

Approved February 17
Date

MINUTES OF THE SENATE COMMITTEE ON FINANCIAL INSTITUTIONS AND INSURANCE.

The meeting was called to order by Sen. Neil H. Arasmith at
Chairperson

9:00 a.m./~~xxx~~ on February 12, 1988 in room 529-S of the Capitol.

All members were present except:

Sen. Gannon - Excused

Committee staff present:

Bill Wolff, Legislative Research
Myrta Anderson, Legislative Research
Bill Edds, Revisor of Statutes

Conferees appearing before the committee:

Ron Smith, Kansas Bar Association
Larry Magill, Independent Insurance Agents of Kansas
Jerry Slaughter, Kansas Medical Society

The minutes of February 11 were approved.

The hearing on SB 489 dealing with captive insurance companies which had been continued began with the testimony of Ron Smith, Kansas Bar Association. (See Attachment I.) Sen. Warren asked for a definition of captive insurance company. Mr. Smith explained that it is designed to assure that there will be insurance available for rural oriented attorneys such as those in Kansas. The Federal Risk Retention Act gives them the authority to form their own captives (a mutual insurance company). As part of federal law, they have to pay \$1000 per attorney and a premium. His association's captive insurance company issues policies designed just for lawyers and is run by lawyers. Sen. Strick asked if the premiums are less for captives. Mr. Smith replied that a captive company is no panacea for premiums. The purpose for the formation of them was that no one would write insurance for attorneys in some states. Sen. Strick asked if a reduction of rates would be possible. Mr. Smith answered that rates could go down. The final question for Mr. Smith came from Sen. Warren who asked if the Bar Association wants to be under the bill. Mr. Smith said it does not, but it gives them the option to come under it.

Larry Magill of the Independent Insurance Agents of Kansas testified in opposition to SB 489. (See Attachment II.) With regard to Mr. Magill's reference to Colorado legislation, Sen. Karr asked if other states have this legislation. Mr. Magill said Vermont, New Hampshire, and Virginia also have it. Sen. Karr then asked if the Nevada company referred to in Mr. Smith's testimony is a captive. Mr. Magill said that it sounded like it is. Sen. Karr asked further if there is any way to compare this bill with the testimony the committee has been hearing recently on HMOs. Mr. Magill felt that there is an analogy between property and casualty companies and captives which have alternative risk funding mechanisms. Mr. Magill restated that the laws need to be carefully structured for captives.

Sen. Werts had questions regarding the 1% domestic premium tax in the fiscal note on the bill to which Ron Todd of the Insurance Department responded. Sen. Werts asked if domestic companies are writing insurance like captives would. Mr. Magill said they are not writing for large manufacturers, just the small ones. Sen. Werts asked if captives would be domiciled in Kansas, and Mr. Magill said they would. With reference to the fiscal note on the bill, staff asked if it wouldn't be true that there would be a net increase in general fund dollars if new entities are created and new taxes are paid. Mr. Todd said this would be true if the ones created are not now buying any insurance at all, but the Department has no clear idea of the present situation. Sen. Gordon had a brief question as to the contribution all insurance companies make to the operation of the Insurance Department. The chairman referred SB 489 to the Insurance Subcommittee which will report on it as soon as possible.

CONTINUATION SHEET

MINUTES OF THE SENATE COMMITTEE ON FINANCIAL INSTITUTIONS AND INSURANCE,

room 529-S, Statehouse, at 9:00 a.m./~~XXXX~~on February 12, 1988.

Jerry Slaughter, Kansas Medical Society, followed with a request for the introduction of a bill. (See Attachment III.) Mr. Slaughter said the bill is related to SB 489. The need for the bill arises from the fact that last summer St. Paul which insures 39% of the physicians in the state almost left the state, and also another company insuring physicians plans to leave. By October or December of next year, half of the physicians may be uninsured because of the availability problem. His organization is trying to respond to this need and set up a new insurance company. They do not want to be in the insurance business, but they have no other choice. They decided on separate legislation from SB 489 because they did not want to "muddy the waters".

Sen. Reilly asked for the reason for choosing mutual. Mr. Slaughter answered that this was the best of the three choices they had. Sen. Karr asked if this is similar to the caps in California. Mr. Slaughter said it is not--California has some trusts or reciprocal exchanges. Sen. Karr referred to the situation in Missouri, and Mr. Slaughter said Missouri has no regulations by the Insurance Department. There being no further time, the chairman suggested that other questions be held until the hearing on the bill is held.

