

MINUTES OF THE HOUSE COMMITTEE ON WAYS AND MEANS

The meeting was called to order by BILL BUNTEN at
Chairperson

12:20 ~~xxx~~/p.m. on Tuesday, April 5, 1983 in room 514-S of the Capitol.

All members were present except: Representative Wisdom -- excused

Committee staff present: Marlin Rein -- Legislative Research
Lyn Entrikin Goering -- Legislative Research
Bill Gilmore -- Legislative Research
Jim Wilson -- Office of the Revisor
LewJene Schneider -- Administrative Assistant
Charlene Wilson -- Committee Secretary

Conferees appearing before the committee:

Homer Cowan, Western Insurance Association
L. M. Cornish, Domestic Insurance Association
Mr. Rather, Insurance Department
Stan Koplik, Board of Regents Office
Ruth Sheet, Historical Society
Tom Becher, Comptroller from Adjutant General's Office
Jim Maag, KBA
Mark Bennett
Louis Chibira, Legislative Research
Sherry Brown, Legislative Research

Others present: (Attachment I).

The meeting was called to order by Chairman Buntten at 12:20 p.m.

The Chairman announced that there would be no 8:00 a.m. meeting tomorrow and that the committee would meet upon the first adjournment of the House.

Senate Bill No. 400 -- "An Act concerning scholarships for Kansas osteopathic students; relating to persons eligible to receive such scholarships; amending K.S.A. 1982 Supp. 74-3265 and repealing the existing section."

Stan Koplik was called upon by the Chairman to address the committee on SB 400. He indicated that this is a scholarship program for osteopathic students that they began administering in this current year. The proposed changed bill would not pose any great administrative hardships on the administration of the program. He pointed out that the proposal provides that the first 5 scholarships be awarded to students who have completed at least one year of study and this may possibly raise the question of compromising the original intent of the bill. The original intent being to provide a Kansas scholarships for students who study osteopathic medicine in exchange for a one year commitment in the practice of osteopathic medicine. If the scholarships are granted to students in the first year, the possibility exists that they would in turn give four years of service.

Senate Bill 406 -- "An Act concerning the state historical society; relating to purchase of property and casualty insurance on certain property; amending K.S.A. 74-4702 and K.S.A. 1982 Supp 75-4109 and repealing the existing sections."

The Chairman recognized Ruth Sheer to appear on behalf of the Historical Society on this bill. She indicated that this bill was requested to take care of a problem that they had experienced with legislation that was authorized last year to allow them money to buy the insurance to insure the artifacts belonging to the museum and at other historic locations across the state. She explained that when they had gotten ready to buy the insurance in 1983, they did not have the authority to do so in legislative language. This bill would clarify that problem and allow them to purchase the insurance.

Representative Louis moved that SB 406 be reported favorable for passage. Seconded by Representative Solbach. The motion carried.

CONTINUATION SHEET

MINUTES OF THE HOUSE COMMITTEE ON WAYS AND MEANS,room 514-S, Statehouse, at 12:20 ~~XXXX~~ p.m. on Tuesday, April 5, 1983.

Senate Bill No. 408 -- "An Act concerning the adjutant general; creating the armories and units general fees fund; prescribing the disposition of certain reimbursements and other receipts; authorizing rules and regulations for the administrations thereof."

The Chairman recognized Tom Becher to address the committee on this bill. He explained that the bill, as proposed, would provide the agency a means to receipt for reimbursements or other receipts from personnel at the station. It would provide them with a means of clarifying their accounting system. If this fund is established, it would show a zero expenditure limitation. In the coming years they would receipt for reimbursements for the utility costs for the rentals of the armories, reimbursements for excess KAN-SAN use, costs for replacement of awards and decorations and reimbursement for personal use of copiers.

Representative Arbuthnot moved that SB 408 be reported favorable for passage. Seconded by Representative Rolfs. The motion carried.

Senate Bill No. 143 -- "An Act concerning mineral interests; relating to reversion of certain unused interests."

Representative Heinemann briefed the bill for the committee. Representative Farrar commented on the amendment that had been made to the bill. SB 143 would provide that an interest in minerals would lapse and revert to the current surface owner if the mineral interest remained unused for a period of 20 years. The bill would provide a means of extinguishing unused mineral interests which have been severed from the surface ownership of land.

Representative Heinemann moved that SB 143 be reported favorable for passage as amended by the House committee. Seconded by Representative Farrar. The motion carried.

Senate Bill No. 248 -- "An Act relating to natural gas; concerning the flaring thereof; amending K.S.A. 55-102 and 55-702 and repealing the existing sections."

Representative Farrar explained the bill for the committee. He indicated that the bill had been drawn up to try and solve a problem where oil has been discovered and existing in the same location is gas. They can't produce the oil well because the gas has to be flared in order to reach the oil. He added that an amendment has been put on the bill that would specify that the gas be used for other purposes rather than just flaring it. This would give the State Corporation Commission flexibility, through rules and regulations, in managing the flaring of natural gas.

Representative Farrar moved that SB 248 be reported favorable for passage as amended by recommendation of the House Committee on Energy and Natural Resources. Seconded by Representative Heinemann. The motion carried.

Senate Bill No. 255 -- "An Act relating to inactive bank accounts of the state; concerning the interest to be paid thereon; amending K.S.A. 75-4210 and repealing the existing section."

