



February 3, 2025

Representative William Sutton, Chair
House Committee on Insurance
218-N
201 SW 8th Ave
Topeka, KS 66603

Re: HB 2087 – Nonadmitted insurer eligibility modernization

Dear Chairman Sutton and members of the Committee,

The Wholesale & Specialty Insurance Association (WSIA), the American Property Casualty Insurance Association (APCIA) and the Kansas Association of Insurance Agents (KAIA) appreciate the opportunity to provide comments in support of HB 2087 which would modernize the eligibility criteria for nonadmitted insurers writing business in the state of Kansas. WSIA represents both surplus lines brokers and carriers doing business within the United States and advocates for wholesale insurance distribution system. APCIA promotes and protects the viability of private competition for the benefit of consumers and insurers. APCIA represents the broadest cross-section of home, auto, and business insurers, including excess and surplus lines companies, of any national trade association. Kansas Association of Insurance Agents (KAIA) is dedicated to promoting and advancing the interests of the independent insurance system. Founded in 1920, KAIA represents more than 500 independent insurance agencies and branches across the state. We'd also like to thank the Kansas Department of Insurance who we worked closely with on this issue.

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. However, nonadmitted insurance may only be accessed after the risk in question has been rejected by the standard, or admitted, insurance market. This is why the nonadmitted market is frequently referred to as the safety valve of the insurance industry. It's also worth noting that nonadmitted insurance is only written on property and casualty (P&C) risks and represents roughly 8% of the total Kansas P&C market. The vast majority of business written by nonadmitted companies is on commercial risks. Only a small fraction of homeowner's policies are placed in the nonadmitted market and personal auto is prohibited from being placed in the nonadmitted market in Kansas.

HB 2087 is primarily a clean-up bill that will standardize legal references to nonadmitted insurers, clearly indicating that those insurers are eligible to provide insurance in Kansas provided they meet the requisite eligibility criteria. The bill also clarifies that eligibility criteria for nonadmitted insurers in Kansas will be compatible with the federal Nonadmitted and Reinsurance Reform Act (NRRRA). Establishing this uniform eligibility criteria will reduce red tape for nonadmitted insurers seeking to become eligible in Kansas and could provide additional insurance markets for Kansas consumers in the future.

In addition to these technical changes, the bill would also permit eligible nonadmitted insurers to satisfy the insurance requirement for vehicle dealers to obtain a license to operate. Currently, that insurance requirement may only be satisfied by an authorized (admitted) insurance carrier. This critical change will provide options for vehicle dealers that are having trouble securing insurance coverage. In recent years, the market for vehicle dealer insurance has hardened significantly and at present, only a small number of authorized (admitted) carriers currently offer that type of insurance in the state of Kansas. At present, when those authorized insurers decline to write coverage, the dealer has nowhere to go to satisfy the insurance criteria to obtain a license. This change will permit eligible nonadmitted insurers to satisfy the insurance requirement but only after the risk has been declined by the standard market.

HB 2087 will increase insurance options for Kansas residents while maintaining appropriate regulatory safeguards. For these reasons we would encourage the committee to recommend HB 2087 favorably for passage. Thank you for the opportunity to appear today and I would be happy to stand for any questions.

Sincerely,

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