

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

The meeting was called to order by Chairperson Al Lane at 9:04 a.m. on February 16, 1999 in Room 521-S of the Capitol.

All members were present except: All members were present

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

Conferees appearing before the committee: Roger Aeschliman, Acting Secretary, KDHR
Elwaine Pomeroy, Attorney

Others attending: See attached list

Rep. Grant made a motion to approve the minutes of February 9, 11 and 12. The motion was seconded by Rep. Beggs and the motion carried.

Handed out to the committee were the fiscal notes for **HB 2200**, **HB 2219** and **HB 2287**.

The Kansas Insurance Department provided members with the booklet, Kansas 1997 Residual Market Annual Report. (See Attachment 1)

Update on Post Audit

Roger Aeschliman, Acting Secretary of the Kansas Department of Human Resources (KDHR), returned to give the committee an update on KDHR's appearance before the Senate Commerce Committee and the proposed changes that would solve some of the shortfalls of the Workers Compensation Division found in the Legislative Post Audit Report that was released earlier this month. (See minutes of February 5, 1999) **Senate Bill 219**, which is a workers compensation bill and was approved by the Workers Compensation Advisory Council, was used as a foundation bill and the items included on the attachment were added. He said that the committee should be prepared for a full hearing on **SB 219** as there was little chance of comment from the insurance companies, Kansas Insurance Department or medical community in the Senate Commerce Committee, especially pertaining to item one. (See Attachment 2) He concluded his appearance by answering questions from the committee.

Hearing on: HB 2209 - Wage garnishment, assignment of account, benefit entitlement restriction.

Elwaine Pomeroy, Kansas Credit Attorneys Assn. and Kansas Collectors Assn., Inc., appeared as a proponent of **HB 2209**. The changes would allow the purchaser of debt to have the same enforcement options as does the original creditor. The consumer is not deprived of any remedies as the assignee on consumer paper remains subject to all of the same defenses that would affect the original creditor. (See Attachment 3)

No others were present to testify for or against the bill and the hearing was closed.

Chairman Lane announced that there will be a committee meeting on Friday and **HB 2494**, the employment security tax cut, will be heard.

The meeting was adjourned at 9:25 a.m. The next scheduled meeting will be February 17, 1999.

HOUSE BUSINESS, COMMERCE & LABOR COMMITTEE GUEST LIST

DATE February 16, 1999

NAME	REPRESENTING
RANDY VALDEZ	KAIA
Wayne Maube	KS AFL-CIO
David Shufelt	KDHR - Div of Work Comp
Roger Aeschliman	KDHR
Phil Harless	KDHR - Div. of Work Emp.
Janet STUBBS	KBIA
M.S. Mitchell	KBIA
W. Sanders	KOHR
S. Durrell	KIDHR
Elwaine Pomeroy	KS Collectors Ass'n Inc KS Credit Attorneys Ass'n
Jim Kletoff	KS AFL-CIO
Harold Ruddle	Ruddle & Assoc
Maggie Keating	KID
Dick Cook	KID
Bill Wempe	KS Ins Dept

Kansas

1997 Residual Market Annual Report

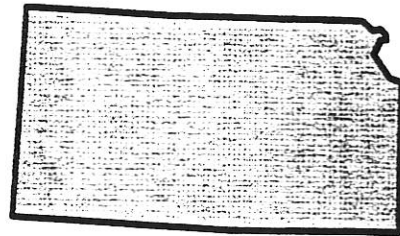


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Introduction

For more than 25 years, NCCI has provided state-of-the-art residual market products and services to our various customers, including state insurance departments, insurance carriers, producers and employers. One of the many residual market services that NCCI provides is to act as Plan Administrator of the Workers Compensation Insurance Plan in several states. Examples of NCCI's responsibilities as Plan Administrator include:

- processing assigned risk applications, determining eligibility for coverage and binding of coverage
- determining the methodology and formula for making assignments to assigned carriers
- establishing written performance requirements for servicing carriers
- monitoring servicing carrier performance
- overseeing the servicing carrier selection process
- administering the dispute resolution mechanism

