



January 31, 2023

Senator Jeff Longbine
Senate Committee on Financial Institutions and Insurance

Re: SB 25 – Surplus Lines Insurance Tax

Dear Chairman Longbine,

The Wholesale & Specialty Insurance Association¹ (WSIA) appreciate the opportunity to provide comments in support of SB 25 which would decrease the surplus lines tax rate from 6% to 3%. Surplus lines insurance serves as the safety valve of the property and casualty insurance industry. When a licensed insurance producer is unable to place business in the standard insurance market, they may seek coverage through a licensed surplus lines producer in the nonadmitted insurance market. Nonadmitted insurers are able to cover hard-to-place risks because they have more flexibility in the terms they can offer and the rates they can charge.

Currently, the surplus lines tax rate in Kansas is among the highest in the country. The national average tax rate is 3.67% and the median rate is 3%. With the exception of Oklahoma (also 6%), Kansas has the highest tax rate of the surrounding states. The rate also far exceeds the admitted tax rate of 2%. Because surplus lines insurance is only sought as a market of last resort, rates may be higher than those found in the admitted market. The high tax rate of 6% makes these products less accessible and affordable for Kansas business and consumers. Reducing the tax rate will provide lower cost solutions for consumers seeking insurance for hard-to-place risks.

For these reasons we support SB 25 and would urge the committee to recommend the bill favorably for passage. As the national trade association representing surplus lines brokers and carriers we would like to make ourselves available to the committee to provide answers to any questions and any national perspective that might help the committee make a decision. Thank you for the opportunity to provide testimony.

Sincerely,

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¹ WSIA is the U.S. professional trade association representing the wholesale and specialty insurance market and the wholesale distribution system. WSIA presents approximately 400 wholesale broker member firms, 100 surplus lines insurance companies, and 200 associates and service providers to the surplus lines market, our membership operates in more than 1,500 offices representing tens of thousands of individual brokers, insurance company professionals, underwriters and other insurance professionals worldwide – all of whom are committed to the wholesale distribution system and U.S. surplus lines market.