Jim Maag appeared before the committee on SB 255. He expressed that the Kansas Bankers Association has officially endorsed this bill but they are requesting an amendment to the bill. That being, a change in the publication date from the Kansas Register to the Statute Books in order to make the notification easier and set it up so that they can start at the beginning of a quarterly period rather than in the midst of a quarterly period.

Representative Chronister moved to amend SB 255 on line 51 to read, "May 1, 1983 and its publication in the Kansas Register." Seconded by Representative Heinemann.

Representative Solbach made a substitute motion on line 51, predecing the period by inserting "and the first day of the first month commencing after such publication." Seconded by Representative Louis. The motion carried.

Representative Duncan moved that SB 255 be reported favorable for passage as amended. Seconded by Representative Louis. The motion carried.

CONTINUATION SHEET

MINUTES OF THE HOUSE COMMITTEE ON WAYS AND MEANS,
 room 514-S, Statehouse, at 12:20 ~~xxx~~ p.m. on Tuesday, April 5, 1983.

Senate Bill No. 398 -- "An Act concerning the Kansas all-sports hall of fame board of trustees; attaching the board to the state historical society for purposes of all budgeting, purchasing and related management functions; amending K.S.A. 74-2906a and repealing the existing section."

Sherry Brown explained the bill and indicated that it had been drawn up at the request of the Governor to implement his recommendation with respect to the Department of Administration's budget and the Historical Society's budget. It would transfer the administrative authority for the All-sports Hall of Fame from the Department of Administration to the State Historical Society. The reason for this transfer is that it is felt that the Historical Society is more familiar with the types of activities of the All-sports Hall of Fame. She further commented that the Senate had amended the bill to provide that the All-sports Hall of Fame should be located in Douglas County, as it presently does. They wanted to make it clear that the intent of the bill was to transfer only administrative authority and not to transfer the location in any manner.

Representative Dyck moved that SB 398 be reported favorable for passage. Seconded by Representative Rolfs. The motion carried.

Senate Bill No. 412 -- "An Act relating to the state fire marshal; concerning the levy paid by fire insurance companies for maintaining the department of state fire marshal; amending K.S.A. 75-1508 and repealing the existing section."

Louis Chabira was recognized by the Chairman to review the provisions of this bill for the committee. He indicated that this bill would implement the Governor's recommendation on helping out the Fire Marshal funding problem. It would increase the current levy on the fire insurance premium tax from a maximum of .75% to 1.75%. The Governor's recommendation is based on 1.25%. The additional .50% is intended to allow for increases in future years should they become necessary, without the need for additional legislation. The bill would raise approximately \$331,000.00 for every .25% increase. Mr. Chabira added that this has been 20% fee fund and they are just about at the \$2 million maximum so any additional revenues that come into the fund would be available for expenditure. The plan is to allow the balance of this fund to build up until approximately FY88.

The House subcommittee has recommended that the maximum be set at 1.25% rather than the 1.75%. He further informed the committee that a similar bill, SB 427, is currently in the Senate and if that bill were to pass it would have an impact on SB 412. That bill abolishes the Fire Marshal Fee Fund and would require expenditures for the Fire Marshal to be spent of the state general fund and would further provide that any of the insurance premium taxes would be credited directly to the general fund. This would eliminate the need for any cash flow and it would seem that the amount of the tax levy could be reduced due to the fact that since the fund didn't exist, you wouldn't need to keep building up the balances in it.

Representative Louis was recognized by the Chairman to explain the amendment proposed by the subcommittee. Representative Louis moved to change line 31 from "1.75% to "1.25%". Representative Farrar seconded. Following committee discussion, the motion carried.

Mr. Mark Bennett appeared in opposition to SB 412.

Homer Cowan was next to address the committee in opposition to SB 412. He spoke to the retaliatory provision that had been discussed in earlier testimony. He explained that retaliatory was originally brought about to create equal parity between companies to give each company a fair place in the market. In retaliatory the rate of another state's taxes are figured against the same premium dollar on Kansas tax and then the highest of the two is what is paid. Therefore, as Kansas increases anything in a tax base for Kansas they pay for it almost four time in the state of Missouri, as an example. Missouri was sited as an example due to the fact that this is where they get hit the hardest. He made reference to a chart which was provided for the committee. (Attachment II). He urged the committee to explore the possibilities that there is a better way to handle this problem rather than a penalty type of law. He also made reference to a letter that had been sent to several members of the

CONTINUATION SHEET

MINUTES OF THE HOUSE COMMITTEE ON WAYS AND MEANS

room 514-S, Statehouse, at 12:20 ~~xxx~~ p.m. on Tuesday, April 5, 1983

committee containing a possible amendment. (Attachment III).

L. M. Cornish was recognized by the Chairman to appear on SB 412. He appeared in opposition to the bill. One other retaliatory aspect was brought out in his testimony. He stated that it does have an impact upon the taxes received by the state of Kansas. When taxes go up on insurance companies in the state that reduces the amount of retaliatory tax paid by the other states into Kansas.

Mr. Rather appeared on behalf of the Insurance Commissioner's Office. He stated that the effect of reducing the levy from 1.75% to 1.25% would reduce the general revenues fund by approximately \$50,000.00 from the retaliatory effect.

The Chairman indicated that action on this bill would be deferred until a later meeting in order to allow the committee members time to look further into the proposed amendment made by Mr. Cowan.

