

MINUTES OF THE HOUSE COMMITTEE ON INSURANCE

The meeting was called to order by Chairman Rex Hoy at
Chairperson

3:30 ~~xxx~~/p.m. on February 15, 1983 in room 521-S of the Capitol.

All members were present except:
Rep. Harder, who was excused.

Committee staff present:
Wayne Morris, Legislative Research
Gordon Self, Revisor's Office
Mary Sorensen, Committee Secretary

Conferees appearing before the committee:
Dick Brock, Kansas Insurance Department

Others Present:
See List (Attachment 1)

Dick Brock, of the Kansas Insurance Department, spoke on HB 2248, which is Proposal No. 1 requested by the Insurance Department. He gave a brief explanation of the bill, and referred to "An Evaluation of the Kansas No-Fault Law", which was distributed to the committee members on Thursday, February 10, 1983. He stated that No-Fault automobile liability insurance was enacted by the Legislature in 1973. It has been accepted and has proven it will work; and if the changes embodied in HB 2248 are enacted, they will adjust the personal injury protection benefits and the tort threshold amount to the same equivalent dollars as they were when the Legislature enacted the No-Fault law in 1973. Mr. Brock said the increased figures in this bill were the result of taking the appropriate components of the Consumer Price Index and applying them to the benefits provided in the law at the present time. The bill also provides a new Section 3, which allows for periodic review and possible adjustment of some of the benefits, based on the Consumer Price Index in effect at that time. There were some questions as to how the tort threshold works, and the need to increase it if benefits are increased.

As there are several bills now in the committee which refer to the Consumer Price Index, Wayne Morris passed out Attachment 2, a memorandum dated February 10, 1983, prepared by the Kansas Legislative Research Department, entitled "Consumer Price Indices"; and Attachment 3, which is a sheet showing various components which make up the Consumer Price Index. He gave a brief explanation of the two sheets, and answered questions concerning application of the Consumer Price Index to benefits proposed in HB 2248.

HB 2117 was then up for final action. Wayne Morris gave a brief explanation of the bill, and there was some discussion as to protection provided by the Conflict of Interest Statutes if this bill is passed. Rep. L. Johnson moved to pass the bill out favorably. Rep. Spaniol seconded. The motion carried.

Rep. Littlejohn moved that the minutes for February 8, 1983, and February 10, 1983, be approved. Rep. Fuller seconded. The motion carried.

The meeting adjourned at 4:15 PM.

Kansas Legislative Research Department

February 10, 1983

CONSUMER PRICE INDICES

The Consumer Price Index (CPI) compiled by the U.S. Bureau of Labor Statistics measures the average change in prices of a fixed market basket of goods and services, including food and beverages, housing, apparel and upkeep, transportation, medical care, entertainment, and other goods and services. The various components of the CPI are weighted based on a consumer expenditure survey conducted in 1972-73. The base year of the index is 1967, i.e., the 1967 price level equals 100. The CPI measures price change over time, such as month-to-month or year-to-year.

Although the CPI is sometimes referred to as a "cost-of-living" index, it is not. Price change is just one factor which affects living costs. For instance, the CPI does not include income, personal property, and Social Security taxes, and generally it does not reflect changes in the pattern of consumption such as substitution of lower-cost goods and services for those whose prices have increased substantially.

There are three CPIs at the present time. The oldest is for only urban wage earners and clerical workers (CPI-W), which covers about 40 percent of the total noninstitutional population.

Beginning with January 1978, a new index for all urban consumers (CPI-U) was published; this one covers about 80 percent of the noninstitutional population and includes, besides wage earners and clerical workers, professional, managerial and technical workers, the self-employed, short-term workers, and the unemployed, retirees, and others not in the labor force.

Beginning with January 1983, the CPI-U will be changed by substituting a "rental equivalency" measure for the homeownership component of the index. Formerly, that component was based on house prices, mortgage interest rates, property taxes, insurance, and maintenance costs, so it included both consumption and investment aspects. The Bureau of Labor Statistics, and many others, believe that substitution of a "rental equivalency" and removal of the investment aspect of homeownership will improve the CPI by focusing on consumption of shelter services, on the principle that the index should concentrate only on current consumption just as do the food, transportation, clothing, and other components.

