

Approved February 11, 1988  
Date

MINUTES OF THE HOUSE COMMITTEE ON JUDICIARY

The meeting was called to order by Representative Robert S. Wunsch at  
Chairperson

3:30 ~~xxx~~/p.m. on February 4, 1988 in room 313-S of the Capitol.

All members were present except:

Representatives Bideau, Buehler, Peterson and Wagnon, who were excused.

Committee staff present:

Jerry Donaldson, Legislative Research Department  
Mike Heim, Legislative Research Department  
Jill Wolters, Revisor of Statutes Office  
Mary Jane Holt, Committee Secretary

Conferees appearing before the committee:

Lori Callihan, American Insurance Associates  
Dee Ann Burkhardt, Alliance of American Insurers  
Kim Yelkin, Seniro Government Affairs Manager, St. Paul Fire and Marien Insurance Co.

Lori Callihan stated the official position of the American Insurance Associates is to support the bills proposed by the Medical Association. She introduced Dee Ann Burkhardt and Kim Yelkin.

Dee Ann Burkhardt informed the Committee Greg Heidrich, Assistant Director for Research for Alliance of American Insurers had planned to show a slide presentation on the economic perspective on insurance profitability. He was unable to be at the meeting today. She said he is mailing his testimony.

Kim Yelkin testified the St. Paul Fire and Marine Insurance Company is a multi-line company that has been writing medical malpractice insurance for many years. They write more medical malpractice insurance than any other company. She stated in the 1970's there was an instability in the market place. The frequency and severity of reported claims began to escalate sharply. This was due to society's increased expectation of the medical profession, economic and social inflation and dramatic changes in legal doctrine. This caused fewer commercial carriers to go into business due to the increased number and costs of medical malpractice claims. The problem today is affordability. Rate increases have been sought to respond to the escalating costs of the system. Rate accuracy is essential to any continued market availability. Pricing medical malpractice premiums is based on frequency which is the number of claims per 100 doctors, and severity, which is the cost of those claims. Malpractice rates are calculated to cover the cost of the policy and to provide a reasonable rate of return on the risk.

Ms. Yelkin informed the Committee in Kansas her company had 10 claims per 100 doctors in 1982, and in 1986 they 14 claims per 100 doctors. The national figures were 13 claims per 100 doctors in 1982, and 17 claims per 100 doctors in 1986. The average claim payment in Kansas for 1982 was \$23,000 and \$40,900 in 1986, at limits of \$100,000 excluding their defense costs. The national average rose from \$30,900 in 1982 to \$38,900 in 1986. In 1986 St. Paul Fire and Marine Insurance Company paid \$3,000,000 to claimants on behalf of Kansas physicians, and spent an additional \$2,000,000 on defense costs. She said there is no absolute answer to the problem of changing the system, or not changing the system. She said a 6 month contract policy would reflect sooner a change in frequency or severity, and a voluntary deductible plan of \$5,000 or \$10,000 would be advisable.

Ms. Yelkin stated whether Kansas mandates insurance for health care providers or not would make no difference to St. Paul. They will write business in Kansas if they receive regulatory approval of an adequate rate. They feel the H.C.S.F. is important in the state of Kansas. Her company will not write excess coverage unless they write it over their own primary limits. She stated Kansas should maintain the H.C.S.F. until a carrier picks up that business on a long term commitment.

The Committee meeting adjourned at 5:10 p.m.

GUEST REGISTER

DATE Feb. 4, 1988

HOUSE JUDICIARY

NAME

ORGANIZATION

ADDRESS

MARK R ALLEN

INTERN-REP ROE

LAWRENCE

Jim Hostetter

Intern - Rep. Bideau

Topeka

Larry Callahan

Am. Ins. Assoc.

Topeka

NANCY RICHM

KADM

Topeka