NCCI also collects risk-specific workers compensation policy information from carriers, such as policy data, classification codes and loss experience. We maintain this information in extensive databases that we then use to electronically search and retrieve policy history information. In this manner, we are able to:

- determine an employer's eligibility for residual market coverage
- bind residual market coverage for an employer
- send policy history information to the assigned carriers

In addition, NCCI acts as Pool Administrator of the National Workers Compensation Reinsurance Pool (Pool) with oversight by an elected Board of Governors. In this role, we serve as a central clearinghouse for Pool transactions such as:

- handling financial reporting procedures
- determining Pool reserves, subject to Pool Board approval
- investing Pool funds in accordance with established policy
- providing administration and oversight of Pool contracts
- monitoring carrier collection activities

We are continuously developing innovative and effective residual market programs that help us to surpass our goals of cost savings, depopulation and equitable service for all residual market insureds. For example, in the very near future, we will be offering insurance producers the ability to submit assigned risk applications to NCCI through the Internet. This will give the producer community the opportunity to provide enhanced customer service to residual market policyholders.

NCCI is looking forward to the opportunities that will be presented to us in the future. We are prepared to overcome any obstacle that prevents us from better serving our customers. Our goal is to be the best residual market service provider while, at the same time, preserving the financial stability and continued depopulation of the residual market.

Kansas WCIP Governing Board

Kansas statute provides for a Governing Board to furnish oversight and recommend operating rules/procedures for the Workers Compensation Insurance Plan in Kansas. This nine-member Board consists of three foreign insurance company members, two domestic insurance company members, two agent members and two public members. These representatives are appointed by the Insurance Commissioner's office and serve for either two- or three-year terms. The Board is involved in the

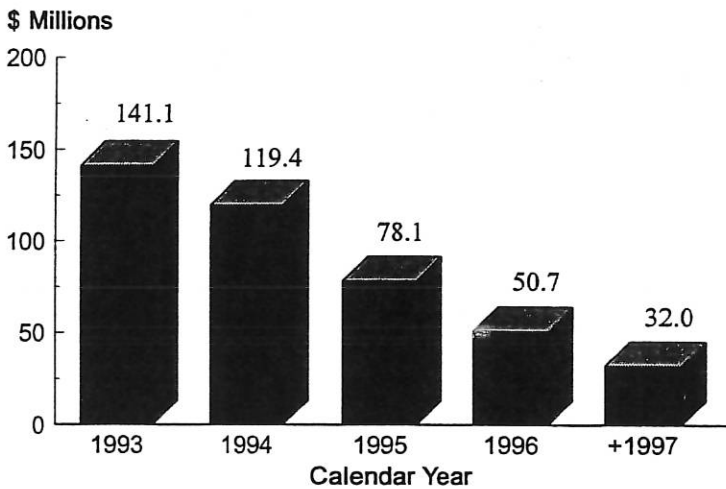
development of the Request for Proposal for Plan Administrator and makes recommendations in the selection of the Plan Administrator. The Board also monitors NCCI residual market programs and initiatives and their effects on progress toward the legislative mandates regarding residual market depopulation levels and self-funding.

Residual Market Premiums Written and Share

The residual market premium includes Kansas premium reinsured by the National Workers Compensation Reinsurance Pool. The residual market share by calendar year is derived by comparing

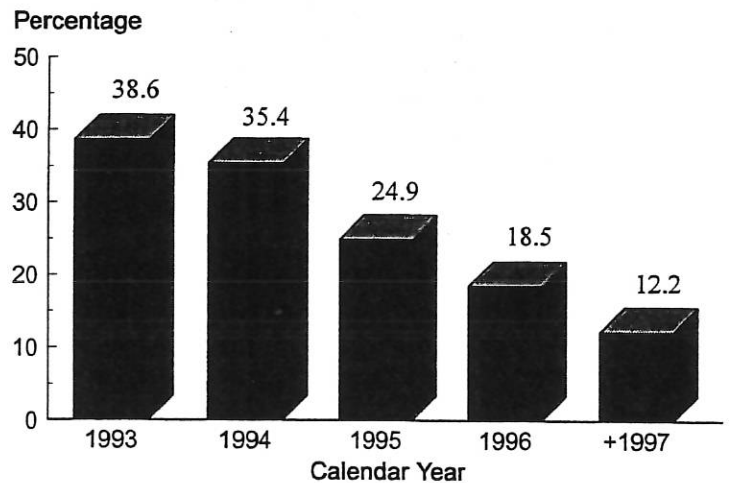
calendar year total Kansas residual market Plan premium to the total Kansas direct premiums written for the corresponding calendar year.

