

MINUTES OF THE HOUSE COMMITTEE ON BUSINESS, COMMERCE & LABOR.

The meeting was called to order by Chairman Al Lane at approximately 9:00 a.m. on January 16, 1997 in Room 526-S of the Capitol.

All members were present except: Rep. David Adkins - excused

Committee staff present: Jerry Donaldson, Legislative Research Department
Bob Nugent, Revisor of Statutes

Conferees appearing before the committee: Kathleen Sebelius, Ks Insurance Commissioner
Rep. Dennis Wilson

Others attending: No guest list was passed.

Introduction of bills:

Rep. Dennis Wilson appeared to introduce a bill concerning wage withholding. Rep. Geringer made a motion to introduce the bill as a committee bill. It was seconded by Rep. Beggs. The motion carried.

Chairman Lane introduced Insurance Commissioner Kathleen Sebelius. Ms. Sebelius appeared to update the committee on what is going on in the Insurance Department. She introduced several staff members from her office: JaLynn Copp, a lawyer who works with Workers Compensation Fund issues; Bill Wempe, Division Director of the Property and Casualty Division; Dick Cook, Supervisor in Property and Casualty; Tom Wilder, Director of Government and Public Affairs; and Linda DeCoursey, Assistant Director, Government and Public Affairs Division.

The Insurance industry in the State is a critical part of the Kansas economy. Last year Kansans purchased almost \$6.5 billion worth of insurance products, and this does not include Medicaid or Medicare. The department figures that this is the fourth largest expenditure that any family make, when you add all the pieces together such as workers comp and health insurance which your employer pays; and homeowners, which is paid with your mortgage; they add up to a tidy sum. Unless you add all your insurance together you do not realize how much is spent. The Insurance Department is a fee funded agency. Also, fees and taxes from the Insurance Industry contributed \$90 million to the State General Revenue Fund, the third largest revenue producer in the State.

The department must track the over 2600 insurance companies that are licensed to sell insurance in Kansas to make sure that they have the assets to pay their consumer's claims. This is critical to the consumers who purchase the policies.

The Insurance Department recommends that if you are having problems with your insurance company that you should call them first. They are often able to solve the problem as the regulatory agency of the insurance companies. They keep track of complaints that are received so they can track problems with certain companies.

They also regulate and license the insurance agents. There is a licensing test they must pass as well as a continuing education requirement that must be met every two years. They are also able to discipline, suspend, or revoke licenses of agents based on complaints and practices.

They publish a series of consumer shoppers' guides for various lines of insurance, that tell about the product, what is available, and what kind of questions to ask. They also run rate guides comparing the rates of top companies so you can shop for insurance at your home.

Business owners paid over \$400 million in Workers Comp premiums last year. It is a significant cost of doing business in Kansas. The Workers Compensation '93 reform bill' has had an enormous beneficial effect on the marketplace because of the rate decreases since that bill was passed.

She gave a short overview of the second injury fund. One of the things that she requested after she took office was to get an idea on the number of cases that are still out there, the lawyers who are handling them, and where the cases are in terms of being settled. The '93 reform bill' called for a dissolution of this fund and no new cases have been accepted since July 1, 1994.

CONTINUATION SHEET

MINUTES OF THE HOUSE COMMITTEE ON BUSINESS, COMMERCE & LABOR, Room 526-S
Statehouse, at 9:00 a.m. on January 16, 1997.

At this time the State of Kansas has a contract with the National Council on Compensation Insurance (NCCI), a rating bureau that analyzes the Workers Comp market every year and files advisory rates with the Kansas Insurance office, who then decide the workers comp rates for the next year. They also administer the high risk fund. They are to place employers who can't get insurance elsewhere in the fund and monitor the services and carriers who are dealing with that risk. The high risk pool is operated by an independent board that is not directly under the jurisdiction of the department although they participate in the board. The contract with NCCI is up in six months and she hopes to have enough independent data on the fund to make a decision to further depopulate the pool or perhaps even change plan administrators. This would dramatically change the cost. Eleven firms have come to the insurance department voluntarily saying they can deliver a cheaper product at a better price and better serve the employers in the State. This has never been put out on a public bid in Kansas and have never had a competitive bid.

Ms. Sebelius concluded her presentation by answering questions from the committee.

Rep. Pauls introduced her intern, Jeremy Claeys, from K-State.

Chairman Lane adjourned the meeting at approximately 10:00 a.m.

The next meeting is scheduled for January 17, 1997.