



Kansas Insurance Department

Sandy Praeger

COMMISSIONER OF INSURANCE

Bulletin 2006-07

TO: All Fire and Casualty Insurance Companies Licensed to Write Business in Kansas

FROM: Sandy Praeger
Commissioner of Insurance

DATE: September 1, 2006

RE: Senate Bill 539

Senate Bill 539 was enacted by the 2006 Kansas Legislature. See <http://www.kslegislature.org/bills/2006/539.pdf>. This Senate Bill became effective July 1, 2006.

The Department has received inquiries regarding SB 539. The purpose of this bulletin is to clarify and respond to those inquiries.

SB 539 allows an insurer to increase or decrease some commercial lines premiums on a given risk basis, without documentation, up to 40%. "Without documentation" means that the insurer is not required to file their schedule rating plan.

The only major change in Senate Bill # 539 affecting premium is the ability for insurers to use "up to" a 40 % increase or decrease in premium, on a given risk basis, without documentation. This premium modification procedure is used in what is commonly called "schedule rating" or "individual risk premium modification" (IRPM).

Use of the 40% increase or decrease premium modification pertains ONLY to "most" commercial lines as there are some exceptions which are specified in the legislation. Thus, commercial lines coverage for farm owners, ranch owners, and crop insurance, medical malpractice coverage required by K.S.A. 40-3401, *et seq.* are excluded from application of 40% increase or decrease premium modification; however, these coverage are still eligible for up to a 25 % increase or decrease in premium modification provided for in K.A.R. 40-3-12. Personal lines and Workers compensation are not eligible for IRPM or schedule rating.

An existing regulation (K.A.R. 40-3-12) available at <http://www.ksinsurance.org/department/LegalIssues/regulations-adopted/article-3/40-3-12.pdf> permits a maximum credit or debit from risk modification not to exceed 25%, but that regulation pertains ONLY to

commercial lines, except workers compensation, exempted in New Section 3. The 40% credit/debit in "New Section 3" cannot be used in addition to the 25% schedule rating debit/credit made pursuant to KAR 40-3-12. KAR 40-3-12 has not been repealed and has not been replaced by the new law.

Additionally, for clarification, the following will show some of the more substantial changes to the filing of forms:

1. Forms pertaining to larger commercial risks as defined in K.S.A. 40-955(i) are exempt from the form filing requirements in K.S.A. 40-216. Insurers can use un-filed forms for these accounts; however, these un-filed forms must still comply with the other provisions of Kansas law.
2. The prior approval requirement for personal lines forms has been replaced by: Personal lines forms shall be on file for 30 days before becoming effective. For the purpose of this law, the term "personal lines" shall mean insurance for noncommercial automobile, personal umbrella, homeowners, dwelling fire, personal inland marine, and renters insurance policies as defined by the commissioner by rules and regulations.
3. Forms for the basic coverage required by K.S.A. 40-3401 et seq. and workers compensation shall not be used until approved.
4. Except as provided above, all forms shall be effective on filing (date received in our office), or any subsequent date selected by the insurer.

If you have any questions regarding this bulletin, please contact Bill Wempe, Kansas Insurance Department, 420 SW 9th Street, Topeka, Kansas 66612, 785-296-7845 or email bwempe@ksinsurance.org.