Along with the revised CPI-U, the former one, including the previous homeownership component, will be reported for the months of January-June of 1983.

The CPI-W will not be changed to incorporate the "rental equivalency" method until 1985. Again, there will be a six-month overlap, i.e., both the revised and old indices will be published for the months of January-June of 1985.

The delay in changing the CPI-W is due to the fact that many escalator clauses or COLAs (cost-of-living adjustments) are based on the CPI-W. Annual adjustments in Social Security benefits, for example, are based on this index.

16. Continued—Consumer Price Index—U.S. city average

(1967 = 100 unless otherwise specified)

Attachment 3

General summary	All Urban Consumers							Urban Wage Earners and Clerical Workers (revised)						
	1981		1982					1981		1982				
	Sept.	Apr.	May	June	July	Aug.	Sept.	Sept.	Apr.	May	June	July	Aug.	Sept.
APPAREL AND UPKEEP—Continued														
Apparel commodities—Continued														
Apparel commodities less footwear—Continued														
Infants' and toddlers'	266.4	267.0	269.0	268.7	268.8	272.4	276.8	279.8	278.2	279.3	278.2	277.8	283.0	288.1
Other apparel commodities	213.3	210.8	209.7	209.9	209.7	210.8	212.6	206.0	199.5	198.8	198.9	198.7	199.5	201.2
Sewing materials and notions (12/77 = 100)	118.3	118.5	119.3	119.2	120.0	121.5	121.9	116.4	116.9	117.7	117.6	118.5	119.6	120.0
Jewelry and luggage (12/77 = 100)	146.2	143.8	142.5	142.8	142.2	142.6	144.1	140.9	134.5	133.5	133.6	133.1	133.3	134.7
Footwear	202.4	205.6	206.5	206.6	206.4	204.4	205.2	202.3	206.1	206.9	206.7	206.7	204.1	205.9
Men's (12/77 = 100)	128.8	132.3	132.4	132.1	132.3	130.9	132.4	129.7	134.4	134.5	134.1	134.3	132.7	134.1
Boys' and girls' (12/77 = 100)	129.7	130.4	131.5	132.1	131.7	128.7	129.4	130.7	133.6	134.6	134.8	134.4	131.3	131.9
Women's (12/77 = 100)	123.5	125.1	125.8	125.8	125.6	125.4	126.5	121.2	121.1	121.6	121.6	121.5	121.1	122.4
Apparel services	262.0	273.4	274.7	275.3	276.6	277.4	279.2	260.0	271.0	272.3	273.0	274.3	275.2	277.2
Laundry and drycleaning other than coin operated (12/77 = 100)	155.7	163.5	164.4	164.8	165.4	165.6	166.7	155.0	162.0	162.8	163.3	163.8	154.1	165.2
Other apparel services (12/77 = 100)	128.2	142.5	142.9	143.1	144.1	145.0	145.9	137.4	142.7	143.1	143.4	144.6	145.5	146.6
TRANSPORTATION														
Private	285.2	282.9	285.6	292.8	296.1	296.2	295.3	286.6	284.3	287.1	294.5	297.9	298.0	296.9
New cars	191.3	196.0	197.5	198.1	198.6	196.7	197.7	191.4	195.9	197.3	197.9	198.5	198.6	197.5
Used cars	272.8	285.1	291.4	298.2	302.4	304.4	304.6	272.8	285.2	291.4	298.2	302.4	304.4	304.6
Gasoline	411.2	366.7	370.4	392.3	400.3	398.4	394.2	412.4	367.9	371.7	393.8	401.6	399.7	395.5
