



DATE: February 9, 2022

TO: Senator Jeff Longbine
Members of the Financial Institutions and Insurance Committee

FROM: Dave Hulcher, Executive Director
Kansas Association of Insurance Agents

RE: Proposed Rebating Bill

Thank you for the opportunity to share our written testimony in response to Kansas Insurance Department's proposed legislation related to rebating. While we have had limited time to review the final bill, KAIA has some concerns with some of the provisions contained in the bill as it is currently written and therefore are in opposition to its adoption.

The Kansas Association of Insurance Agents (KAIA) is a statewide association of independent insurance agents. It has approximately 325 member independent insurance agencies with more than 2,200 licensed independent insurance agents throughout the state of Kansas.

Proposed by the Kansas Insurance Department, the bill pertains to unfair trade practices and incorporates language from NAIC model law. KAIA's primary objection to the bill is that anti-rebating sections specifically exclude application to the offering of commercial property and casualty insurance. Our Government Affairs committee, made up of member agents from around the state, felt that the provisions should be applied universally to all lines of coverage including commercial P&C. While issues related to rebating have historically been more prevalent within the life and health insurance lines, we'd like further explanation and exploration on why commercial P&C insurance is being carved out. Many purchasers of commercial insurance may be considered sophisticated buyers, however in this context, they can still be unduly influenced by certain inducements to purchase coverage. Small businesses are major employers and an economic driver at the heart of Kansas communities, and we want to make sure they are duly protected. In addition, not excluding commercial P&C insurance allows for consistency in the distribution of insurance across all lines.

The other area of the bill that KAIA has concerns with deals with the ambiguity surrounding the offer of non-cash gifts in connection with the marketing, sale, purchase and retention of the



insurance contracts. The current language states “as long as the cost does not exceed an amount determined to be reasonable by the commissioner per policy per year.” We would prefer to have a defined dollar amount for both commercial and personal customers. This would provide clear, upfront guidelines for all parties to follow.

Thank you for the opportunity to share our written testimony in opposition to proposal as currently written. Independent agents are the largest writer of commercial lines P&C insurance and KAIA welcomes a continued dialogue with legislators, industry stakeholders, and the Kansas Insurance Department regarding an updating of the Kansas anti-rebating statutes.