



DATE: March 1, 2023

TO: The Honorable Bill Sutton
Members of the House Insurance Committee

FROM: Elizabeth Smoller, General Counsel
Kansas Association of Insurance Agents

RE: KAIA is in support of SB 25

Thank you for the opportunity to speak on SB 25.

The Kansas Association of Insurance Agents (KAIA) is a statewide association of independent insurance agents. Our 320 member agencies are business owners that live, work, and serve local communities, employing over 2,200 licensed agents across Kansas. They offer both personal and commercial coverage for their clients through multiple insurance companies. Offering choice allows them to provide consumers the best value when it comes to property, casualty, life, health, workers compensation, employee benefits, and retirement products.

We work closely with the Kansas Insurance Department (“KID”) and other industry stakeholders on many issues, including surplus lines taxes. Kansas currently charges a 6% surplus lines tax rate. The surplus lines tax is levied on Kansas consumers that place their insurance with a non-admitted carrier. This 6% rate is tied for highest in the nation and it is an unnecessary financial burden on Kansas small businesses and consumers.

Based on our most recent Kansas Marketplace data, approximately 4.2% of the \$7.9B Property and Casualty marketplace is written on a non-admitted basis, or \$330M. This is double the amount of E&S written premium placed in 2017. This shows an increased need for agents to utilize the non-admitted marketplace to meet their customers’ needs. The 6% premium tax is an additional financial burden on Kansas customers when their policies are written on a non-admitted basis.

Insurance is placed with non-admitted carriers for a variety of reasons. Insurance carriers often want the flexibility to adjust policy terms and pricing for non-standard risks because of their size, operations type, complexity, loss history or line of business. In addition, surplus lines writing carriers are often part of larger insurance company groups that include admitted carriers as well and maintain strong A.M. Best financial ratings. Non-admitted carriers require the approval of the KID to do business in the state and it still has authority over interaction with customers. Many times, a non-admitted carrier is the only available option for a new business venture, an insured with undesirable loss history, or an



undesirable exposure (i.e. fireworks manufacturing). While a non-admitted carrier may not always be more expensive, it certainly is most of the time. In addition to higher premium, Kansas small businesses and consumers must then pay an additional 6% on top of what is probably an escalated premium.

As the insurance marketplace continues to evolve, KAIA supports SB25 to reduce the surplus lines tax rate from 6% to 3%. We support the committee passing this bill out favorably.