

Approved March 21, 1991  
Date

MINUTES OF THE HOUSE COMMITTEE ON INSURANCE

The meeting was called to order by Representative Turnquist at  
Chairperson

3:30 ~~am~~/p.m. on Wednesday, March 20, 1991 in room 531 N of the Capitol.

All members were present except:

Committee staff present:

Chris Courtwright, Research  
Bill Edds, Revisor

Gena Lott, Intern  
Nikki Feuerborn, Secretary

Conferees appearing before the committee:

Others attending: See Attached List

Representative Helgerson moved for the approval of the minutes for March 19, 1991, meeting. Representative Welshimer seconded the motion. Motion carried.

HB 2414 - An act concerning group-funded workers compensation pools.

Chris Courtwright of Research gave a review and brief history of the bill. This act would require these group-funded workers compensation pools to carry aggregate excess insurance which is to be provided by a Kansas-licensed insurance company. Each company would be subject to authorized assessments as determined by the Insurance Commissioner for workers compensation plan.

Representative Wells moved for the favorable passage of the bill. Representative Cribbs seconded the motion. Motion carried.

HB 2415 - Kansas Municipal Group-Funded Pool Act.

Chris Courtwright of Research gave a review and brief history of the bill. This bill would tighten the reins on such pools and also defines surplus funds as retained earnings. Amendments to the bill eliminate assessment on municipal pools for workers compensation plan and auto plan.

A proposed amendment balloon was discussed by the committee. (See Attachment 1.) Representative Sprague said it appeared the amendments were an agreeable compromise for those originally in opposition to the bill. The amendments would provide a potential rate reduction for municipalities. Representative Hayzlett voiced opposition to the bill even with the proposed balloon amendments.

Representative Sprague moved for the adoption of the entire proposed balloon version of the bill. Representative Campbell seconded the motion. Motion carried.

Representative Helgerson moved for favorable passage of the bill with amendments. Representative Campbell seconded the motion. Motion carried.

HB 2202 - Insurance policies sold in Kansas must meet Kansas mandates for accident and sickness coverage, especially drug, alcohol, and mental illness.

Chris Courtwright of Research reviewed the bill regarding extra-territoriality. The bill would apply to existing mandates only.

Representative Helgerson moved for favorable passage of HB 2202. Representative Cozine seconded the motion. Motion carried.

Meeting adjourned at 4:05 p.m.



# Independent Insurance Agents of Kansas

815 Topeka Avenue, Topeka, Kansas 66612 (913) 232-0561



Larry Magill, Jr., CAE, CPCU, CLU, AAI  
Executive Vice President

March 12, 1991

TO: House Insurance Committee Members  
FROM: Larry Magill  
RE: HB 2415 Amendments to the Kansas Municipal  
Group-Funded Pool Act

Chairman Larry Turnquist has indicated that this bill may be taken up for consideration and final action on Tuesday, March 19, 1991.

Attached is a "balloon" copy of HB 2415 with amendments we are proposing that we believe take care of the opponent's concerns. The amendments:

- 1.) Eliminate the requirement that claims reserves must be reviewed by an independent actuary annually to determine a pool's net worth or "surplus funds." The bill with our amendment would simply define surplus funds as essentially net worth.
- 2.) Eliminate the proposed amendment adding the word "sole" to the provision regarding a pool's use of the 70% claims fund. This means there would be no change to current law and interpretation.
- 3.) Eliminate the proposed assessment on municipal pools for the Workers Compensation Plan and Auto Plan. Instead, the assessment on insurers voluntarily writing municipal workers compensation would also be lifted.

This last change, in effect, levels the playing field in the opposite direction. It will operate similar to a "take-out credit" encouraging insurers to take municipal business out of the plan or not to force it into the plan in the first place.

Although this treatment is different than we would propose for Workers Compensation Pools under KSA 44-582 in HB 2414, we think there are several good reasons:

\*Requiring public entities to pay Workers Compensation Plan assessments could impact local tax levies.

\*The municipal group self-insurance act applies to a much narrower group of potential pool participants.

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Attachment 1*

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\*The public entity associations tend to have virtually all potential members in the association and do not underwrite or exclude members from joining due to previous loss experience. (They may cancel them for failure to comply with safety recommendations.) Thus public entity pools are not "skimming the cream" to the extent that business pools are.

On this basis, we urge you to support our amendments to HB 2415 and report the bill favorably for passage on Tuesday.