Sen. Reilly made a motion to introduce the bill and refer it back to committee, Sen. Werts seconded, and the motion carried.

The meeting was adjourned.



**KANSAS BAR
ASSOCIATION**

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Dale Pohl, President-elect
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Alan Goering, Secretary-Treasurer
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Marcia Poell, Executive Director
Ginger Brinker, Director of Administration
Patti Slider, Public Information Director
Ronald Smith, Legislative Counsel
Art Thompson, Legal Services Coordinator
Dru Toebben, Continuing Legal Education Director

January 29, 1988

The Hon. David Kerr
State Senator
State Capitol Building, Room #143N
Topeka, KS 66612

re: SB 489; captive insurance companies

Dear Dave,

Per our conversation with you yesterday, we've checked with the legal counsel in Los Angeles concerning the bill's applicability to multi-state captive insurance companies formed under the federal Risk Retention Act of 1986. KBA was one of 12 state bar associations which helped form a Nevada-chartered multi-state captive company for legal malpractice insurance. While counsel believes that the federal act would preempt SB 489's applicability to companies formed by the 1986 federal law, we suggest the following amendment to clarify that fact. In line 44, after the period by inserting:

"The term does not include a risk retention group as defined by the Liability Risk Retention Act of 1986, unless such group elects to become subject to the act."

There may be some group formed under the federal act that would like to be subject to SB 489 and we didn't think it appropriate to exclude them entirely. Further, as a bill drafting error, you may already have caught that in line 38, the "(3)" ought to be "(c)".

I'll be present for the hearing on Wednesday and can answer questions on this proposed amendment.

Cordially,


Ron Smith,
Legislative Counsel, KBA

1200 Harrison • P.O. Box 1037 • Topeka, Kansas 66601 • (913) 234-5696

BOARD OF GOVERNORS: Thomas A. Hamill, District 1 • Hon. Fred N. Six, District 2 • Tim Brazil, District 3 • Warren D. Andreas, District 4 • E. Dudley Smith, District 5 • Robert W. Wise, District 6 • Dennis L. Gillen, District 7 • William B. Swearer, District 8 • Linda Trigg, District 9 • Edward Larson, District 10 • Anne Burke Miller, Young Lawyers President • John Elliott Shamburg, Association ABA Delegate • Glee S. Smith, Jr., Association ABA Delegate • Richard C. Hite, Kansas ABA Delegate • Hon. Jerry Mershon, KDJIA Representative

Attachment I

Testimony on SB 489
Before the Senate Financial Institutions & Insurance Committee
February 3, 1988
By: Larry W. Magill, Jr., Executive Vice President
Independent Insurance Agents of Kansas

Thank you very much, Mr. Chairman, for the opportunity to appear today in oppositon to SB 489 as it is presently drafted. Our association views this proposal in basically the same light we approached public entity pooling last session or group workers' compensation self-insurance funds, which passed a number of years ago.

We are not opposed to individual self-insurance either in the form of an individually owned captive or otherwise. Our concern with group captives, pools or funds is that we feel the public perceives them to be the same as an insurance company. Yet, the proponents of such measures generally want preferential treatment under the insurance laws, reduced solvency requirements and generally freedom from Insurance Department regulatory control or oversight. This, we feel, subjects the consumer to potential abuse once these laws are in place. If our current insurance laws and regulations are valid for "standard" insurance companies, then why are they not equally valid for specialized companies?

Our concerns basically fall into two categories. Those that apply to consumer protection and solvency issues and those that address a "level playing field" with other insurance companies. In the area of additional consumer protection from insolvency of captives and from their business practices, we suggest the following:

1. Higher or tougher financial requirements for the formation of captives. Our research indicates that Vermont, whose law this act is patterned after, is presently considering amendments which would toughen the financial requirements there for captives. It is our understanding that the proposed amendments in Vermont are supported by the Vermont Insurance

Department and based on a concern for the solvency of the captives that have been formed there.