The meeting was adjourned at 1:45 p.m.

GUESTS

DATE 4-5-83

NAME	ADDRESS	REPRESENTING
1. Bob Hagan	Topick	Ks. Ins. Dept.
2. Gay Kalkert	Topeka	Ks. Ins. Dept.
3. Lynn Helt	Topeka	KCC
4. Jay D. Cole	Topeka	The Lodge Men Dept
5. Lawrence Tompkins	Topeka	State Fire Marshal
6. Jim Mann	"	KBA
7. Keith Handis	"	CHRISTIAN SCIENCE COMMITTEE IN PUBLICATION FOR KANSAS
8. Marvin Chubolez	"	KCML
9. Loran Busby	Lanuna	Lungate Inters
10. Ruth S Swann	Topeka	MSMS
11. Homer Cowan	Ft Scott	The Western Dr Co
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Atch. I

Additional

Retal. TAX. -

262,111.00

1982 Premium

THE WESTERN CASUALTY AND SURETY COMPANY

Work Paper No.	Accountant <i>DM</i>	Date: 5/21/83
	Reviewed By	

State	Total Taxes Paid in 1983 on 1982 Prem			Fire Marshall Collection 1982	Kansas Board Fire Marshall Tax Paid 1983 on 1982 Prem	Fire Marshall @ 1 1/2 %	
	Kansas Casualty	Individual State Casualty	Voluntary Contributions			Fixed Kansas Tax Base	Retaliation
Alabama	35454.81	60136.30	xxx	xxx	xxx	2585.59	xxx
Alaska	xxx	xxx	xxx	xxx	xxx	xxx	xxx
Arizona	12273.10	18352.54	3985.56	702201.63	3985.56	12288.53	7022.00
Arkansas	83733.40	59124.56	xxx	693283.51	xxx	121224.66	1539.66
California	51897.22	54533.93	xxx	190332.00	xxx	3330.81	xxx
Colorado	17108.40	172696.70	xxx	784037.64	xxx	13720.66	6227.70
Delaware	xxx	xxx	xxx	xxx	xxx	xxx	xxx
District of Columbia	280	280	xxx	xxx	xxx	xxx	xxx
Florida	101.83	101.83	xxx	xxx	xxx	xxx	xxx
Georgia	122.62	144.14	xxx	2424	xxx	42	xxx
Ideho	12451.00	22644.54	xxx	127607.65	xxx	2283.13	xxx
Illinois	431895.50	399185.20	22710.30	1249033.33	9267.75	21858.08	12490.30
Indiana	72428.99	79260.54	131684.7	700506.52	5253.20	12258.86	7005.00
Iowa	189566.81	169535.93	20031.38	755724.05	5667.93	12225.17	7557.20
Kentucky	55935.72	57460.86	xxx	225119.94	xxx	3929.60	7260.00
Louisiana	30552.30	42651.29	xxx	138832.13	xxx	2429.67	xxx
Maryland	484	484	xxx	xxx	xxx	xxx	xxx
Michigan	223175.96	274047.16	7128.80	175521.844	9128.80	30266.32	17552.16
Minnesota	115937.47	110529.74	5407.73	269377.03	2020.33	4714.10	2693.70
Mississippi	101828.91	136262.87	xxx	533914.58	xxx	9343.51	xxx
Massachusetts	631170.63	617121.82	14049.75	3067606.30	14049.75	53683.11	30676.00
Montana	20052.97	25486.91	xxx	102976.38	xxx	1927.09	xxx
Nebraska	59136.80	59330.93	xxx	2469560.5	xxx	432.73	2275.40
Nevada	9342.11	7866.79	1475.32	54671.06	410.03	756.74	546.50
New Jersey	10.0	10.0	xxx	xxx	xxx	xxx	xxx
New Mexico	7017.83	27722.30	xxx	243095.70	xxx	4654.17	xxx
North Carolina	4449.6	556.20	xxx	xxx	xxx	xxx	xxx
North Dakota	73656.89	108662.46	6330.95	395970.72	2969.78	6929.49	3959.70
Ohio	10070.70	110884.52	xxx	637959.73	xxx	11164.30	xxx
Oklahoma	414280.67	784566.56	xxx	727726.02	xxx	13785.21	xxx
Oregon	34966.34	33542.48	1428.86	235293.40	1428.86	4117.63	2352.90
Pennsylvania	54.55	754.55	xxx	xxx	xxx	xxx	xxx
Rhode Island	xxx	xxx	xxx	xxx	xxx	xxx	xxx
South Carolina	290.40	436.35	xxx	xxx	xxx	xxx	xxx
South Dakota	168326.13	207244.69	xxx	755448.54	xxx	13520.35	xxx
Tennessee	79151.49	58777.62	xxx	311200.79	xxx	5446.01	xxx
Texas	527099.82	522042.87	xxx	2771832.93	xxx	52007.02	xxx
Utah	27752.25	275670.7	2125.18	235602.11	17670.2	2123.04	2125.00
Virginia	5928	23	xxx	xxx	xxx	xxx	xxx
Washington	35717.93	78211.54	7706.39	575146.51	7706.39	10065.06	5751.40
West Virginia	7952.41	27811.49	xxx	424026.2	xxx	742.05	xxx
Wisconsin	12361.28	86763.43	1598.45	3585220.4	1598.45	6274.31	3585.00
Wyoming	40025.22	46344.92	xxx	126450.48	xxx	3266.38	xxx
Sub Total	4268923.57	4527474.95			61955.66		11411.70