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HOUSE BILL No. 2415

By Committee on Insurance

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8 AN ACT amending the Kansas municipal group-funded pool act;  
9 amending K.S.A. 1990 Supp. 12-2618, 12-2621, 12-2625 and 12-  
10 2628 and repealing the existing sections.  
11

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

Section 1. K.S.A. 1990 Supp. 12-2618 is hereby amended to read  
as follows: 12-2618. Application for a certificate of authority to operate  
15 a pool shall be made to the commissioner of insurance not less than  
16 30 days prior to the proposed inception date of the pool. The ap-  
17 plication shall include the following:

18 (a) A copy of the bylaws of the proposed pool, a copy of the  
19 articles of incorporation, if any, and a copy of all agreements and  
20 rules of the proposed pool. If any of the bylaws, articles of incor-  
21 poration, agreements or rules are changed, the pool shall notify the  
22 commissioner within 30 days after such change.

23 (b) Designation of the initial board of trustees and administrator.  
24 When there is a change in the membership of the board of trustees  
25 or change of administrator, the pool shall notify the commissioner  
26 within 30 days after such change.

27 (c) The address where the books and records of the pool will be  
28 maintained at all times. If this address is changed, the pool shall  
notify the commissioner within 30 days after such change.

31 (d) Evidence that the annual Kansas gross premium of the pool  
32 will be not less than \$250,000 for each of the categories described  
33 in subparagraphs (1) through (4) of this subsection: (1) All property  
34 insurance under article 9 of chapter 40 of the Kansas Statutes An-  
35 notated except motor vehicle physical damage; (2) motor vehicle  
36 liability and physical damage insurance; (3) workers' compensation  
37 and employers' liability insurance; (4) all casualty insurance under  
38 article 11 of chapter 40 of the Kansas Statutes Annotated except  
39 insurance under categories (2) and (3) above; (5) group sickness and  
accident insurance if at the date of issue the annual gross premium  
for such coverage will be not less than \$1,000,000; and (6) group  
life insurance if at the date of issue the coverage will insure at least  
42 60% of the eligible participants or the total number of persons cov-  
43 ered will exceed 600. The pool shall notify the commissioner within

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1 30 days if the minimum premium qualification or participation re-  
2 quirement is less than that specified in this subsection for any of  
3 the above categories of insurance.

4 (e) An agreement binding the group and each member thereof  
5 to comply with the provisions of the workers compensation act if  
6 such coverage is to be provided by the pool. For all lines of coverage,  
7 all members of the pool shall be jointly liable for the payment of  
8 claims to the extent of the assets of the pool.

9 (f) A copy of the procedures adopted by the pool to provide  
10 services with respect to underwriting matters and, with respect to  
11 the categories identified in subsection (d)(1) through (4), safety  
12 engineering.

13 (g) A copy of the procedures adopted by the pool to provide  
14 claims adjusting and accumulation of income and expense and loss  
15 data.

16 (h) A confirmation that specific and aggregate excess insurance  
17 provided by an insurance company holding a Kansas certificate of  
18 authority is or will be in effect concurrent with the assumption of  
19 risk by the pool, as selected by the board of trustees of the pool,  
20 or adequate surplus funds as approved by the commissioner, in the  
21 pool. The pool shall notify the commissioner within 30 days of any  
22 change in the specific or aggregate excess insurance carried by the  
23 pool. For the purposes hereof, "surplus funds" shall mean retained

24 earnings of the pool after reserves have been established and ap-  
25 proved by an independent actuary for all known and incurred but  
26 not reported losses of the pool and after all other liabilities of the  
27 pool have been deducted from total assets. The term "adequate sur-  
28 plus funds" shall mean the amount necessary for the pool to fund  
29 its self-insured obligations, based upon an independent actuary's  
30 evaluation.

[ delete.]

[ including unearned premium reserves]

[ delete ]

31 (i) After evaluating the application the commissioner shall notify  
32 the applicant if the plan submitted is inadequate, fully explaining to  
33 the applicant what additional requirements must be met. If the  
34 application is denied, the applicant shall have 10 days to make an  
35 application for hearing by the commissioner after the denial notice  
36 is received. A record shall be made of such hearing, and the cost  
37 thereof shall be assessed against the applicant requesting the hearing.

38 (j) Any other relevant factors the commissioner may deem  
39 necessary.