2. Require that the formation of a captive be by a "bonified" association, not one formed simply for the purpose of establishing a captive. SB 489 places no requirements on the type of association that can sponsor a captive. Conceivably, parties outside the state of Kansas could take advantage of this provision to come in, form an association in name only and use the captive law.
3. Require that multi-firm captives must insure risks with common exposures. This relates to their solvency and should help them avoid insuring risks they do not understand and, possibly, do not even anticipate insuring. The more homogeneous (alike) the exposures to loss, the easier it is to understand what you are insuring and be successful.
4. We do not see a need to allow both industrial captives and association captives and would recommend allowing only association captives. An "industrial insured captive insurance company" defined on line 53 is extremely loose and could allow the formation of a captive by any conceivable group.
5. Increase significantly the standards for individual companies' participation in an association captive to insure that only sophisticated buyers are involved. We do not feel that the requirement that a firm have a risk manager has much meaning since that title can be given to virtually anyone. The requirement that a firm have \$25,000 in annual aggregate insurance costs sweeps in a tremendous number of very small operations, especially since that could include group health insurance costs. We would recommend the committee consider a minimum premium of \$250,000 for property and casualty insurance and 100 employees.
6. Require that the Insurance Department grant prior approval of rates and policy forms used by a captive supported by an actuarial study of the adequacy of the rates. As an alternative, a captive could use already approved rating plans in Kansas. Obviously, if a captive does not charge an adequate rate from the beginning, their failure is guaranteed.
7. Make the captive subject to the Kansas Unfair Trade Practices Act, which includes the Unfair Claims Practices requirements and allows the Department some control over the treatment of insureds and the representations that captives make to the public.

8. Make the captive subject to the agents' licensing requirements in Kansas. Again, this would provide some assurance that those persons selling participation in a captive have some knowledge of the insurance field.
9. Require annual CPA audits of captives including an actuarial review of the soundness of their claims reserves. Present law does not require a CPA audit annually and allows only an examination by the Insurance Department every three years. In three years' time, a captive could already be in serious trouble and, if they do not have a good "handle" on their reserves, not even know it.
10. We would recommend that the captive's authority to provide reinsurance to other insurance companies be removed as contained on lines 296-298. We would also recommend that any credit they receive for ceded reinsurance be subject to a review of the reinsurer by the Commissioner.
11. We would recommend that the Insurance Department be given the authority to review reinsurance or excess insurance arrangements of a captive prior to its being granted a license to operate in Kansas. Obviously, these companies are going to rely heavily on reinsurance or excess insurance as they will not be able to afford to retain the entire risk themselves. The quality of the coverage, where it attaches and its aggregate limits will have a lot to do with the solvency of the companies.

Some "level playing field" considerations for the committee would include:

1. Require that captives participate in any relevant assigned risk pools including the Assigned Risk Auto Insurance Plan in Kansas. If they are providing coverage that must be provided by an assigned risk plan underwritten by insurance companies operating in Kansas, then they should participate in those plans. Otherwise, they benefit from the plan without sharing the cost.
2. Require payment of the domestic premium tax rate of 1% instead of the .8% and .6% rates in section 14, lines 323-334. We see no reason to grant captives preferential tax treatment.
3. Require that captives pay the cost for the Insurance Department to administer the act.

4. Subject captives to the products liability reporting law that now applies to other insurance companies operating in Kansas.
5. Review Kansas' insurance laws and regulations to determine what other costs "standard" companies incur to do business in Kansas and whether they should be applied to captives.

We understand one of the reasons for proposing SB 489 is to promote economic development in Kansas. We question whether Kansas wants to become involved in the national competition for captive insurance company formation by competing with the weakest captive laws. Basically this is what is required for a state to attract captive activity. Under the Federal Risk Retention Act, a risk retention group searches for the easiest state to form in, forms there and then operates countrywide. Thus, whatever this committee does with this proposal has national implications. We also question whether, even if the law is passed, very many new jobs will be created in Kansas. We envision that these captives can operate with hired consultants in the state, very little payroll and very little spinoff economic benefit for Kansas. They will, however, create a significant burden on the Kansas Insurance Department to process the applications. If raising tax revenue is the goal, we feel there are more appropriate ways to accomplish that end than to subject consumers to the potential abuses of captives.

One of the difficulties of addressing a proposal like SB 489 allowing captives or group funded self-insurance or pooling is that they appear deceptively simple on the surface. It requires a thorough study of Kansas' insurance laws and regulations to fully appreciate exactly what SB 489 will do. For that reason, if the committee feels it must do anything with SB 489, we recommend that you refer it for interim study.

BILL NO. _____

An Act authorizing the formation of mutual insurance companies under the assessment plan by associations of health care providers, authorizing public hospitals to invest in mutual insurance companies, amending K.S.A. 13-14b11, K.S.A. 14-605, K.S.A. 19-4610, and K.S.A. 80-2511, and repealing the existing sections.