Residual Market Premiums Written



Years 1995 and prior had direct assignment carriers and premium.
+ 1997 Preliminary

Residual Market Share



Years 1995 and prior had direct assignment carriers and premium.
+ 1997 Preliminary

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Policy Year Pool Financial Results

Kansas' residual market Pool results show some deterioration in the most recent years. In fact, an operating loss, although very small, is projected for the most recent year. The Pool has reached a level of self-funding in Policy Years 1993 through 1996. Some contributing factors are the benefit reforms and the bid process. The reduction in servicing carrier allowance due to the bid process, effective January 1, 1995, continues to reduce costs to the Pool members. The total savings-to-date to the Pool members as the result of the bid process over the last three years is roughly \$22 million.

The Pool premium continues downward from \$143 million in Policy Year 1993 to a projected \$30 million in Policy Year 1997. The drop-off in premium volume can mostly be attributed to two factors: (1) assigned risk rate decreases of 8.5 percent and 16.0 percent, effective June 1, 1995 and June 1, 1996, respectively, and (2) the depopulation of the residual market. The slide in premium is expected to continue into Policy Year 1998 due to a January 1, 1998 assigned risk rate decrease of 17.2%.

With the residual market depopulation and the premium level decreases, however, projected ultimate loss ratios for Policy Years 1996 and 1997 have increased. Studies reveal that during periods of depopulation, loss ratios tend to increase as the poorer risks with the higher ratios are left in the Pool. Also, when rates are reduced, the loss ratios may increase. As mentioned above, Policy Year 1997 appears to have a small operating loss. However, due to the immaturity of the data, revisions to the more recent policy years can be anticipated as the experience develops.

As of July 1, 1994, the Second Injury Fund was eliminated but still operates in a "run off" mode. Second injury claims that occur subsequent to July 1, 1994 are now the full responsibility of the carrier. Senate Bill 307, however, reduced the compensability for these types of claims.

Kansas Policy Year Financial Results Through Fourth Quarter 1997
(Projected to Ultimate)

Policy Year	Written Premium (000s)	Incurred Losses Includes IBNR (000s)	Loss Ratio	Net Operating Gain/(Loss) (000s)
1997	30,149	21,707	72.0%	(166)
1996	43,478	27,217	62.6%	3,939
1995	72,631	41,465	57.1%	10,932
1994	105,004	51,693	49.2%	11,065
1993	143,144	78,712	55.0%	6,102

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Take-Out Credit Program

The Kansas Take-Out Credit Program provides a financial incentive for insurers when they remove employers from the residual market by providing

coverage for those employers in the voluntary market. Credits keep such voluntary writings from increasing an insurer's Plan participation base.

Program Details

Effective Date	Length	Type	Credit
7/1/95	3 years	Plan	2:1 premium less than experience rating threshold 1:1 premium greater than experience rating threshold

Program Results

Calendar Year	Number of Participating Carriers	Number of Policies	Total Credit Amount
1997	31	1,461	\$ 7,458,222
1996	43	1,247	\$13,513,280
1995	45	1,497	\$17,283,820
1994	46	471	\$12,667,722
1993	35	170	\$ 9,558,882

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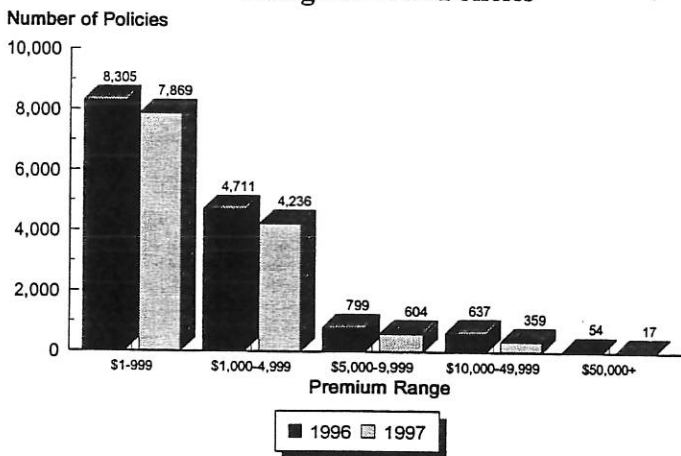
Assigned Risk Profiles

