



Kansas Insurance Department

Sandy Praeger, Commissioner of Insurance

Bulletin 2009-1

To: All Personal Lines Insurance Companies Writing Property and Casualty Insurance

From: Sandy Praeger, Commissioner of Insurance

Date: December 21, 2009

Re: Flex-Rating Act K.S.A. 40-970 through 40-975

The flex-rating statutes (K.S.A. 40-970 through 40-975) have been in effect since July 1, 2008. We have been seeing problems with the implementation of filings under these statutes that we wish to address with this Bulletin.

The recurring problems have been when companies have used the flex rating statutes to implement their rate filings and these files have included revisions to rating rules, territorial boundaries or even forms. We have issued disapproval letters on some of these filings because of the revisions to the additional elements of the filing and the companies have advised that the filing was implemented. This has added a level of complication of addressing the problems in the files and when a filing can be implemented due to these compliance problems.

The compliance issues with these filings have been primarily that the rating factors were not adequately supported or justified, which resulted in unfair rate discrimination pursuant to K.S.A. 40-953. The manual rules, territories or forms can have numerous statutes and regulations apply to them that are outside of the flex-rating exemption contained in K.S.A. 40-952 through 40-955 and there have been compliance problems with these as well.

Procedurally if there are compliance problems with the filing, you will receive a Notice of Disapproval. Upon receipt of this Notice, you will have the opportunity to amend the filing to bring it into compliance. You will also be given a time period under which we must receive your reply. Due to the time constraints in K.S.A. 40-972, we cannot grant extensions for your replies. If the compliance problems have not been addressed or addressed adequately, you will receive a Summary Order disapproving the rate filing. The Summary Order will state when the filing must be removed from production.

If you want to amend territorial boundaries, rating rules or forms, we suggest that you submit a second filing to address these revisions. We will review this second filing pursuant to K.S.A. 40-955. Constructing filings in the manner suggested in this paragraph is strictly voluntary on your part. However, our experience has been that when a rate filing includes the elements described

above, its complexity can increase dramatically. The likelihood of receiving disapproval increases when the complexity of a filing increases;

We also want to remind you that the flex-rating act applies only to rate filings in which the overall effect is between a 12% decrease and a 12% increase, or the cumulative impact of multiple rate filings filed within a 12 month period falls within the 12% band. Any rate filing that falls outside of this band must be on file for 30 days before it can be implemented pursuant to K.S.A. 40-955. If during this 30 day period, you receive disapproval on the filing, it cannot be implemented until approved.

If you have any questions regarding this Bulletin, you may call Jim Newins at 785-296-3071.