Kansas

39824.22

19799000

4399.31

595983.9

19199.00

Atch. #

THE WESTERN FIRE INSURANCE COMPANY

DEC 31 1982

Work Paper No.	Accountant	YMD	Date
	Reviewed By		3/31/83

	Total Total paid in 1983 on 1982 premiums			Fire Marshall Subject Premiums 1982	Fire Marshall @ 1 3/4% on 1982 Premium	Fire Marshall Revised Rates additional
	Kansas Basin	Individual State Basin	Retaliatory Payments			Tax Basin Retaliatory
Alabama	1100108	180409	xxx	7475067	xxx	1302114
Alaska	xxx	xxx	xxx	xxx	xxx	xxx
Arizona	11020130	11983184	xxx	45739467	xxx	800441
Arkansas	7438456	7904277	xxx	22340800	xxx	14409164
California	7516705	6715263	301442	44486933	-23652	1122524
Colorado	15562135	15447329	114806	271192267	114806	1350865
Delaware	xxx	xxx	xxx	xxx	xxx	xxx
Florida	206	206	xxx	xxx	xxx	xxx
Georgia	xxx	xxx	xxx	xxx	xxx	xxx
Idaho	2049246	2027630	xxx	12577200	xxx	220101
Illinois	34082441	30584729	3497712	232589267	1729424	4175323
Indiana	4695041	4029194	665847	35030267	222727	613030
Iowa	15931817	13467941	2463856	92554267	701457	1437200
Kentucky	2821070	5028689	xxx	52571267	xxx	1025008
Louisiana	2167144	2410191	xxx	2880932	xxx	230416
Maryland	xxx	xxx	xxx	xxx	xxx	xxx
Michigan	19007506	19249677	xxx	23061333	xxx	1103573
Minnesota	15540053	13903305	2236748	34532267	633992	1479315
Mississippi	9516925	12405263	xxx	113610267	xxx	928120
Missouri	40949513	36307368	4642145	272832400	2046288	4774672
Montana	1675754	2031261	xxx	8625333	xxx	150943
Nevada	712552	319786	92766	3566133	26746	62407
New Jersey	xxx	xxx	xxx	xxx	xxx	xxx
New Mexico	2842864	3553581	xxx	xxx	xxx	xxx
New York	2050	1230	1220	xxx	xxx	xxx
North Carolina	xxx	xxx	xxx	xxx	xxx	xxx
North Dakota	6723243	7096674	992468	52535467	401516	936871
Ohio	12907650	13379440	xxx	107124267	xxx	1274675
Oklahoma	22613156	42727499	xxx	194751267	xxx	3408200
Oregon	5260162	4695107	56061	30694400	220208	537152
Pennsylvania	55608	27328	18280	860533	6454	15059
South Carolina	xxx	xxx	xxx	xxx	xxx	xxx
South Dakota	13821200	273700	xxx	35266667	xxx	1667167
Tennessee	7175231	7595778	xxx	60913600	xxx	1065980
Texas	36613035	22128338	xxx	287133067	xxx	5054229
Utah	326626	3178001	22625	16432267	32625	297565
Virginia	xxx	xxx	xxx	xxx	xxx	xxx
Washington	3368112	3357117	151399	27701733	32763	009720
West Virginia	75362	3700658	xxx	15259200	115174	202776
Wisconsin	11913297	3723265	3190032	29145667	203574	560053
Wyoming	2372515	2695909	xxx	22777067	xxx	503599
Sub Total	334932215	329994745	35367407		7982646	

12459321

THE WESTERN INDEMNITY COMPANY, INC.

DEC 31 1982

Work Paper No.	Accountant	Date
		3/11/83
	Reviewed By	

State	Total Paid in 1982 on 1982 Premiums				Fire Marshall Subject Premiums 1982	Kansas State Fire Marshall Tax Paid 1983 on 1982 Premium	Fire Marshall 3 1/2%	
	Retain Basis	Individual State Basis	Catastrophic Payments	Retain Basis			Retain Basis	Retain Basis
Arizona	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx
Arkansas	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx
California	3043935	3207100	xxx	12030832	xxx	214110	xxx	xxx
Colorado	1225608	1981453	xxx	8575600	xxx	150073	xxx	xxx
Idaho	950477	1366421	xxx	1581200	xxx	22671	xxx	xxx
Illinois	6262422	5992571	269851	19751679	142137	345654	197516	197516
Indiana	4477114	4207741	269373	15150533	115629	265134	151505	151505
Iowa	11617470	10821393	736077	28875067	216563	505314	288750	288750
Kentucky	707629	737907	xxx	5791333	xxx	101348	xxx	xxx
Minnesota	2013247	1909743	102504	5198800	38991	90979	51988	51988
Mississippi	55852	65781	xxx	541467	xxx	9476	xxx	xxx
Missouri	35132193	31500263	3637930	148965467	1117241	2606896	1489654	1489654
Montana	1190054	1593930	xxx	2981733	xxx	52180	xxx	xxx
Nebraska	2986670	2995692	xxx	7963067	xxx	139354	xxx	xxx
New Mexico	1149923	1437404	xxx	xxx	xxx	xxx	xxx	xxx
North Dakota	774167	1017238	154963	7473333	56050	130725	74733	74733
Ohio	4660163	5235264	xxx	15149333	xxx	265113	xxx	xxx
Oregon	1725207	1255594	xxx	5951267	xxx	104158	xxx	xxx
South Dakota	354200	1055400	xxx	4253333	xxx	74433	xxx	xxx
Tennessee	2642979	2887463	xxx	11626400	xxx	203462	xxx	xxx
Utah	1373832	1478428	xxx	2386933	xxx	41771	xxx	xxx
Washington	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx
Wisconsin	2420857	1122806	1869454	8602800	44521	150549	86028	86028
Total			7041092			1755132		2340174
Kansas	2125668			45607667		243559	301638	458079

