K.A.R. 40-3-12. Fire and casualty insurance companies; rating plans; requirements. (a) “Individual risk rating plans” shall mean individual risk premium modification plans, schedule rating plans, and similar plans applicable to commercial lines of property and casualty insurance that include one or more of the following types of premium modification:

(1) “Risk modification,” which shall mean the application of judgment debits and credits through schedule rating or individual risk premium modification plans to the individual rates otherwise applicable, based on the individual risk's variations in hazard and characteristics of the risk not reflected in the insured’s experience. Risk modification shall not include variations in expenses;

(2) “expense modification,” which shall mean the variation of the premium for an individual risk that corresponds to the variation in the expenses of this risk from the provision for losses applicable to that entire class of risk; or

(3) “experience modification, excluding retrospective rating plans,” which shall mean a variation in the premium for an individual risk that corresponds to that risk's variation in past loss experience from the provision for losses applicable to that entire class of risk.

(b) Individual risk rating plans permitted by K.S.A. 40-954, and amendments thereto, shall meet the following requirements:

(1) Each plan shall specify the kind of insurance or subdivision, or combination, to which the plan applies.

(2) The maximum credit or debit resulting from risk modification shall not exceed 25 percent.

(3) Each plan shall establish standards that bear a relationship to the variation in hazard or expense, or both, to be measured.

(4) Each plan shall be mandatory for all eligible risks and shall be applied by company representatives responsible for underwriting the risk or risks involved in a manner that is uniform and not unfairly discriminatory.
(5) Each company using individual risk rating plans shall obtain all information necessary to
determine the proper application of the plans to any particular risk. Each company shall maintain
adequate supporting information for examination by the commissioner upon request.

(6) Each change or removal of credits or debits that results from the application of individual
risk rating plans shall occur only on the anniversary or renewal of a policy but not during the
policy period.

(7) Each change or removal of a debit or credit that was applied under an individual risk rating
plan or expense modification shall be based on conclusive evidence that either the conditions that
produced the most recent debits or credits no longer exist or their impact has been reduced in direct
proportion to the new rating treatment applied. (Authorized by K.S.A. 40-103 and 40-961; implementing
K.S.A. 40-954; effective Jan. 1, 1966; amended May 1, 1979; amended May 1, 1986; amended May 1,
1988; amended March 10, 2006.)