Automobile maintenance and repair	298.7	311.9	313.6	316.0	318.0	319.2	320.6	295.3	312.8	314.4	316.8	318.7	320.0	321.3
Body work (12/77 = 100)	147.4	155.0	155.7	156.3	157.5	158.2	159.4	146.1	153.3	154.0	154.7	156.0	156.8	158.1
Automobile drive train, brake, and miscellaneous mechanical repair (12/77 = 100)	143.1	149.5	150.8	151.6	151.9	152.5	153.1	145.5	153.7	154.9	155.7	156.1	156.6	157.1
Maintenance and servicing (12/77 = 100)	138.9	144.5	145.0	146.8	147.9	148.5	148.9	139.2	144.0	144.4	146.2	147.3	147.8	148.2
Power plant repair (12/77 = 100)	142.6	149.1	150.1	150.8	151.7	152.4	153.3	141.9	148.6	149.6	150.3	151.2	151.9	152.8
Other private transportation	244.2	255.1	255.7	258.7	260.8	260.8	260.0	246.9	258.2	258.8	261.8	264.0	265.9	263.0
Other private transportation commodities	212.6	214.9	216.9	217.5	216.3	214.8	213.9	215.5	217.3	219.4	220.0	218.8	217.1	216.3
Motor oil, coolant, and other products (12/77 = 100)	147.7	150.7	149.9	150.7	151.5	153.2	152.5	145.3	149.2	148.4	149.0	150.3	151.8	151.2
Automobile parts and equipment (12/77 = 100)	136.0	137.2	138.8	139.2	138.2	136.8	136.3	138.4	139.2	140.9	141.2	140.1	138.5	138.1
Tires	189.7	190.1	192.3	192.8	191.8	189.5	188.5	194.1	193.7	196.0	196.4	195.5	193.0	192.1
Other parts and equipment (12/77 = 100)	132.8	136.2	138.0	138.3	136.6	135.8	135.8	133.2	136.6	138.4	138.6	136.8	136.0	135.8
Other private transportation services	255.0	268.2	268.4	272.2	275.1	275.5	274.7	257.7	271.6	271.8	278.5	278.8	279.9	277.9
Automobile insurance	262.0	270.4	271.6	274.0	275.4	275.8	276.9	261.8	270.2	271.3	273.5	274.9	275.2	276.3
Automobile finance charges (12/77 = 100)	178.0	187.2	186.3	192.0	193.6	193.5	189.6	176.5	186.7	185.9	191.2	192.6	192.9	188.9
Automobile rental, registration, and other fees (12/77 = 100)	120.1	133.3	133.3	133.3	137.4	136.0	138.9	119.8	133.7	133.7	133.8	138.4	136.8	140.0
State registration	147.9	174.2	174.2	174.3	183.6	183.8	183.7	148.0	173.8	173.8	173.9	183.2	183.4	183.3
Drivers' licenses (12/77 = 100)	109.6	123.0	127.7	127.7	132.8	132.8	132.8	109.5	123.0	127.9	127.9	133.1	133.1	133.1
Vehicle inspection (12/77 = 100)	128.4	129.0	126.7	127.7	128.5	128.5	128.5	129.1	130.4	128.3	128.3	129.9	129.9	129.9
Other vehicle-related fees (12/77 = 100)	140.9	149.5	149.2	149.3	151.0	151.9	154.5	145.9	156.4	156.2	156.3	158.7	159.4	163.0
Public	329.1	339.3	342.1	345.6	347.2	348.1	353.3	324.5	333.3	335.1	337.9	339.8	341.0	345.4
Airline fare	372.5	382.7	388.9	395.0	397.4	397.5	409.5	371.8	379.8	385.2	392.4	393.2	393.5	407.0
Intercity bus fare	351.4	367.0	366.0	363.7	368.3	370.5	368.9	351.7	368.7	367.5	365.4	370.6	372.3	371.0
Intracity mass transit	298.6	308.1	306.3	309.2	311.0	312.8	312.6	299.2	307.2	307.1	307.9	310.3	312.3	312.1
Taxi fare	288.6	297.6	297.6	298.0	299.3	299.7	299.8	297.1	307.3	307.2	307.6	306.7	309.3	309.3