Be it enacted by the Legislature of the State of Kansas:

Section 1. (a) "Health care provider" means any person licensed to practice any healing art by the Board of Healing Arts or any health care facility licensed by the Secretary of Health and Environment or a psychiatric hospital authorized under K.S.A. 75-3307(b) and amendments thereto; (b) "Person" means an individual, corporation, partnership, association, joint stock company, trust, unincorporated organization or any similar entity; (c) "Affiliate" means a person that directly or indirectly through one or more intermediaries, employs, controls or is controlled by, or is under common control with a health care provider; (d) "Commissioner" means the Commissioner of Insurance;

Section 2. (a) Except as otherwise provided in this Article, the provisions of Article 12 of the Kansas Insurance Code shall control the formation and operation of companies organized under this Article. (b) Any association of health care providers domiciled within the state of Kansas which has been in existence for 10 years or more, may, as provided in this Article, form an insurance company for the purpose of issuing contracts of insurance providing liability insurance for health care providers which are members of the association, the member's employees, directors, professional associations, and affiliates, upon the assessment plan. (c) Any two or more such associations of health care providers, may form an insurance company for the purpose of issuing contracts of insurance providing liability insurance for such association's respective members, the member's employees, directors, professional associations, and affiliates upon the assessment plan.

Section 3. The affairs of the company shall be managed by a Board of Directors of not less than five nor more than 25 persons selected by the association or associations forming the company. Directors are not required to be policyholders. The persons named as such in the charter shall constitute the directors for the first year, and, at their first meeting, they shall select a president, secretary and treasurer and such other officers as may be necessary. Thereafter, directors shall be selected in accordance with the Bylaws.

Section 4. The persons proposing to form any such company shall subscribe, acknowledge, and file with the Commissioner Articles of Incorporation specifying;

Attachment III

(a) The name, which shall contain the word "mutual," the names of persons initially associated, the method by which other persons may be admitted to the company as members, the purposes for which the company is organized, the amount of the initial assessment which has been paid into the company, the method of assessment thereafter, and the location of such company's principal or home office, which shall be within this state. The Articles of Incorporation shall provide for Bylaws and for the amendment of the Articles of Incorporation and the Bylaws.

(b) The names and addresses of those persons composing the Board.

(c) The names and addresses of the incorporators.

Section 5. The Bylaws shall provide for a governing body for the company, the manner of election thereof, the specific kinds of insurance or indemnification which will be offered, and may provide that assessments, in such amounts as determined by the Board to be fair and equitable, may be made. The Bylaws may provide for the transfer of risks to other insurance companies or for reinsurance.

Section 6. Any company organized under the provisions of this Article is empowered to make contracts of insurance as provided herein and to cede to any insurer or accept from any insurer reinsurance on any portion of any such risk for the following kinds of insurance:

(a) Against loss or liability arising out of the performance of professional services rendered or which should have been rendered by an insured.

(b) Against loss or liability to persons or property for which the insured may be liable or have assumed liability, including but not limited to liability of any person who is a director or officer of a health care provider arising out of acts performed or which should have been performed by such director or officer.

(c) Against loss or liability to persons or property resulting from the ownership, maintenance, or use of any ambulance, aircraft, or other vehicle used by an insured in connection with rendering professional services.

Section 7. The Commissioner shall issue a Certificate of Authority when any company, organized under this Article, has fully complied with the following conditions:

(a) The company holds bonafide applications for insurance upon which it shall issue at least 20 policies to at least 20 members. However, provided that the company is in compliance with all other provisions of this Article, the Commissioner shall not revoke or refuse to renew the Certificate of Authority because membership has declined to less than 20 members.

(b) No insurance company organized pursuant to this Article shall expose itself to loss on any one risk or hazard to an amount exceeding 20% of its surplus unless the excess is reinsured.

(c) It shall have collected, in accordance with the method provided in the Articles of Incorporation or the Bylaws, the full consideration according to its filed rate on each contract applied for. The total of such consideration shall be held in cash or securities in which such insurance companies are authorized to invest, and it shall possess and thereafter maintain a surplus of lawful assets over and above liabilities in an amount not less than the capital and surplus required of a domestic stock insurance company transacting the same kinds of insurance. The company shall deposit with the state Treasurer and Commissioner, as joint custodians, securities in which such insurance companies are authorized to invest, or one or more irrevocable letters of credit issued by a bank chartered by this State or by a member bank of the Federal Reserve System for the benefit of the state Treasurer and Commissioner, as joint custodians, in an amount not less than the minimum capital stock required of a domestic stock insurance company.

