

MINUTES OF THE SENATE COMMITTEE ON LABOR, INDUSTRY AND TOURISM

The meeting was called to order by Sen. Bill Morris at
Chairperson

1:30 ~~am~~/p.m. on January 25,, 1983 in room 529-S of the Capitol.

All members were present ~~except~~.

Committee staff present:

Mark Burghart - Research Department
Bruce Kinzie - Revisor
Louise Cunningham - Secretary

Conferees appearing before the committee:

T. C. Anderson, Kansas Society of Certified Public Accountants, Inc.
Bill Sneed, Kansas Insurance Department
Bryce Moore, DHR, Workers' Compensation
Glenn Cogswell, Alliance of American Insurors
Dick Smelser, DHR, Workers' Compensation
Tom Slattery, Associated General Contractors of Kansas

S.B. 8 - Providing for group-funded workers' compensation pools by five or more employers.

Conferees had been heard the previous day on the bill and now the Committee took the bill under consideration. There was some discussion about the term "certified financial statement".

T.C. Anderson, Certified Public Accountants Society, said perhaps it should be designated as being signed by a partner, officer, etc.

Bill Sneed, Kansas Insurance Department, said this had been discussed during the interim and the bill stated "approved by Commissioner" and this would make it the same as it is now for insurance companies. The certified audited financial statement by the pools would be prepared by an independent source and would have to be reviewed by an independent CPA.

The Committee discussed safeguards and Bryce Moore said requiring reinsurance was a very important safeguard. This was presently in S.B. 8.

Bruce Kinzie reviewed the amendments which had been submitted on the previous day. Most of the amendments were to clarify terminology and most were recommendations of the Kansas Insurance Commissioner's office.

A motion was made by Sen. Karr to insert the word "independent" before the word "audit" on line 125 on Page 4. Motion was seconded by Sen. Feleciano. Motion carried.

A motion was made by Sen. Daniels to correct the singular words "carrier's" and self-insurer's to plural "carriers'" and self-insurers'" in lines 583 through 586. Motion was seconded by Sen. Ehrlich. Motion carried.

Glenn Cogswell, Alliance of American Insurors, had proposed amendments to S.B. 8. (Attachment 1). One of the amendments would require a surety bond. A motion was made by Sen. Feleciano to amend S.B. 8 on Page 3, line 102 by inserting "(b) Deposit and maintain with the Commissioner acceptable securities, or post a surety bond issued by a corporate surety authorized to do business in the State of Kansas, in an amount not less than seventy-five percent (75% of the normal annual premium of the pool, but not less than \$200,000." Motion was seconded by Sen. Daniels. The Committee discussed this and Mr. Sneed said the present bill would allow for a surety bond if there were problems but would be an added expense to the pool. The motion did not carry.

(over)

Dick Smelser, Workers' Compensation, was asked if this bond was required of self-insured companies. He said it was required but they were working with only one company and here you would be working with a pool. The Department checks into trends, long term debts and the size of the company. Mr. Smelser said the cost would depend on the individual company but it was usually about 3%.

A motion was made by Sen. Feleciano to amend S.B. 8 on Page 4, line 128 by inserting after the period "Each pool shall file payroll records, accident experience and compensation reports and such other reports and statements at such times and in such manner as the commissioner shall require." Motion was seconded by Sen. Daniels. Motion carried.

A motion was made by Sen. Ehrlich to recommend S.B. 8, as amended, favorable for passage. Motion was seconded by Sen. Daniels. Motion carried.

S.B. 82 - Concerning workers' compensation; relating to payment of award in lump sum.

Mark Burghart said this was a bill which was requested by the Kansas Trial Lawyers Association and would provide for lump sum payments.

Meeting was adjourned.

SENATE LABOR, INDUSTRY & TOURISM COMMITTEE

Date 1-25 Place 529 S. Time 1:30

GUEST LIST

NAME

ADDRESS

ORGANIZATION

Dick Galski	535 Ks, 6th Floor	DHR/Div. of Workers Comp
By Moore	" "	" "
Bill Morrissey	" "	" "
William W Sneed	420 W 9th	Kansas Ins. Dept.
LARRY MAGRE	TOPEKA	I.I.H.K.
Ed Jones	"	Kan. Assoc of Prop & Contractor
Michael Hunt	TOPEKA	AIA
Mark Bennett	Topeka	ASA
Bill Matt	Wichita	Bearing
Paul Wilkin	Topeka	Gen Sledge
Steve Hoberman	Topeka	Associated Press
Glenn D. Cogswell	Topeka	Alliance of American Insurers
M. Hawver	"	Topeka Capital-Journal
T.O. Anderson	"	KSCPA
Jan Jacek	"	"
Tom Slattery	"	AGC of Ks.
DAN MORGAN	"	AGC of Ks.
Robert A. West	"	NAT'L ELEC. CONTRACTORS ASSN.
Wayne Maichel	"	Kans. AFL-CIO

0083 (l) A copy of the procedures adopted by the pool to provide
0084 claims adjusting and reporting of loss data.