The exhibits in this section display various comparisons on the distribution of assigned risk policies and premiums in the state of Kansas. All data

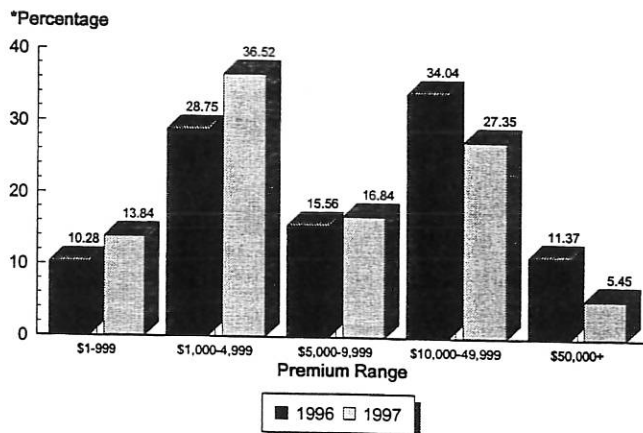
was collected on an any-exposure basis including cancelations (prorated) for Policy Years 1997 and 1996.

Period		Total Policy Count	Total Premium
1997	New	3,103	\$ 5,086,884
	Renewal	9,982	19,689,206
	Total	13,085	\$24,776,089
1996	New	3,376	\$ 6,346,237
	Renewal	11,130	29,648,226
	Total	14,506	\$35,994,463

Distribution of Kansas Assigned Risk Policies

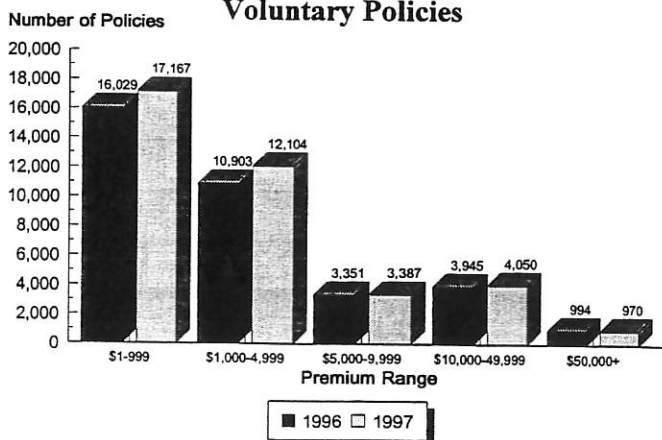


Distribution of Kansas Assigned Risk Premium

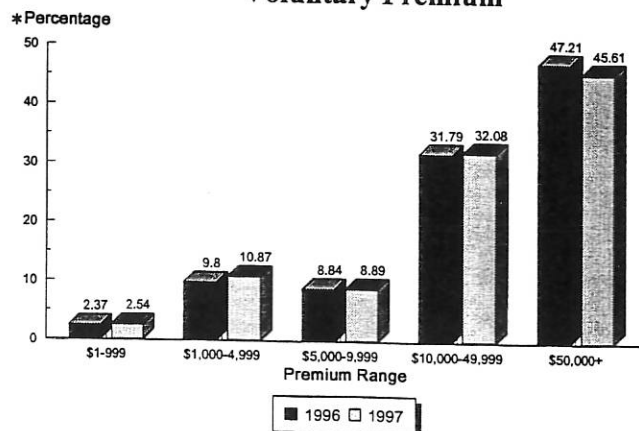


* Due to rounding, percentages may not equal 100.

Distribution of Kansas Voluntary Policies



Distribution of Kansas Voluntary Premium



* Due to rounding, percentages may not equal 100.

