

February 18, 2019

The Honorable Rick Wilborn
Chairman, Senate Judiciary Committee
Room 541-E, State Capitol Building
300 SW 10th Ave.
Topeka, Kansas 55512

Re: Letter in Support of SB 78 – February 19, 2019 Hearing

Dear Chairman Wilborn and Committee Members:

NAMIC is the largest property/casualty insurance trade association in the country, with more than 1,400 member companies representing 40 percent of the total market. NAMIC supports regional and local mutual insurance companies on main streets across America and many of the country's largest national insurers. NAMIC member companies serve more than 170 million policyholders. In Kansas, we have 194 member companies, including 11 domiciled companies, which underwrite 53% of the state's insurance coverage.

NAMIC writes to express our strong support for SB 78, which will enhance protections for consumers during the stressful period after a disaster. The bill does this by addressing the role of public adjusters and by providing a fair and balanced framework for the allocation of rights and obligations between consumers and contractors when a decision is made for the consumer to assign it rights under a policy to a third-party.

It needs to be stressed that NAMIC member companies work on a daily basis with residential contractors. The work they do is absolutely essential for the homeowner and insurers. Kansas is fortunate to have so many quality contractors in communities across the state.

We are seeing a problem in parts of the Midwest that when problem arises, some contractors, particularly those from elsewhere who flock to the state after a disaster strikes, misuse what are called are generally called "assignment of benefits" contracts. Some of these contracts go far beyond what is necessary to guarantee that the contractor will be paid its rightful amount from the proceeds. The contractor mandates homeowners sign them in the critical hours after disaster. They also completely transfer control of the homeowner's claim to the contractor. Homeowners can be prohibited from working with companies to achieve a reasonable settlement of the claim.



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In some cases, unscrupulous contractors have inflated repair costs and refused to make repairs before reaching a final agreement on payment. Homeowners are then often surprised to learn they have relinquished their rights under the policy.

SB 78 addresses this by requiring minimum standards for the assignment contract. They include:

- Giving the homeowner 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 wholesale transfer of the homeowner's rights under the policy;
- Requiring that the assignment be provided in a timely manner to the insurer so to reduce claims processing problems; and

The enactment of SB 78 will save Kansas citizens 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 purchasing public from the harm.

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,

A handwritten signature in black ink, appearing to read 'Mark Johnston', is positioned below the word 'Sincerely,'.

Mark Johnston
Regional Vice President – Midwest

cc: Ms. Marlee Carpenter, KAPCIC