Section 8. No insured shall be liable for any amounts other than the annual premium and all assessments as provided in the Articles of Incorporation or Bylaws. The business of the company shall be conducted so as to preclude any distribution of income, profit or property of the company to the individual members thereof except in payment of dividends, debts, claims or indemnities or upon the final dissolution of the company.

Section 9. Each company organized pursuant to this Article shall file an Annual Statement each year in accordance with the requirements for domestic insurers writing the same kind of insurance. The Commissioner shall permit any company organized pursuant to this Article to state its liabilities for losses and loss adjustment expenses on a present value basis in any statement or report which the company is required to file unless the Commissioner determines that such a method of valuation endangers the financial condition of the company, given the condition of such company, and requires that it be stated otherwise.

Section 10. K.S.A. 13-14b11 is hereby amended to read as follows:

K.S.A. 13-14b11. The board of trustees shall have exclusive control of the management and operation of the hospital and shall make and adopt such rules and regulations for the government of the hospital as may be deemed expedient for the economical and proper conduct thereof: Provided, The board of hospital trustees is authorized to establish and fund pension and deferred compensation plans for hospital employees and to procure contracts insuring hospital employees, their dependents, or any class or classes thereof under a policy or policies of life, disability income, health, accident, accidental death and

dismemberment, and hospital, surgical and medical expense insurance. The employee's contribution, if any, to the plan and to the premium for such insurance may be deducted by the employer from the employee's salary when authorized in writing by the respective employee so to do. The board is authorized to invest in any mutual insurance company organized by an association of health care providers to which the hospital belongs, enter into contracts with such company, pay any assessments pursuant to such contracts and arrange for the issuance of a letter of credit by any bank chartered by this State or which is a member bank of the Federal Reserve System. The board may also expend funds deemed necessary in the recruitment of professional staff. No member of the board of trustees shall receive any compensation for his or her services. On or before July fifteenth of each year the board shall file with the governing body of the city, a written report of the management of said hospital, together with a statement of all receipts and expenditures during the year ending June thirtieth.

Section 11. K.S.A. 14-605 is hereby amended to read as follows:

K.S.A. 14-605. The said trustees shall, within ten days after their appointment or election, qualify by taking the oath of civil officers, and organize a board of hospital trustees by the election of one of their number as chairman, one as secretary and one as treasurer; but no bond shall be required of any of them save the treasurer, who, before entering upon his or her duties, shall give an official bond, to be approved by the governing body, in a sum approximating: (a) If a personal bond, twice the amount of the funds that may be confided in his or her care at any one time; or if a corporate surety bond issued by a surety company authorized to do business in this state, the highest amount of the funds that may be confided to his or her care at any one time; signed by sureties approved by the governing body, and filed in the office of the city clerk.

The treasurer shall receive and pay out all the moneys under the control of said board as ordered by it, but shall receive no compensation from such board. No trustee shall receive any compensation for his or her services, performed, but a trustee may receive reimbursement for any cash expenditures actually made for personal expenses incurred as such trustee, and an itemized statement of all such expenses and money paid out shall be made under oath by each of such trustees and filed with the secretary, and allowed only by the affirmative vote of a majority of the board.

The board of hospital trustees shall make and adopt such bylaws, rules and regulations for their own guidance and for the government of the hospital as may be deemed expedient for the economical and proper conduct thereof not inconsistent with this act and the ordinances of the city. They shall have the exclusive control of the expenditure of all moneys collected to the credit of the hospital fund and the purchase of site or sites, the purchase or construction of any hospital building or buildings, and of the supervision, care and custody of the

grounds, rooms or buildings purchased, constructed, leased or set apart for that purpose: Provided, That all money received for such hospital shall be deposited in the treasury of the board of trustees and paid out only by claims and warrants or warrant checks as provided by K.S.A. 10-801 to 10-806 inclusive, 12-105a and 12-105b. The board is authorized to invest in any mutual insurance company organized by an association of health care providers to which the hospital belongs, enter into contracts with such company, pay any assessments pursuant to such contracts and arrange for the issuance of a letter of credit by any bank chartered by this State or which is a member bank of the Federal Reserve System. Said board of hospital trustees shall have power to appoint a suitable administrator and necessary assistants, and fix their compensation, and shall have power to remove such appointees, and to do all and everything necessary to properly conduct said hospital: Provided, The board of hospital trustees is authorized to establish and fund pension and deferred compensation plans for hospital employees and to procure contracts insuring hospital employees, their dependents, or any class or classes thereof under a policy or policies of life, disability income, health, accident, accidental death and dismemberment, and hospital, surgical and medical expense insurance. The employee's contribution, if any, to the plan and to the premium for such insurance may be deducted by the employer from the employee's salary when authorized in writing by the respective employee so to do. The board may also expend funds deemed necessary in the recruitment of professional staff.

