

MINUTES OF THE SENATE COMMITTEE ON JUDICIARY

The meeting was called to order by Senator Elwaine F. Pomeroy at
Chairperson

10:00 a.m./p.m. on April 4, 1983 in room 514-S of the Capitol.

~~All~~ members ~~were~~ present ~~except~~ were: Senators Pomeroy, Winter, Feleciano, Hein and Werts.

Committee staff present: Mike Heim, Legislative Research Department
Mark Burghart, Legislative Research Department

Conferees appearing before the committee:

Ron Todd, Assistant Insurance Commissioner
Homer Cowan, The Western Insurance Companies
Mark Bennett, Sr., American Insurance Association
Jerry Palmer, Kansas Trial Lawyers Association

Senate Bill 426 - Product liability insurance reports by insurers.

The chairman had appointed a subcommittee: Senator Hein, chairman; Senator Gaar and Senator Feleciano to study reporting product liability information. Senator Hein reported on the work of the subcommittee. This bill is the result of action by the subcommittee. A copy of a sample form of a product liability claim data sheet is attached (See Attachment #1).

Ron Todd went through the bill briefly and explained it. He and Homer Cowan worked on the bill, and he thinks this bill does provide for the policy information. Most companies will be able to produce the experience desired starting with 1977. He has three minor amendments that need to be in the bill. On page 1, lines 44 and 45 need to be stricken; #4 is all that is needed, and it needs to be renumbered. He suggested in Section 2, inserting the definition of policy year. The third suggestion, on page 3, line 83, to strike "designed" and insert "designated". He pointed out if the repealer is taken out, and leave other existing language alone, it would make two reporting requirements. During committee discussion, Mr. Todd suggested, if you want information received under current law, take repealers out of this one; it would be easier for the insurance companies to handle it this way.

Homer Cowan addressed the repealer portion of the bill. He stated, when they worked on the bill, they tried to put this law on the basis that companies can and will comply. The insurance department has the authority to ask for other bits of information that will go along with the new proposed law. He said he doesn't think the insurance companies have comprehended the present law; the mechanics of reporting make it very expensive. He explained the closed claim is in a closed file, and it is quite thick, and you have to go through it. Their company has taken three or four weeks to tie up people to work on this. Let the insurance department determine what additional information than what this bill requires. Mr. Cowan stated the simple form will give you all the company has got in respect to the losses; don't tie them up with any more information than is necessary. Committee discussion followed concerning how the information will be acquired by the insurance companies. The chairman said they appreciated Mr. Cowan's efforts to help get the information that they need, that it will be something meaningful, but the committee is skeptical about giving up what information is presently received. Committee discussion followed. The chairman inquired, with this mandate and the authority, then we can get the meaningful information? Mr. Cowan answered, agreed, it should work.

Mark Bennett, Sr., testified he has been aware of the problem the committee is addressing now for four or five years. He stated the industry has always been willing, and in some instances unable, to furnish the information that this

CONTINUATION SHEET

MINUTES OF THE SENATE COMMITTEE ON JUDICIARY,
room 514-S, Statehouse, at 10:00 a.m./~~p.m.~~ on April 4, 1983

Senate Bill 426 continued

committee wants. After seeing the proposed bill, he talked to companies who will be required to give this information. The big companies he has had generally say it is not a simple problem in furnishing this information. Companies want to cooperate, but they have to know what they have to get, and if it is available to give out. Some big companies say this is great, it will, for the first time, establish that products liability insurance is not a winner; it is a loser. This would be the greatest thing that could happen to the insurance companies in years. He stated he has received several problems with the bill on the phone. Some of this information they cannot furnish. The items, #4 and #5, in line 42 and 43, which was corrected by Senator Hein will help this problem if the committee eliminates #5. Four or five years ago, when the first reporting bill was considered, there was a problem getting information quickly. In line 27 of the present bill, the requirement that a report be made to the commissioner; some companies say they cannot get the information in that fast; if in 120 days rather than 60 days, they can do it. The chairman explained the reason for 60 days is to get the current data while the legislature is in session. Mr. Bennett replied, that information desired is not available until December 31. The industry did not start setting up their computers or bookkeeping system to reflect that information that soon, so they don't think they can get the information for 1977 and 1978. Mr. Bennett stated it has been made clear to him the statement that it would cost more than it would be worth, is not a good excuse. This bill also applies to small writers. In regard to the attitude of the insurance industry, the people he represents wish to assist the legislature and the insurance department in getting the information to them. They will continue to cooperate, but there are some things that are not in the records. During discussion a committee member inquired, why don't they have the information available if you have this to turn in at the federal level; based on claim paid out; why don't you have it available for this report? Mr. Bennett replied the information is not available in the form that is required now.

Jerry Palmer testified, if you do anything with this bill, delete the repealer from this statute. There are several pieces of data that will not be available with this bill. The bill is eliminating two reports that is important data. He stated he hated to see giving up the kind of data that already have. IBNRs are important information. He said he is concerned about reserve data without having specific data. He urged the committee not to give up the data base you have now before you get the next information you want now; after examining the information, then perhaps some could be eliminated.

The meeting adjourned.

4-4-83

GUESTS

SENATE JUDICIARY COMMITTEE

NAME	ADDRESS	ORGANIZATION
Ron Todd	Topeka	INS Dept
Bob Hayes	"	"
Mark Bennett	Joplin	QJA
DAVID KORITZ	OVERLAND PARK	ST. PAUL
ERNE L. MOORE	OVERLAND PARK	HARTFORD
Harmer Cowan	Ft Scott	The Western Ins Co's
B. Pilshaw	Lawrence	KU
DAVID ROSS	Missouri, Ks.	FARMERS INS. GROUP
LARRY MAGILL	TOPEKA	I. I. A. K.
LM CORNISH	"	Assoc of PTO
Glen Cogswell	"	Alliance of Am Ins.
Jerry Palmer	"	K's Trial Lawyers
Larry HOMES	"	Steiniger Staff
William Sanders	"	KITA
S. Greene	Topeka	

4-4-83

#1

SAMPLE FORM - SB426 (principal form)

YEAR 1977
(Ending 12-31)

Product Liability Claim Data

KANSAS

Total Country-wide Product Liability Premium for the Policy Year 1977 \$ _____
Total Kansas Product Liability Premium for the Policy Year 1977 \$ _____ (earned)
Does your company treat each accident as one claim? _____
or each injury? _____

Policy Year 1977 Data Reported in for Year Below	KANSAS No. of Claims Opened With D/A in 1977 For Year Below	KANSAS Claim Payments On 1977 Claims Paid in Year Below	KANSAS Total Reserves Carried on 1977 Claims Outstanding For Year Below	KANSAS Total Allocated Expenses Incurred On 1977 Losses Paid in Year Below	KANSAS Total Unallocated Expenses Incurred On 1977 Losses Paid in Year Below	KANSAS No. of 1977 Claims Closed In Year Below	POLICY YEAR 1977 COUNTRYWIDE DATA	
							PAID LOSSES	RESERVED LOSSES
1977								
1978								
1979								
1980								
1981								
1982								
1983								
1984								
1985								
1986								
1987								
1988								
1989								
1990								
1991								
1992								

Atch. 1