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October 18, 2012

The Honorable Richard Proehl, Co-chairperson
The Honorable Clark Shultz, Co-chairperson
The Honorable Ruth Teichman, Vice-Chairperson
Special Committee on Financial Institutions and Insurance
State Capitol Building
Topeka, Kansas 66612

Re: Amendments to the Insurance Holding Company Act

Dear Representative Proehl, Representative Shultz and Senator Teichman:

The National Association of Mutual Insurance Companies (NAMIC) is the largest and most diverse property/casualty trade association in the country, with 1,400 regional and local mutual insurance member companies serving more than 135 million auto, home, and business policyholders and writing in excess of $196 billion in annual premiums. More than 200,000 people are employed by NAMIC member companies. In Kansas, we have 135 member companies, including 14 domiciled companies, which underwrite 44% of the state's insurance business.

The regulation of insurance has been a core function of state government for over a century. This arrangement has served consumers well. Despite history, there are those who believe that the regulation of insurance should be taken over by Washington, D.C. NAMIC opposes this view and remains a strong advocate of a reformed system of state-based regulation. The amendments developed by the National Association of Insurance Commissioners (NAIC) to its Model Insurance Holding Company Act represent a necessary tool to ensure that the regulation of Kansas insurers remains in Topeka.

Kansas has many historic small and mid-sized companies that have served Kansans well. These companies did not cause the financial crisis. The Model Holding Company Act amendments are not intended to apply to them.

That said, if the Model Act amendments were adopted unchanged, small companies that fall into the definition of a holding company merely because they are affiliated with an insurance agency or hold their home office property via a subsidiary would be forced to expend time and resources to comply.

One Kansas domestic has described new disclosure requirements in the amendments as a substantial compliance challenge that would require significant expenditure of

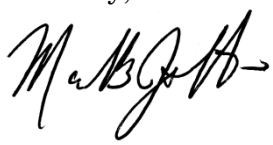
executive management time to compile information that would have little to no value to regulators

Another Kansas domestic insurer has estimated that its costs to comply would amount to approximately .25% of annual premium net of reinsurance, or .5% of surplus. With recent storms, low investment returns and competitive pressures, each additional rule that imposes new costs has to be justified by the benefit provided to the public, especially when the cost is ultimately borne by the premium paying citizens and businesses of the state.

NAMIC and our members propose an amendment to the draft bill that would grant an explicit exemption from the act for companies with annual premium writings of under $300,000,000. In passing its version of the law, the Texas Legislature adopted such an exemption. We understand that the Department of Insurance is supportive of this concept.

NAMIC appreciates the effort this committee is making to understand the NAIC's Model Holding Company Act. If there is anything NAMIC or our members can do to assist you, or if you have any questions or comments, please do not hesitate to contact me. In the meantime, I remain,

Sincerely,



Mark Johnston
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