THE WESTERN INSURANCE COMPANIES

14 EAST FIRST • FORT SCOTT, KANSAS 66701 • 316/223-1100

March 31, 1983

HOMER H. COWAN, JR.
VICE PRESIDENT—PUBLIC AFFAIRS

Senator Paul Hess
Room 123-S
State Capitol
Topeka, Kansas 66612

RE: SB 412

Dear Paul:

You are already aware of my strong opposition to SB 412.

This morning I reviewed this matter with Mr. F. C. McCurley, President of The Western and Mr. T. M. Mayhew, Vice Chairman of the Board. They have instructed me to reinforce our position in the strongest manner possible. They now view this bill as a "penalty" to the state's largest domestic insurance company, a penalty for being domiciled in Kansas.

Paul, hopefully you will seriously consider what I will hereinafter write. Unfortunately this communication will not be short and I know the demands upon your time and we are late in the session, but I still request your patience.

First, we are appreciative that for the past 6 years when a bill similar to SB 412 has been introduced, both the House and the Senate have taken notice of the retaliatory impact upon The Western and have killed all such bills. I know you have been an ally of ours whenever you could. I'm most appreciative of this past support.

Secondly, we are most cognizant that this legislature is forced to look at and find solutions to the state's financial problems. As a responsible corporate citizen, we want to be of assistance to the overall problem, not a hindrance.

Although we know that historically the insurance industry promoted and supported the retaliatory law concept, we have long ago concluded that the law has outlived its usefulness or, at best, has created more problems than it solved. This statement can best be demonstrated when we can show that SB 412 will cost The Western approximately \$31,000 more in Kansas tax, but nearly a quarter of a million dollars more to other states. \$68,000.00 more to the single state of Missouri!



Atch. III

Senator Paul Hess
Topeka, Kansas



March 31, 1983

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There has to be a better way to raise revenues than to impose that kind of penalty upon a domestic industry!

There has to be a solution to the retaliatory problem. Unfortunately, time is too short in this session to make a proper study. For the future, I would propose that we (the industry) meet and try to come up with an overall solution.

For the immediate situation, I am suggesting the following amendment to SB 412 ...

Each fire insurance company subject to this act shall collect the levy of 1.75% as a surcharge of premium, assessments or other charges made by it for insurance coverage provided to its policyholders on risks located in this state whether such charges are made or designated as premiums, assessments or otherwise. Said premium surcharge shall be collected by the insuror from its policyholders at the same time and in the same manner that its premium or other charge for the insurance coverage is collected. However, no insuror or its agent shall be entitled to any portion of any premium surcharge as a fee or commission for its collection.

What the amendment above does do is bring the tax down "below the line" and stated separately on the policy as a surcharge to the premium. (It does not necessarily have to be stated separately on the policy.)

With the statute stating that the surcharge shall be collected directly from the policyholders, it is not a tax for the privilege of doing business in the state and is therefore not subject to retaliatory tax. Several states have recently passed similar type laws and the mechanism, as it is contained in the amendment, is designed expressly to circumvent the retaliatory penalties on domestic companies.

Another possible solution to this problem would be to make a \$1.00 or more assessment against each fire insurance policy written on property located within the state. Again, this has to be in the form of a surtax. The word "surtax" and the words "collected from the insured" are the key to escape the retaliatory provisions.

Since The Western is, for all intent and purposes, the only domestic company hurt badly, it seems ludicrous to try to design a law for our protection only. (Farmers Insurance does have a retaliatory problem, but not as severe as ours.) Nevertheless

Senator Paul Hess
Topeka, Kansas



March 31, 1983

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it also seems ludicrous to impose a tax on your domestic industries that results in a quarter of a million dollars to other states and only \$30,000 to Kansas.

Basically, taxes are within the expense factor used in ratemaking. Thus the real loser is the policyholder, whether in Missouri or Kansas. Retaliatory tax escalates the bottom line premium. It would seem then, that we, as a domestic company, should not be so concerned.

Unfortunately, although allowable in rates, such recoupment is not recovered for well over a year. More important, however, is the fact that to remain competitive, we cannot in some states recoup it at all. We lose it one way or another by virtue of higher rates than our competition, thus, losing our market or keeping it out of rates to stay competitive. In the latter event, it is an item we must absorb as a direct company loss.

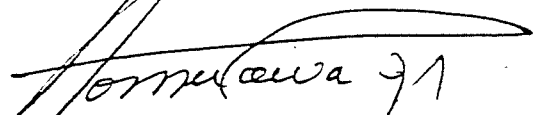
As you know, there are several other questions involved in the Fire Marshal's Tax as well as the Firemen's Relief Tax. There are problems with part of this tax going to Kansas University. It would seem that the entire problem should be studied and the entire mechanism overhauled to be in the best interest of all the citizens of Kansas. Again, I know time is of the essence.