Classifications

The following exhibits show the top ten classification codes in Kansas by frequency and premium for the residual market. All data was collected on a dominant

state basis including cancelations (prorated) for Policy Year 1997.

Top Ten 1997 Assigned Risk Classification Codes by Premium

Classification Code	Premium Amount (\$)	Classification Description
5645	1,502,519	Carpentry—Detached One or Two Family Dwellings
7229	858,324	Trucking: Long Distance Hauling—All Employees & Drivers
8868	824,311	College: Professional Employees & Clerical
8832	744,390	Physician & Clerical
1320	683,014	Oil or Gas Lease Operator—All Operations & Drivers
5551	655,804	Roofing—All Kinds & Yard Employees, Drivers
5474	592,666	Painting or Paperhanging NOC & Shop Operations, Drivers
7228	584,107	Trucking: Local Hauling Only—All Employees & Drivers
8380	568,675	Automobile Service or Repair Center & Drivers
9014	509,792	Buildings—Operation by Contractors

Top Ten 1997 Assigned Risk Classification Codes by Frequency

Classification Code	Count	Classification Description
8810	1,070	Clerical Office Employees NOC
8832	745	Physician & Clerical
5645	644	Carpentry—Detached One or Two Family Dwellings
8017	464	Store: Retail NOC
1320	384	Oil or Gas Lease Operator—All Operations & Drivers
8742	369	Salespersons, Collectors or Messengers—Outside
8868	336	College: Professional Employees & Clerical
9014	306	Buildings—Operation by Contractors
9082	298	Restaurant NOC
9015	290	Buildings—Operation by Owner or Lessee

Top Ten 1997 Voluntary Classification Codes by Premium

Classification Code	Premium Amount (\$)	Classification Description
7229	8,905,560	Trucking: Long Distance Hauling—All Employees & Drivers
9082	7,114,496	Restaurant NOC
8288	6,819,891	Livestock Dealer or Commission Merchant & Salespersons, Drivers
8868	6,128,512	College: Professional Employees & Clerical
8380	6,073,222	Automobile Service or Repair Center & Drivers
5506	4,975,116	Street or Road Construction: Paving or Repaving & Drivers
5183	4,556,399	Plumbing NOC & Drivers
5645	4,296,317	Carpentry—Detached One or Two Family Dwellings
5190	4,239,508	Electrical Wiring—Within Buildings & Drivers
4299	4,133,059	Printing

Top Ten 1997 Voluntary Classification Codes by Frequency

Classification Code	Count	Classification Description
8810	2,413	Clerical Office Employees NOC
8868	1,697	College: Professional Employees & Clerical
8380	1,534	Automobile Service or Repair Center & Drivers
8832	1,327	Physician & Clerical
9082	1,291	Restaurant NOC
8017	1,149	Store: Retail NOC
5645	712	Carpentry—Detached One or Two Family Dwellings
9015	618	Buildings—Operation by Owner or Lessee
8742	585	Salespersons, Collectors or Messengers—Outside
5183	503	Plumbing NOC & Drivers

Customer Service Center Update

The Customer Service Center consists of three units: the Customer Service Unit, the Experience Rating Unit and the Assigned Risk Unit. The Customer Service Unit is made up of several teams of professional consultants who handle phone inquiries and correspondence on issues pertaining to proper classifications, experience modifications, test audits and inspections, as well as a variety of NCCI products and services. The Experience Rating Unit has primary responsibility for the production of experience rating data. The Assigned Risk Unit, with its state-focused teams, is responsible for the processing of residual market workers compensation applications.

In 1997, the Customer Service Unit received approximately 671,975 calls. A phenomenal 83 percent of those calls were answered in less than 20 seconds. Additionally, approximately 250,000 pieces of mail and fax inquiries were responded to in an average of five days.

Similarly, Experience Rating achieved superior results in 1997, with 84 percent of intrastate ratings issued in the month 90 days prior to the effective date

and 87 percent of interstate ratings issued in the month 60 days prior to the effective date.

The Assigned Risk Unit is responsible for determining eligibility for applicants seeking coverage through the Workers Compensation Insurance Plans. This unit also provides other related services to the residual market including assisting with the handling of disputes, conducting producer and carrier informational workshops, as well as responding to general inquiries from carriers, producers, agents, employers and regulators.