Such board of hospital trustees shall hold meetings at least once each month and shall keep a complete record of all its proceedings. One of said trustees shall visit and examine said hospital at least twice each month, and the board shall, during the first week in January of each year, file with the governing body of said city, a report of the proceedings with reference to such hospital and a statement of all receipts and expenditures during the year, and shall at such time, certify the amount necessary to maintain, equip and improve said hospital for the ensuing year.

Section 12. K.S.A. 19-4610 is hereby amended to read as follows:

K.S.A. 19-4610. (a) The board shall make and adopt such bylaws and rules and regulations for the management and control of the hospital as it deems necessary so long as the same are not inconsistent with this act, the statutes of the state of Kansas, the resolutions of the county and, if the hospital is located in a city, the ordinances of the city in which the hospital is located. The board shall have the exclusive control of the expenditures of all hospital moneys, except hospital moneys acquired through the issuance of revenue bonds, and all expenditures shall be subject to the approval of a majority of all the members of the board. The board is authorized to invest in any mutual insurance company organized by an association of health care providers to which the hospital belongs, enter into contracts with such company, pay any assessments pursuant to such

contracts and arrange for the issuance of a letter of credit by any bank chartered by this State or which is a member bank of the Federal Reserve System. The board is charged with the supervision, care and custody of all hospital property. The board is authorized to appoint an administrator, to fix the compensation thereof, and to remove such administrator. The board may also require personal or surety bonds of all hospital employees entrusted with the handling of hospital moneys, such bonds to be in an amount to be determined and approved by the Board.

• (b) The board may establish and fund pension and deferred compensation plans and any other employee benefit plans for hospital employees and may procure contracts insuring hospital employees, their dependents, or any class or classes thereof, under a policy or policies covering one or more risks including, but not limited to, a policy or policies of life, disability income, health, accident, accidental death and dismemberment, and hospital, surgical and medical expense insurance or may provide for a plan of self-insurance for such purposes. The employee's contribution, if any, to the plan and to the premiums for insurance or for the expenses incurred by the board under a plan of self-insurance may be deducted by the employer from the employee's salary when authorized in writing by the employee to do so.

Section 13. K.S.A. 80-2511 is hereby amended to read as follows:

K.S.A. 80-2511. The board shall make and adopt such bylaws, rules and regulations for the management and control of the hospital as it deems necessary so long as the same are not inconsistent with this act, the statues of the state of Kansas and the ordinances of resolutions of any political subdivision included in the area which constitutes the taxing district of the hospital. The board shall have the exclusive control of the expenditures of all hospital moneys and all expenditures shall be subject to the approval of a majority of the members of the board. The board is authorized to invest in any mutual insurance company organized by an association of health care providers to which the hospital belongs, enter into contracts with such company, pay any assessments pursuant to such contracts and arrange for the issuance of a letter of credit by any bank chartered by this State or which is a member bank of the Federal Reserve System. The board is charged with the supervision, care and custody of all hospital property. The board is authorized to appoint an administrator, to fix the compensation thereof, and to remove such administrator. The board may expend funds for the recruitment of staff and such expenditures may include the expenditure of funds for the provision of loans or scholarships to aid in financing the education of persons who agree, upon completion of their education, to become members of the staff. The board may require personal or surety bonds of all hospital employees entrusted with the handling of hospital moneys, such bonds to be in an amount to be determined and approved by the board. The board may establish and fund pension and deferred

compensation plans and any other employee benefit plans for hospital employees and may procure contracts insuring hospital employees, their dependents, or any class or classes thereof, under a policy or policies covering one or more risks including, but not limited to, a policy or policies of life, disability income, health, accident, accidental death and dismemberment, and hospital, surgical and medical expense insurance or may provide for a plan of self-insurance for such purposes. The employee's contribution, if any, to the plan and to the premiums for insurance and for any expenses incurred by the board under a plan of self-insurance may be deducted by the employer from the employee's salary when authorized in writing by the employee to do so.

Section 14. K.S.A. 13-14b11, K.S.A. 14-605, K.S.A. 19-4610, and K.S.A. 80-2511 are hereby repealed.

Section 17. This act shall take effect and be in force from and after its publication in the Kansas Register.