I do not know what you or anybody else that understands our problem can do under the existing circumstances of time and necessity, but I would be remiss in not pleading for consideration of this unfair tax imposed.

I am sending a copy of this letter to just about anyone I can think of in the hope that everyone involved will be aware of the serious nature of this tax and its consequences to a corporate citizen that already contributes to the economic growth of the state.

I am attaching a breakdown of our retaliatory taxes. At 1.75% our additional retaliatory tax is \$242,834.51. At 1.25% our additional retaliatory tax would be in excess of \$120,000.00.

Very truly yours,


HOMER COWAN, JR.
Vice President

hc:ph

Senator Paul Hess
Topeka, Kansas



March 31, 1983

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P. S. Since dictating the above, I am told that SB 412 has already been sent to the House. Accordingly, I am sending a copy of this letter to Representative Bunten, Chairman of the House Ways and Means and members of his committee.

CC: All Members
House Ways and Means Committee

All Members
Senate Ways and Means Committee

Representative Richard Harper

POSITION PAPER

OF

THE WESTERN CASUALTY AND SURETY COMPANY
THE WESTERN INDEMNITY COMPANY
THE WESTERN FIRE INSURANCE COMPANY

OF

FORT SCOTT, KANSAS

ON

SENATE BILL 412

SUBJECT: To increase from .75% to 1.75% the tax levied to maintain the department of state fire marshal.

DISCUSSION: This bill will produce an additional tax from The Western Insurance Companies for the department of the state fire marshall of \$31,673.94.

Every state has a retaliatory tax law. Very simply stated each state says, "Whatever you charge my companies, we are going to charge your companies".

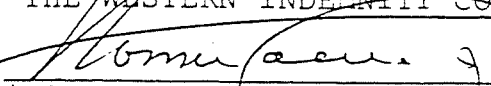
For example, if this bill is passed, we will pay Kansas \$31,673.94 additional; we will pay Missouri \$68,688.68 additional.

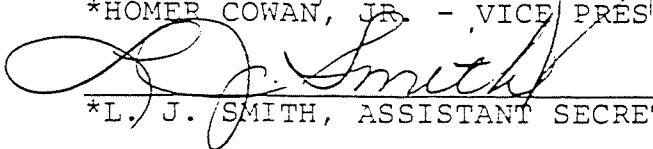
On a countrywide basis this bill will cost \$242,834.51!

CONCLUSION: While we recognize the need for additional tax, we strongly feel that a tax with retaliatory effect is like a direct penalty against The Western as a Kansas domestic company. There has to be a better way to finance the fire marshal's office than by the proposal of Senate Bill 412.