Intercity train fare	305.0	332.1	337.9	338.2	338.4	338.6	338.4	305.2	332.1	337.9	338.2	338.4	338.6	338.4
MEDICAL CARE	301.7	321.7	323.8	326.4	330.0	333.3	336.0	300.9	320.2	322.3	324.8	328.1	331.3	333.9
Medical care commodities	190.8	202.4	204.1	205.6	206.5	208.2	209.9	191.9	203.0	204.8	206.3	207.1	208.8	210.5
Prescription drugs	176.5	188.8	190.4	191.8	193.4	195.6	197.2	178.0	189.7	191.4	192.7	194.4	196.5	198.2
Anti-infective drugs (12/77 = 100)	136.5	140.9	142.5	143.3	144.2	146.0	147.5	139.2	142.5	144.1	145.1	146.0	147.5	149.2
Tranquilizers and sedatives (12/77 = 100)	140.0	152.0	153.8	154.9	156.1	157.6	158.8	139.7	151.8	153.8	154.7	155.8	157.4	158.6
Circulatores and diuretics (12/77 = 100)	127.8	136.7	137.0	138.4	139.3	140.7	141.5	129.0	136.6	136.8	138.2	139.1	140.6	141.3
Hormones, diabetic drugs, biologicals, and prescription medical supplies (12/77 = 100)	160.6	173.3	175.4	177.2	179.6	181.6	182.3	161.4	174.6	176.9	178.6	181.1	183.1	183.8
Pain and symptom control drugs (12/77 = 100)	141.7	153.1	153.7	154.6	155.4	157.6	159.5	143.8	154.6	155.2	156.0	157.1	159.3	161.4
Supplements, cough and cold preparations, and respiratory agents (12/77 = 100)	134.1	144.7	145.9	146.3	147.9	149.6	150.8	134.6	144.8	146.0	146.4	148.1	149.8	150.9
Nonprescription drugs and medical supplies (12/77 = 100)	136.7	143.9	145.1	146.3	146.4	147.2	148.4	137.4	144.6	145.9	147.1	147.1	147.9	149.1
Eyeglasses (12/77 = 100)	126.9	130.1	130.9	131.6	131.6	131.6	131.9	126.0	128.7	129.7	130.4	130.4	130.3	130.5
Internal and respiratory over-the-counter drugs	217.8	231.1	233.4	235.2	234.9	236.6	239.3	218.9	232.5	235.0	236.8	236.2	237.9	240.6
Nonprescription medical equipment and supplies (12/77 = 100)	131.4	138.9	139.5	141.1	142.2	142.9	143.5	132.6	139.7	140.4	142.0	143.2	144.2	144.6
Medical care services	326.1	348.0	350.2	353.0	357.3	361.0	364.0	324.7	345.9	348.0	350.7	354.7	358.3	361.1
Professional services	284.3	297.8	299.2	301.2	302.6	304.4	305.9	284.5	297.9	299.3	301.3	302.9	304.6	306.1
Physicians' services	304.9	322.2	324.0	326.4	328.7	330.4	332.3	306.6	325.2	327.0	329.4	331.6	333.5	335.4
Dental services	270.8	281.1	282.1	283.5	284.8	286.4	287.7	268.4	279.2	280.3	282.1	282.9	284.4	285.7
Other professional services (12/77 = 100)	137.7	142.5	143.4	143.8	144.8	145.6	145.9	134.3	139.4	140.2	140.7	141.5	142.5	142.7
Other medical care services	376.5	408.7	411.9	415.7	423.2	429.4	434.1	374.1	405.4	408.5	412.1	419.4	425.4	429.9
Hospital and other medical services (12/77 = 100)	156.6	169.8	170.6	171.6	174.7	177.1	178.3	154.8	168.3	169.1	170.0	172.9	175.2	176.5
Hospital room	494.6	542.2	543.8	546.8	557.8	565.5	570.1	488.5	535.2	536.7	539.4	549.7	557.6	562.1
Other hospital and medical care services (12/77 = 100)	155.0	166.4	167.6	168.5	171.2	173.6	174.7	153.4	165.5	166.6	167.5	170.0	172.2	173.3