

RULES – IMPLEMENTATION

DECEMBER 22, 2023

COMMERCIAL INLAND MARINE

LI-CM-2023-046

## KANSAS REVISED COMMERCIAL INLAND MARINE INDIVIDUAL RISK PREMIUM MODIFICATION PLAN FILED AND TO BE IMPLEMENTED

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### KEY MESSAGE

We have filed revisions to Rule **4. Special Conditions** in the Commercial Inland Marine Individual Risk Premium Modification Plan (CMIRPM) in response to revoked K.A.R. 40-3-12 and amended K.A.R. 40-3-13.

Filing ID: [RP-2023-RCM1](#)

Effective Date: 5/1/2024

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### BACKGROUND

In circular [LI-CL-2023-029](#), we announced that:

Effective November 3, 2023, K.A.R. 40-3-12 has been revoked. Before revocation, K.A.R. set forth in pertinent part that:

"40-3-12. Fire and casualty insurance companies; rating plans; requirements...

(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..."

The Kansas Insurance Department noted in their Notice of Public Hearing on Proposed Administrative Regulations, dated September 7, 2023, that the revocation of K.A.R. 40-3-12 in part "removes an inconsistency in the application of allowable risk modification rates between [KAN. STAT. ANN §] 40-954 and [KAN. STAT. ANN §] 40-955b caused by the existing regulation, which mandated a credit/debit limit of 25% not otherwise found in statute and did not address the provisions of [KAN. STAT. ANN §] 40-955b.

...

(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."

K.A.R. 40-3-13 has been amended accordingly (revisions indicated below) to state the following:

"40-3-13. Fire and casualty insurance companies; rating plans; duplication prohibited.

Risk modification, ~~as described in K.A.R. 40-3-12~~, shall not be applied to duplicate factors already fully recognized in the otherwise applicable rate."

Based on our initial analysis of the revocation of K.A.R. 40-3-12 and our review of the amendment of K.A.R. 40-3-13, we anticipate revising various rating plans for the various lines of business mentioned in the Key Message block. Specifically, we anticipate revising the following Rating Plans:

- Commercial Auto Liability Experience and Schedule Rating Plan (CALES)
- Individual Risk Premium Modification Plan (IRPM)
- Farm Individual Risk Premium Modification Plan (FRIRPM)
- Commercial Inland Marine Individual Risk Premium Modification Plan (CMIRPM)
- Cyber Individual Risk Premium Modification Plan (CYIRPM)
- Crime and Fidelity Experience and Schedule Rating Plan (CRES)
- Kidnap/Ransom and Extortion Individual Risk Premium Modification Plan (KRIRPM)
- Commercial General Liability Experience and Schedule Rating Plan (CGLES)
- Employment-Related Practices Liability Schedule Rating Plan (EPS)
- Lawyers Professional Liability Schedule Rating Plan (LWPLS)
- Management Protection Individual Risk Premium Modification Plans (MPIRPM)
- Hospital Professional Liability and Incidental Experience and Schedule Rating Plan (HOSPES)
- Financial Institutions Experience and Schedule Rating Plan (FIES)

## ISO ACTION

In response to the revocation of K.A.R. 40-3-12 and amended K.A.R. 40-3-13, we are revising Paragraph B. Application To Risks from Rule **4. Special Conditions** within the CMIRPM rating plan in Kansas. Paragraph B. specifically referenced the now withdrawn K.A.R. 40-3-12.

Refer to the attached explanatory material for complete details about the filing.

*For more information on the status of filings in a particular state, including filed and approved documents, associated circulars and links to Print Ready Manuals and Commercial Lines Manual, please feel free to access our [Filings](#) feature within the ISOnet Circulars product.*

## EFFECTIVE DATE

We do not establish an effective date for Commercial Inland Marine rules revisions in this state. Each insurer that elects to utilize this revision is responsible for determining its own effective date.

## COMPANY ACTION

ISO has not filed this revision.

You must independently determine what revision to make and when to make any revision effective. If you decide to use all or any part of our revision, you are NOT required to file anything with the Insurance Department.