RESPECTFULLY SUBMITTED,

THE WESTERN CASUALTY AND SURETY COMPANY
THE WESTERN FIRE INSURANCE COMPANY
THE WESTERN INDEMNITY COMPANY

BY: 
*HOMER COWAN, JR. - VICE PRESIDENT


*L. J. SMITH, ASSISTANT SECRETARY

*Registered
Lobbyist

THE WESTERN CASUALTY AND SURETY COMPANY

	Kansas Basis	Individual State Basis	Retaliatory Payments	Subject Premiums 1980	1980 Premium	Revised Kansas Tax Basis	Additional Retaliatory	Revised Kansas Tax Basis	Additional Retaliatory	Revised Kansas Tax Basis	Additional Retaliatory
Alabama	1849 01	18358 85	XXX	23 967 28	XXX	239 69	XXX	1018 69	XXX	119 46	XXX
Alaska	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX
Arizona	156 300 90	158 876 10	XXX	687 635 02	XXX	687 635	XXX	8575 44	842 98	12032 61	1281
Arkansas	72 342 03	77 786 66	XXX	530 790 06	XXX	530 790	XXX	6634 88	XXX	1255 83	XXX
California	71 755 19	78 061 72	XXX	145 886 57	XXX	145 886	XXX	1823 58	XXX	2553 01	XXX
Colorado	206 272 54	213 702 34	XXX	612 826 56	XXX	612 826	XXX	766 33	XXX	10724 46	XXX
Delaware	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX
District of Columbia	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX
Florida	225 61	225 24	27	54 49	41	54	13	68	27	75	5
Georgia	649 93	729 85	XXX	719	XXX	07	XXX	09	XXX	13	XXX
Idaho	13 716 59	18 720 84	XXX	688 94 52	XXX	688 95	XXX	861 18	XXX	105 65	XXX
Illinois	186 416 84	488 094 10	XXX	809 435 85	XXX	809 436	346 33	10 117 95	2369 92	141 6313	6417 10
Indiana	96 207 31	95 304 97	1502 34	721 380 21	5410 35	721 380	1803 45	1017 25	3606 90	12624 15	7213 8
Iowa	206 904 80	195 524 34	11 380 46	126 528 40	3198 96	126 528	1066 32	5331 61	2132 65	7464 25	4265 2
Kentucky	54 841 68	57 495 45	XXX	148 357 85	XXX	148 358	XXX	1854 47	XXX	5576 26	XXX
Louisiana	39 185 03	63 497 16	XXX	219 671 09	XXX	219 671	XXX	5395 89	XXX	3894 24	XXX
Maryland	2 40	240	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX
Michigan	251 647 62	239 392 22	12255 40	1691 817 24	12688 63	1691 817	4229 54	21 147 72	8457 09	29606 80	16718 1
Minnesota	151 159 22	177 972 06	3187 16	161 206 31	1209 05	161 206	403 01	2015 08	80603	2821 11	612 0
Mississippi	127 963 91	174 200 34	XXX	523 156 69	XXX	523 157	XXX	6539 46	XXX	9155 24	XXX
Missouri	774 883 17	763 749 24	11 133 93	3202 444 41	24018 33	3202 444	1806 11	40030 56	16012 23	56042 78	32024 44
Montana	10 568 09	14 103 72	XXX	48 863 86	XXX	48 864	XXX	610 80	XXX	855 12	XXX
Nebraska	53 882 38	54 000 95	XXX	103 001 19	XXX	103 001	XXX	1287 51	XXX	1802 52	911 44
Nevada	11 044 05	10 063 34	18571	36 587 35	27441	36 587	9746	45734	18293	64028	26587
New Jersey	70	70	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX
New Mexico	81 720 55	102 150 68	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX
North Carolina	516 74	645 93	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX
North Dakota	36 822 89	107 120 90	XXX	215 339 96	XXX	215 40	XXX	2691 25	XXX	3768 45	XXX
Ohio	114 209 16	126 293 86	XXX	599 191 09	XXX	599 191	XXX	1418 89	XXX	10485 84	XXX
Oklahoma	264 556 30	512 134 39	XXX	312 943 76	XXX	312 944	XXX	3703 05	XXX	5464 27	XXX
Oregon	112 638 86	44 456 66	XXX	196 527 77	XXX	196 538	XXX	2456 72	XXX	2439 41	1147 58
Pennsylvania	3229 95	3229 95	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX
Rhode Island	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX
South Carolina	1590 96	2386 44	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX
South Dakota	178 926 16	222 264 18	XXX	512 111 70	XXX	512 111	XXX	6401 40	XXX	7961 95	XXX
Tennessee	74 160 56	85 091 55	XXX	169 926 86	XXX	169 927	XXX	3120 09	XXX	2773 72	XXX
Texas	21 514 18	208 210 07	XXX	175 624 20	XXX	175 624	XXX	21953 03	XXX	20734 24	XXX
Utah	55 002 85	55 026 78	XXX	233 448 74	XXX	233 449	200 36	2918 11	2883 98	4085 25	2300 36
Virginia	22 20	21 35	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX
Washington	74 454 26	64 500 18	7954 08	371 1370 21	2785 28	371 1370	8284 22	4642 13	1256 85	4478 98	3713 70
West Virginia	13 848 88	20 020 94	XXX	217 08 98	XXX	217 09	XXX	27136 12	XXX	37991	XXX
Wisconsin	120 162 81	27 472 01	72670 80	300 652 49	2254 89	300 652	751 63	3758 16	1503 27	5261 42	3006 52
Wyoming	41 606 50	47 365 20	XXX	138 985 37	XXX	138 985	XXX	1726 07	XXX	2430 49	XXX
Total	4167 607 61	4634 296 86	142090 15		31894 39		13926 76				

1.75%

Additional Tax to Other States → 801

THE WESTERN FIRE Co.