40 Sec. 2. K.S.A. 1990 Supp. 12-2621 is hereby amended to read  
41 as follows: 12-2621. (a) With respect to the categories of coverage  
42 described in subparagraphs (d)(1) through (4) of K.S.A. 1989 1990  
43 Supp. 12-2618, and amendments thereto, premium contributions to

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1 the pool shall be based upon appropriate manual classification and  
 2 rates, plus or minus applicable experience credits or debits, and  
 3 minus any advance discount approved by the trustees, not to exceed  
 4 25% of manual premium. The pool shall use rules, classifications and  
 5 rates as promulgated by the national council on compensation in-  
 6 surance for workers' compensation. Premium contributions to the  
 7 pool for all other lines of insurance shall be based on rates filed by  
 8 a licensed rating organization or on rates of certain companies filing  
 9 rates with the commissioner and approved by the commissioner for  
 10 the pool. In lieu of the foregoing, the board of trustees may deter-  
 11 mine such classification, rates and discounts as approved by the  
 12 commissioner.

13 Premium contributions to any pool providing life insurance or any  
 14 pool providing group sickness and accident insurance as described  
 15 in K.S.A. 1989 1990 Supp. 12-2617, and amendments thereto, shall  
 16 be based on sound actuarial principles.

17 (b) An amount equal to at least 70% of the annual premium shall  
 18 be maintained in a designated depository for the ~~sole~~ purpose of [ delete ]  
 19 paying claims in a claims fund account. The remaining annual pre-  
 20 mium shall be placed into a designated depository for the payment  
 21 of taxes, fees and administrative and other operational costs in an  
 22 administrative fund account.

23 (c) Any surplus moneys for a fund year in excess of the amount  
 24 necessary to fulfill all obligations of the pool for that fund year,  
 25 including any obligation to retain adequate surplus funds, as defined  
 26 by subsection (h) of K.S.A. 1990 Supp. 12-2618, and amendments  
 27 thereto, in lieu of specific and aggregate excess insurance, may be  
 28 declared to be refundable by the trustees not less than 12 months  
 29 after the end of the fund year. Any such refund shall be paid only  
 30 to those members who remained participants in the pool for an entire  
 31 year. Payment of previously earned refunds shall not be contingent  
 32 on continued membership in the pool.

33 Sec. 3. K.S.A. 1990 Supp. 12-2625 is hereby amended to read  
 34 as follows: 12-2625. (a) Each pool shall be assessed annually as pro-  
 35 vided by K.S.A. 44-566a and 74-713, and amendments thereto.

36 (b) Each proposed and authorized pool and each person repre-  
 37 senting such proposed or authorized pool shall be subject to the  
 38 provisions of article 24 of chapter 40 of the Kansas Statutes  
 39 Annotated.

40 (c) Each pool shall be subject to the provisions of K.S.A. 40-  
 41 246b to 40-246e, inclusive, and amendments thereto.

42 (d) ~~Each pool shall be subject to assessments authorized by the~~  
 43 ~~Kansas workers compensation plan established pursuant to K.S.A.~~

Whenever a pool is available providing workers compensation coverage to a statewide group of municipalities, the premiums written on eligible members of such pool by an insurer shall not be considered in the determination of any assessments levied by the Kansas worker's compensation plan established pursuant to K.S.A. 40-2109.

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1 ~~40-2109, and amendments thereto, based upon the pool's written~~  
2 ~~premium for workers compensation insurance in Kansas.~~

3 (e) ~~Each pool shall be subject to assessments authorized under~~  
4 ~~the Kansas automobile insurance plan for commercial vehicles es-~~  
5 ~~tablished pursuant to K.S.A. 40-2102, and amendments thereto.~~

6 Sec. 4. K.S.A. 1990 Supp. 12-2628 is hereby amended to read  
7 as follows: 12-2628. Any person or agency soliciting the business  
8 of insurance for a proposed or authorized group-funded pool shall  
9 hold a current license authorizing such person to sell each line of  
10 insurance offered for sale. Any person licensed for the kinds of  
11 insurance offered by the pool shall be deemed to be certified by a  
12 company for the kinds of insurance permitted by the pool.

13 Sec. 5. K.S.A. 1990 Supp. 12-2618, 12-2621, 12-2625 and 12-  
14 2628 are hereby repealed.

15 Sec. 6. This act shall take effect and be in force from and after  
16 its publication in the statute book.