

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

The meeting was called to order by Chairperson Al Lane at 9:03 a.m. on January 21, 1999 in Room 521-S of the Capitol.

All members were present except: Rep. Joe Humerickhouse - excused  
Rep. Peggy Long - excused  
Rep. John Toplikar - excused

Committee staff present: Bob Nugent, Revisor of Statutes  
Jerry Donaldson, Legislative Research Department  
Dennis Hodgins, Legislative Research Department  
Bev Adams, Committee Secretary

Conferees appearing before the committee: Rep. Mary Compton  
Bill Wempe, Fire and Casualty Division Supervisor, Kansas  
Insurance Department  
Dick Cook, Commercial Multi-Peril & Casualty Section  
Supervisor, Kansas Insurance Department

Others attending: See attached list

Introduction of Bills:

Rep. Mary Compton appeared before the committee to ask the committee to introduce a proposed bill concerning the Kansas tort claim act; relating to the definition of an employee; amending K.S.A. 75-6102 and repealing the existing section.

Rep. Henry made a motion to introduce the proposed bill as a committee bill. The motion was seconded by Rep. Huff. The motion passed.

Bill Wempe, Fire and Casualty Division Supervisor, Kansas Insurance Department, gave the committee an overview of the group-funded workers compensation pools and the Kansas Workers Compensation Insurance Plan (Assigned Risk Plan). (See Attachment 1) He concluded his presentation by answering questions from the committee. He also handed out to the committee members and staff a book, Stability & Security, Management Summary 1997, from the National Council on Compensation Insurance (NCCI). It is available at the Kansas Insurance Department, 420 SW 9<sup>th</sup> in Topeka.

Dick Cook, Commercial Multi-Peril and Casualty Section Supervisor, Kansas Insurance Department, also offered some information and answered questions.

Chairman Lane introduced Andrew Sabolic, Director, Government, Consumer & Industrial Affairs, NCCI, who was seated in the audience.

The meeting was adjourned at 9:37 a.m.

The next meeting is scheduled for January 27, 1999.





**Kathleen Sebelius**  
Commissioner of Insurance  
**Kansas Insurance Department**  
Fire and Casualty Division

**MEMORANDUM**

To: House Business, Commerce and Labor Committee

From: Bill Wempe  
Fire and Casualty Division Supervisor

Dick Cook  
Commercial Multi-Peril & Casualty Section Supervisor

Re: Group-Funded Workers Compensation Pools and  
Kansas Workers Compensation Insurance Plan Information

Date: January 21, 1999

Mr. Chairman and Members of the Committee:

Thank you for the opportunity to appear before you to present you with the following information pertaining to group-funded workers compensation pools and the Kansas Workers Compensation Insurance Plan (Assigned Risk Plan):

Group-Funded Workers Compensation Insurance Pools

- Law allowing these pools was enacted in 1983.
- Initial law only allowed for homogeneous (similar or closely related type of business) pools.
- Law was amended in 1993 to allow heterogeneous (dissimilar types of businesses) pools to form.
- Separate laws have been enacted to allow for the formation of group-funded (non-municipal) workers compensation pools and municipal group-funded (municipalities only) workers compensation pools. These laws are K.S.A. 44-581, et seq. and K.S.A. 12-2616, et seq., respectively. Each type of pool has statutes, which state requirements to operate and be granted a certificate.
- Municipal pools may be authorized to write more lines of coverage than workers compensation. While non-municipal pools can only write workers compensation.
- The Kansas Insurance Department regulates "Group" self-insurance programs, whereas the Department of Human Resources (Division of Workers Compensation) administers "Individual" self-insurance programs.

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*House Business, Commerce & Labor*  
*1/21/99*  
*Attachment 1*

- In 1995, when pools were at their peak, there were 24 workers compensation self-insurance pools operating in Kansas. These pools generated approximately \$64 million in annual premium. Currently, there are 15 pools operating in Kansas, and they cover roughly 2000 Kansas employers and account for close to \$43 million annual premium.
- Our Financial Surveillance Division monitors solvency of pools, and if it appears that a pool is in a hazardous financial condition, it is our desire that such pool become solvent by whatever method deemed appropriate by the pool's board of trustees.
- Rates used by the pools are filed with the Kansas Insurance Department.

#### Kansas Workers Compensation Insurance Plan (Assigned Risk Plan)

- The Assigned Risk Plan is authorized by K.S.A. 40-2109 and it provides a mechanism for any employer to purchase workers compensation insurance if the employer is unable to purchase the coverage through the voluntary market.
- The Assigned Risk Plan was established by the legislature in 1961.
- In 1993, the year the Assigned Risk Plan had its largest premium volume and number of accounts, there was \$143 million of premium which accounted for 38.4% of the total Kansas direct premiums written, and covered over 21,000 Kansas employers. The most current information indicates the Assigned Risk Plan premium is under \$30 million, which is approximately 12.2% of the total premium and covers about 13,000 Kansas employers.
- Because of the large premium volume in the Assigned Risk Plan and assessments levied on insurance carriers, K.S.A. 40-2109 required the Commissioner to approve rates and rate modifications that would reduce the premium volume and assessments. These requirements have been met. However, in view of the aforementioned, it is important for the Assigned Risk Plan to be self-sufficient. This is why various surcharges were established for the Assigned Risk Plan. Insurance companies are assessed losses for inadequacy of rates. As long as the program is self-sufficient it would be unnecessary to make assessments.
- The largest number of employers in the Assigned Risk Plan is the smaller size employers, i.e., 92.5% of the Assigned Risk Plan insureds have an annual premium under \$5,000. There is no law requiring insurers to insure smaller employers in the voluntary market.
- We regulate all phases of the Assigned Risk Plan. The Commissioner put the Assigned Risk Plan services up for bid in 1997. Hopefully this should provide the Assigned Risk Plan with the best services at a fair cost.
- At one time the Assigned Risk Plan had more than 20 servicing carriers; however, now the Assigned Risk Plan only has 2 servicing carriers.
- The Commissioner appoints a Governing Board, which has oversight of the Assigned Risk Plan. Their decisions are subject to the approval of the Commissioner.

Again, thank you for the opportunity to present this information. We would like to take this time to address any questions you have.