

FARMERS MUTUAL INSURANCE COMPANY  
16 N. Main – P.O. Box 396  
Ellinwood, Kansas 67526-0396  
Phone 620-564-3281 Fax 620-564-3555



March 7, 2019

Honorable Fred Patton  
Chairman, House Judiciary Committee  
Rom 519-N, State Capitol Building  
300 SW 10<sup>th</sup> Street  
Topeka, KS 55512

Re: Letter of Support – SB 78 – March 11, 2019 Hearing

Dear Chairman Patton and Committee Members:

Farmers Mutual Insurance Company (FMI) of Ellinwood, Kansas was organized on April 12, 1896. The statutes of the organization, as published in 1899, recorded that the organization was called the "Union of German Farmers of Barton County and Vicinity, Kansas". The purpose of the organization was to "Support, instruct, and promote custom in cooperation with the Farmers in a mutual way".

Over the years the company has adopted as its motto, "The Mutual Way." Today the company has a network of more than 200 independent agency locations throughout the state of Kansas. Through these independent agents, FMI provides Homeowner, City (Dwelling) Fire, Farm Fire, and Small Commercial Property/Casualty insurance coverage in service to all of Kansas with an emphasis in Rural areas of the state. We offer service and protection to Kansans as the primary driving purpose of FMI as our mission is to, *"Provide Kansans with insurance protection that is reliable and personal."*

Although FMI is currently the smallest operating Mutual in the state we serve a specific niche of business that is often overlooked by the standard market yet is not suitable for the State Fair Plan. We insure primarily lower valued properties as well as those consumers that may have minor underwriting concerns for themselves or their property that prevent them from insuring in the standard or preferred markets. We do so mainly with the utilization of Actual Cash Value settlement terms that does require participation by the insured in the loss but allows insurance coverage that is very affordable at reasonable limits of coverage to protect the insured in the event of loss.

FMI works diligently on each claim with our insured through independent adjusters to ensure the policy provisions are administered as best possible while also providing the best service and coverage for the insured in their time of need. We certainly do not object to the insured having assistance from contractors or repairmen in the claims process, and many times their input can be valuable to ensuring all the damage is accounted for and represented with the appropriate repair cost or methods. However, the misuse of "assignment of benefits" contracts or similar practices by some contractors causes great concern for our insureds who may at the time of loss may not understand what assignment is being made.

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Contracts that transfer full control or rights to the contractor have many possible issues that may limit the ability of the insured. In some cases, unscrupulous contractors have used such contracts to inflate costs and refused to make the repairs before a final agreement has been made for payment. For FMI customers this could also be a greater issue as our policy forms are mainly Actual Cash Value, which deducts depreciation from damages, and the inflation of costs or other issues could greatly increase the out-of-pocket costs to the insured, without that insured having any actual voice in the negotiations.

SB 78 addresses this by requiring minimum standards for these assignment contract. Among other protections, some keys to the protection of insureds included are:

- Giving the property owner the right to cancel the contract within five business days of signing;
- Allowing the assignment to be used as a way to assure payment of the insurance proceeds to the contractor while avoiding the complete transfer of the insured's rights under the policy; and,
- Requiring that the assignment be provided in a timely manner to the insurer so to reduce claims processing problems.

The enactment of SB 78 will save Kansans from many of the problems that have been seen elsewhere after disaster strikes. It is a good faith bill that allows well-regarded contractors to get to work while protecting the insurance consumer from the harm.

FMI appreciates your attention to this issue for the benefit of Kansans. We too are Kansans and strive to be part of the equation that constantly looks for ways to help, protect, and serve our fellow Kansans.

Mutually yours,

A handwritten signature in black ink, appearing to read "Justin Lear".

Justin Lear, PFMM  
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