0085 (m) A confirmation of specific and aggregate excess insur-
0086 ance.

0087 (n) Any other relevant factors the commissioner may deem
0088 necessary.

0089 New Sec. 3. Every group-funded workers' compensation
0090 pool applying for authority to operate a pool in this state, as a
0091 condition precedent to obtaining such authority, shall file in the

the following:
(a)

0092 insurance department) A written irrevocable consent, that any
0093 action may be commenced against such pool in the proper court
0094 of any county in this state in which the cause of action shall arise
0095 or in which the plaintiff may reside by the service of process on
0096 the commissioner of insurance of this state, and stipulating and
0097 agreeing that such service shall be taken and held in all courts to
0098 be as valid and binding as if due service had been made upon the
0099 trustees or the administrator of such pool. The consent shall be
0100 executed by the board of trustees and shall be accompanied by a
0101 duly certified copy of the resolution passed by the trustees to
0102 execute such consent.)

(b) Deposit and maintain with the Commissioner acceptable securities, or post a surety bond issued by a corporate surety authorized to do business in the State of Kansas, in an amount not less than seventy-five percent (75%) of the normal annual premium of the pool, but not less than \$200,000.

0103 New Sec. 4. (a) The application for a new certificate or a
0104 renewal of an existing certificate shall be signed by the trustees of
0105 the trust fund created by the pool. Any application for a renewal
0106 of an existing certificate shall meet at least the standards estab-
0107 lished in subsections (f), (g), (h), (i), (j), (k), (l), (m) and (n) of
0108 section 2. After evaluating the application the commissioner shall
0109 notify the applicant that the plan submitted is approved or
0110 conversely, if the plan submitted is inadequate, the commissioner
0111 shall then fully explain to the applicant what additional require-
0112 ments must be met. If the application is denied, the applicant
0113 shall have 10 days to make an application for hearing by the
0114 commissioner after the denial notice is received. A record shall be
0115 made of such hearing and the cost thereof shall be assessed
0116 against the applicant requesting the hearing.

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0117 (b) All certificates granted hereunder shall expire on April 30
0118 of each year unless sooner suspended or revoked by the commis-
0119 sioner.

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0120 (c) Whenever the commissioner shall deem it necessary the
0121 commissioner may make, or direct to be made, an examination of
0122 the affairs and financial condition of any pool, except that once
0123 every five years the commissioner shall conduct an examination
0124 of the affairs and financial condition of each pool. Each pool
0125 shall submit a certified audited financial statement on or before
0126 March 31 of each year. The financial statement shall include
0127 outstanding reserves for claims and for claims incurred but not
0128 reported. Whenever it appears to the commissioner from such
0129 examination or other satisfactory evidence that the solvency of
0130 any such pool is impaired, or that it is doing business in violation
0131 of any of the laws of this state, or that its affairs are in an unsound
0132 condition so as to endanger its ability to pay or cause to be paid
0133 the compensation in the amount, manner and time due as pro-
0134 vided for in the Kansas workmen's compensation act, the com-
0135 missioner shall, before filing such report or making the same
0136 public, grant such pool upon reasonable notice a hearing, and, if
0137 on such hearing the report be confirmed, the commissioner shall
0138 suspend the certificate of authority for such pool until its sol-
0139 vency shall have been fully restored and the laws of the state fully
0140 complied with. The commissioner may, if there is an unreason-
0141 able delay in restoring the solvency of such pool and in comply-
0142 ing with the law, revoke the certificate of authority of such pool to
0143 do business in this state. Upon revoking any such certificate the
0144 commissioner shall communicate the fact to the attorney general,
0145 whose duty it shall be to commence and prosecute an action in
0146 the proper court to dissolve such pool or to enjoin the same from
0147 doing or transacting business in this state.
0148 New Sec. 5. (a) Premium contributions to the pool shall be
0149 based upon appropriate standard classification and rates, plus or
0150 minus applicable experience credits or debits, and minus any
0151 advance discount approved by the trustees, not to exceed 15% of
0152 standard premium. The pool must use rates as promulgated by
0153 the national council of compensation insurance and must report
0154 loss data to a rating organization.
0155 (b) At least 70% of the annual premium shall be placed into a
0156 designated depository for the sole purpose of paying claims. This

*Each pool shall file payroll records, accident experience and compensation reports and such other reports and statements at such times and in such manner as the commissioner shall require.

Passed