State	1971-1972 Premiums			Line Item	1973 Premiums			1974 Premiums			Total Basis	Additional Retention
	General	Individual	Voluntary		General	Individual	Voluntary	General	Individual	Voluntary		
Alabama	772527	1142763	xxx	2512452	xxx	xxx	xxx	xxx	xxx	142768	xxx	
Arizona	10661259	11476710	xxx	41657212	xxx	xxx	xxx	xxx	xxx	729001	xxx	
Arkansas	19720861	6219547	257314	85315050	639863	253150	213287	1066038	426575	1492013	25215	
California	7828572	7113447	765125	67532153	506866	675822	168956	244777	377711	1182488	2758	
Colorado	13077103	12255439	791464	36267168	647004	862672	215668	1078340	421336	1509675	8626	
Delaware	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	
Florida	4976	4976	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	
Georgia	54	61	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	
Idaho	1590483	1726056	xxx	11706571	xxx	117065	xxx	146332	xxx	204865	xxx	
Illinois	29206190	29372545	xxx	214383509	xxx	2943835	589604	3677774	1325563	5151711	27297	
Indiana	6534333	6414375	119958	41135714	308518	411357	102839	514196	205678	719875	111	
Iowa	18637673	15864290	282383	130338194	977546	1303387	225847	1629134	651694	2280927	13028	
Kentucky	4310271	5602063	xxx	67282991	xxx	672830	xxx	841037	xxx	1177452	xxx	
Louisiana	1855161	2008007	xxx	21110914	xxx	211109	xxx	263886	xxx	269441	282	
Maryland	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	
Michigan	17714480	19839516	xxx	71484270	xxx	7148423	55675	392553	234285	1250975	5918	
Minnesota	16332457	14721615	1610842	34929154	636969	349292	212323	1061614	424645	1486260	2492	
Mississippi	14478709	17029609	xxx	171528464	xxx	1715285	xxx	2144106	xxx	3001748	xxx	
Missouri	46351699	41256549	5095150	227392000	2155440	2273920	718480	3592000	1436460	5029360	28739	
Montana	1655547	2191288	xxx	8971091	xxx	89711	xxx	112137	xxx	156994	xxx	
Nebraska	5179217	5189230	xxx	50280259	xxx	502803	115658	428503	241388	879905	4927	
Nevada	139700	111500	28400	972055	7298	9731	2433	12143	4865	17028	30	
New Jersey	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	
New Mexico	7202426	9003119	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	
New York	(285)	(62)	xxx	(7000)	xxx	xxx	xxx	xxx	xxx	xxx	xxx	
North Carolina	7004040	7145232	1225273	42581187	469359	425812	154453	782265	212906	1075171	6258	
North Dakota	14898970	15874349	xxx	108142653	xxx	1081427	xxx	1351783	xxx	1592496	3060	
Ohio	17405438	32758579	xxx	175912317	xxx	1759123	xxx	2198904	xxx	3078466	xxx	
Oklahoma	5279894	7402932	xxx	24753054	xxx	247531	xxx	434413	xxx	608178	xxx	
Oregon	121279	109456	71843	3405360	25540	34054	8514	42567	7027	59594	340	
Pennsylvania	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	
Rhode Island	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	
South Carolina	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	
South Dakota	14354603	17483951	xxx	109291957	xxx	1092920	xxx	366147	xxx	1912609	xxx	
Tennessee	7057946	6820957	236787	61258021	4574351	612580	153145	765725	306290	1072015	4125	
Texas	22674081	15071360	xxx	261132858	xxx	2611339	xxx	3264173	xxx	4549043	xxx	
Utah	5076937	4996635	30302	24409711	183073	244097	61024	305101	122048	427170	2440	
Virginia	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	
Washington	12211474	7944085	2267389	84951566	37136	849516	212380	10161895	424759	1486452	2123	
West Virginia	787469	1223302	xxx	10143480	xxx	101435	xxx	126774	xxx	177511	xxx	
Wisconsin	12004076	4268492	3725604	17405732	909293	1079057	269764	1348822	237529	1888350	10770	
Wyoming	1906777	2117188	xxx	28403664	xxx	284037	xxx	355046	xxx	497064	736	
Total				24603036		8463334		3582080		7943559		8696

1.75%

Additional Tax to Other States

THE WESTERN INDEMNITY COMPANY, INC.

California
Colorado
Delaho
Illinois
Indiana
Iowa
Kentucky
Mississippi
Missouri
Montana
Nebraska
New Mexico
North Dakota
Ohio
Oregon
South Dakota
Tennessee
Utah
Wisconsin

State	Total Taxes paid in 1981 on 1980 premiums		Fire Marshall @ 1.75% Subject Premiums 1980 on 1980 Prem		Fire Marshall @ 1.2% Kansas Basis Retaliatory		Fire Marshall @ 1.2% Kansas Basis Retaliatory		Fire Marshall @ 1.54% Kansas Basis Retaliatory		Additional Tax
	Kansas Basis	Retaliatory Payments	1980	on 1980 Prem	Tax Basis	Retaliatory	Tax Basis	Retaliatory	Tax Basis	Retaliatory	
California	210253	236577	1XX	355747	1XX	2557	1XX	4447	1XX	6226	1XX
Colorado	89865	72735	1XX	102675	1XX	10267	1XX	12234	2163	17969	769
Delaho	15332	21935	1XX	28232	1XX	283	1XX	354	1XX	176	1XX
Illinois	77771	875376	1XX	5769356	1XX	57694	1XX	72117	5282	100964	3412
Indiana	1370149	1375768	11281	7291875	54689	72919	18230	91149	34160	127808	1291
Iowa	152537	114042	38495	1401293	10510	14013	2503	17516	7006	24523	1461
Kentucky	202292	165275	86947	1408023	10560	14080	3520	17600	7080	24640	1408
Mississippi	1XX	1XX	1XX	1XX	1XX	1XX	1XX	1XX	1XX	1XX	1XX
Missouri	9750299	7579490	2170809	77250420	574378	772504	178126	410630	316252	1382882	79250
Montana	10090	13248	1XX	42522	1XX	425	1XX	521	1XX	744	1XX
Nebraska	1002051	1004167	1XX	2502072	1XX	25021	22905	31276	29160	43786	22905
New Mexico	75056	93820	1XX	1XX	1XX	1XX	1XX	1XX	1XX	1XX	1XX
North Dakota	8253	5907	1XX	77700	1XX	777	1XX	971	1XX	1360	1XX
Ohio	179582	219605	1XX	2051933	1XX	20519	1XX	25649	1XX	35909	1XX
Oregon	23497	47804	1XX	54785	1XX	548	1XX	425	1XX	759	1XX
South Dakota	61677	75455	1XX	680966	1XX	6810	1XX	8512	1XX	11917	1XX
Tennessee	401110	360808	20502	3602002	27015	36020	7005	45025	18010	63025	36020
Utah	49881	53785	1XX	82875	1XX	829	1XX	1036	1XX	450	1XX
Wisconsin	128437	46564	81873	1175825	8519	11758	2939	14698	5879	20578	11758
Total			2370007		705971		259128		507652		996025

Additional Tax to Other States:

Western Casualty	\$ 84,178.01
Western Fire	148,696.25
Western Indemnity	9,960.25
	<u>\$ 242,834.51</u>