

March 12, 2018

The Honorable Jeff Longbine
Chairman, Senate Financial Institutions and Insurance Committee
Room 546-S, State Capitol Building
300 SW 10th Street
Topeka, Kansas 66612

Re: Letter in Opposition to SB 362 – March 14, 2018 Hearing

Dear Chairman Longbine and Committee Members:

The National Association of Mutual Insurance Companies (NAMIC) is the largest property/casualty trade association in the country, with 1,400 regional and local mutual insurance member companies serving more than 135 million auto, home, and business policyholders and writing in excess of \$196 billion in annual premiums. More than 200,000 people are employed by NAMIC member companies. In Kansas, we have 183 member companies, including 11 domiciled companies, which underwrite 66% of the state's homeowners' and commercial property insurance coverage.

NAMIC writes to express our opposition to SB 362, which would take away consumer choice in homeowners' insurance and increase costs for many Kansas families.

At its most basic, a consumer looking to purchase homeowners' insurance has the option of selecting either an "actual cash value" policy or a "replacement cost" policy. The first provides that upon loss the insurer pays an amount that factors in the depreciation of the property while the second covers the amount needed to replace the structure. Replacement coverage is the more expensive option.

SB 362 undermines the affordability of the actual cash value policy by excluding from the depreciation calculation the amount attributable to labor, which transforms the policy into a more expensive hybrid of the two types of coverage. Like all mandated benefits, consumers absorb the cost by either paying more or cutting elsewhere, such as by increasing deductibles or dropping other coverages.

NAMIC appreciates your attention to this issue. If you have any questions or comments, please do not hesitate to contact me. In the meantime, I remain,

Sincerely,



Mark Johnston
Regional Vice President – Midwest