriter will simply reject the application without obtaining or offering the applicant an opportunity to explain the circumstances surrounding the termination of the previous coverage. As a result, when coverage is located, it is often in a company with higher rates or premiums. When this change, inconvenience and higher cost results from storm losses over which the insured had no control, the frustration and aggravation of affected consumers is quite understandable.

With regard to House Bill No. 2630, our recording mechanism is fairly extensive in terms of the items of information collected, as evidenced by the attached sheet. However, it is not very helpful in determining or estimating the number of complaints received because of a reduction or elimination of auto insurance coverage. As industry testimony indicated, terminating physical damage coverage and/or reducing liability limits is a tool insurers use to avoid cancelling or non-renewing a risk. Consequently, there would not be a cancellation or nonrenewal per se so such complaints would be recorded under an "other" category. Therefore, I can't add any reliable numbers to our support of House Bill No. 2630 but I would remind the Committee that the industry testimony confirmed the use of "stripping" as a normal risk management tool.

I hope this information will be helpful but, as usual, I will be available and happy to respond to questions.

Attachment

cc: Members, House Committee on Financial Institutions and Insurance

DB:mmk

*** TYPE OF COVERAGE ***

Select only one item from the first level of coverages listed; up to 3 may be selected from the second level.

AUTO

0105 Private Passenger
0110 Commercial
0115 Motorcycle
0120 Motorhome
0125 Other

Second Level

0130 Liability
0135 Physical Damage
0140 Medical Payments
0145 Uninsured Motorists
0150 No-Fault/PIP
0155 JUA Related
0160 Other

FIRE, ALLIED LINES & CMP

0205 Fire, Allied Lines
0210 Commercial Multi-peril
0215 Credit Property
0220 Other

0225 Liability
0230 Theft
0235 Fire-Real Property
0240 Personal Property
0245 Other

HOMEOWNERS

0305 Homeowners
0310 Farmowner/Ranchowner
0315 Mobile Homeowner
0320 Other

0325 Liability
0330 Theft
0335 Fire-Real Prop.
0340 Personal Prop.
0345 Other

LIFE AND ANNUITY

0405 Individual Life
0410 Group Life
0415 Annuities
0420 Credit Life
0425 Accelerated Benefits
0430 Other

ACCIDENT AND HEALTH

0505 Individual
0510 Group
0515 Credit
0517 Other

Second Level

0520 Accident Only
0525 Disability Income
0530 Health Only
0535 Medicare Supplement
0536 Medicare Select
0540 Long-Term Care
0545 Dental
0550 Hospital Indemnity
0555 Cancer/Dread Disease
0560 Other

LIABILITY

0605 General
0610 Products
0615 Professional/E&O
0620 Other

MISCELLANEOUS

0705 Workers' Comp.
0710 Fidelity & Surety
0715 Ocean Marine
0720 Inland Marine
0725 Title
0730 Mortgage Guaranty
0735 Damage Waiver
0740 Warranty Contract
0741 Federal Programs
0745 Other

INQUIRY ONLY

0748 General Inquiry
0749 Brochure Sent

*** REASON FOR COMPLAINT ***

Select up to three (3) items. (Circle primary reason.)

UNDERWRITING

0805 Premium & Rating
0810 Refusal to Insure
0815 Cancellation
0816 Nonrenewal
0820 Delays
0825 Unfair Discrimination
0830 Endorsement/Rider
0835 Group Conversion
0840 Continuation of Benefits
0841 Medicare Supplement:
Refusal to Insure During Open Enrollment
0842 Medicare Supplement:
Refusal to Insure After Open Enrollment
0845 Other

MARKETING & SALES

0905 Misleading Advert.
0910 Agent Handling
0915 Misrepresentation
0920 Twisting
0921 Deceptive Cold
Lead Advertising
0922 High Pressure Tactics
0923 Dupl. of Coverage
0925 Delays
0930 Other

CLAIM HANDLING

1005 Unsatisfactory
Settlement/Offer
1010 PostClaim Underwriting
1015 Denial of Claim
1020 Coord. of Benefits
1025 Delays
1030 Cost Containment
1035 Other

POLICYHOLDER SERVICE

1105 Prem. Notice/Bill.
1110 Cash Value
1115 Delays/No Response
1120 Premium Refund
1125 Coverage Question
1126 Access to Care
1127 Quality of Care
1130 Other

INQUIRY ONLY

1198 Inq. Regard. Comp.
1199 Other Inquiry

*** DISPOSITION ***

Select up to three (3) items. (Circle primary disposition.)

1205 Policy Issued/Restored
1210 Additional Payment
1215 Refund
1220 Coverage Extended
1225 Claim Reopened
1230 Claim Settled
1235 No Act. Requested/Required

1240 Referred to Proper Agency
1245 Advertising Withdrawn/Amended
1250 Underwriting Practice Resolved
1255 Delay Resolved
1260 Cancellation Notice Withdrawn
1265 Nonrenewal Notice Rescinded
1270 Premium Problem Resolved

1275 Apparent Unlicensed Activity
1280 Referred for Disciplinary Action
1285 Question of Fact
1290 Contract Provision/Legal Issue
1295 Company Position Upheld
1300 No Jurisdiction
1305 Insufficient Information
1310 Other

California Companies Only

1396 Normal Complaint
1397 Supervisory Intervention
1398 Duplicative, Harassing, Frivolous or Suspected Fraudulent Claim

1394 Senate Bill 561

INQUIRY ONLY

1399 Information Supplied

DOLLAR AMOUNT \$

ADDITIONAL \$

ENTITY FUNCTION CODES

ADJ Adjuster/Appraiser
AIR Alien Insurer or Reinsurer
CAI Captive Insurer
CEO Chief Executive Officer
COO Chief Operating Officer
DIT Director or Trustee
EMP Employee
HCP Health Care Provider
HMO Health Maintenance Organization
INC Insurance Consultant
JUA Joint Underwriting Association

PPO Preferred Provider Organization
PRE President
PRI Principle or Owner
PRO Producer (agent, broker, solicitor)
REI Reinsurance Intermediary
RPG Risk Purchasing Group
RRG Risk Retention Group
SEC Secretary
SEI Self Insured
STF State Fund

KEE Key Employee
MET MEWA or Multiple Employer Trust
MGA Managing General Agent
OFF Officer
PFC Premium Finance Company
TPA Third Party Administrator
TRE Treasurer
UDI U.S. Domiciled Insurer
UNK Unknown
URO Utilization Review Organization
VIP Vice President