You must document your files in case the Insurance Department wishes to review the information at a later date. In all internal correspondence on this revision, you should refer to ISO Filing Number RP-2023-RCM1, NOT this circular number. Communications with the regulator concerning a filing affecting multiple lines of business (i.e., CL, PL, AL filing designation) should specify the line(s) of business that you are addressing.

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## RATING SOFTWARE IMPACT

No new attributes are being introduced with this revision.

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## POLICYHOLDER NOTIFICATION

If you decide to implement this revision, you should check all applicable laws for the state(s) to which this revision applies to determine whether or not a specific policyholder notice requirement may apply. Please note that circular [LI-CL-2023-005](#) contains the ISO Guide To Renewals With Changed Conditions For Commercial Lines, which is available only as a guide to assist participating companies in complying with various conditional renewal statutes or regulations, for the major commercial lines of insurance serviced by ISO. The information in the Guide does not necessarily reflect all requirements or exceptions that may apply, and it is not intended as a substitute for your review of all applicable statutes and regulations concerning policyholder notification.

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## REVISION DISTRIBUTION

We will issue a Notice to Manualholders with an edition date of 5-24 (or the earliest possible subsequent date), along with any new and/or revised manual pages.

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## REFERENCE(S)

- [LI-CL-2023-029](#) (11/09/2023) Revocation Of K.A.R. 40-3-12 And Amendment Of K.A.R. 40-3-13 Under Review
- [LI-CL-2023-005](#) (02/21/2023) Commercial Lines Revised Lead Time Requirements Listing

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## [ATTACHMENT\(S\)](#)

Filing [RP-2023-RCM1](#)

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# Kansas Commercial Inland Marine Individual Risk Premium Modification Plan Revised

## About This Filing

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The Kansas Insurance Department has revoked K.A.R. 40-3-12 and amended K.A.R. 40-3-13 to remove reference to K.A.R. 40-3-12. In response to the newly revised regulation, we are revising the Commercial Inland Marine Individual Risk Premium Modification Plan (CMIRPM) in Kansas.

## Revised Rule

We are revising Rule **4. Special Conditions** in the CMIRPM in Kansas. We have used a format of ~~striking-through~~ deletions, underlining additions and inserting a revision bar in the left margin to indicate changes.

## Background

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Effective November 3, 2023, K.A.R. 40-3-12 has been revoked. Before revocation, K.A.R. set forth in pertinent part that:

"40-3-12. Fire and casualty insurance companies; rating plans; requirements...

(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....

(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."

The Kansas Insurance Department noted in their Notice of Public Hearing on Proposed Administrative Regulations, dated September 7, 2023, that the revocation of K.A.R. 40-3-12 in part "removes an inconsistency in the application of allowable risk modification rates between [KAN. STAT. ANN §] 40-954 and

[KAN. STAT. ANN §] 40-955b caused by the existing regulation, which mandated a credit/debit limit of 25% not otherwise found in statute and did not address the provisions of [KAN. STAT. ANN §] 40-955b.”

...

K.A.R. 40-3-13 has been amended accordingly (revisions indicated below) to state the following:

"40-3-13. Fire and casualty insurance companies; rating plans; duplication prohibited.

Risk modification, ~~as described in K.A.R. 40-3-12~~, shall not be applied to duplicate factors already fully recognized in the otherwise applicable rate."

## Explanation of Changes

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We are revising Paragraph B. Application To Risks from Rule **4. Special Conditions** within the IRPRM in Kansas to remove references to K.A.R. 40-3-12.

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#### 4. SPECIAL CONDITIONS

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Rule 4. is replaced by the following:

**A. Regulation 40-3-13**

Companies must conform with Regulation 40-3-13 which prohibits the duplication of factors already fully recognized in the company rate.

**B. Application To Risks**

~~This Plan must be applied to all eligible risks in accordance with the requirements of Regulation 40-3-12.~~ The Plan shall be applied after application of all other rating procedures.