The Assigned Risk Unit received approximately 120,000 phone calls during the year, with 94 percent of the calls answered in less than 20 seconds. The unit also received 60,000 applications to process in 1997. By year-end, the average turnaround time for the processing of these applications was less than five days.

The exhibit below indicates First Quarter 1998 and 1997 Assigned Risk Unit application processing accomplishments for Kansas.

	Kansas First Quarter 1998	Kansas First Quarter 1997	Kansas Calendar Year 1997	Countrywide Calendar Year 1997
Total applications received	1,907	796	3,455	59,703
Total applications refunded	137	109	429	8,286

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RMAPSSM Online Application Service

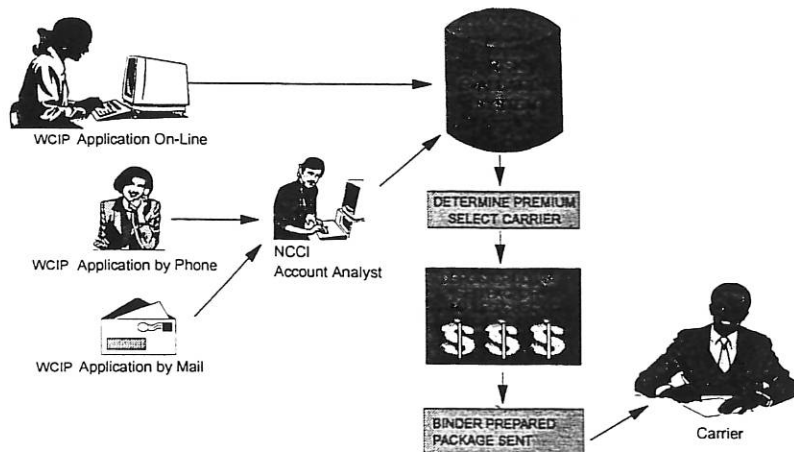
NCCI, Inc. proudly introduces the new Residual Market Application Processing System (RMAPSSM) Online Application Service. With minimum hardware requirements at your desktop, a Web browser and Internet access through an Internet Service Provider (ISP), you will soon be able to submit assigned risk WCIP applications online via the Internet. You will immediately receive a confirmation code and application identification number once your application is successfully transmitted to NCCI. Some of the benefits of using this submission option are as follows:

- No specific hardware requirements or difficult and time-consuming software installation. All you need is an ISP and a browser.
- RMAPSSM Online Application Service captures the ACORD[®] 130 and ACORD[®] 133 application information on easy-to-use data entry screens.
- Submit applications to NCCI when it is convenient for *you*.
- Upon successful transmission, you will receive a confirmation code and application identification number immediately from NCCI, assuring you that your data has been received.
- Feedback on your application status is delivered online.

- You can work online and reduce the need for hard copy forms.
- RMAPSSM Online Application Service saves you time and money by eliminating mailing costs and possible delivery delays.
- Works great in conjunction with the other electronic features of the RMAPSSM Service such as ACH (Automated Clearing House) and PAC (Preauthorized Check) deposit premium payment options.
- There are no fees charged by NCCI for the use of RMAPSSM Online Application Service. Any charges associated with your Internet service are determined by your Internet Service Provider (ISP) agreement.

To learn more about RMAPSSM Online Application Service, call NCCI's Customer Service Center at 800-NCCI 1-2-3 (800-622-4123) or visit us online at www.ncci.com.

This new online application submission option is scheduled to be available during the fourth quarter of 1998.



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Collection/Indemnification

Uncollected premium volume reported to NCCI's Residual Market Administration Division continued to decline during Calendar Year 1997, as did servicing carrier requests for indemnification of litigation expenses. New uncollected premium volume is down more than 30 percent from 1996 reporting levels and indemnification requests are down by more than 10 percent. We expect this trend to continue through at least the first three quarters of 1998.

The uncollected premium reporting process has been fully automated for electronic reporting by servicing carriers. Efforts continue to implement minor system adjustments to make the process more user/customer friendly and reduce the number of rejected items. The automated system includes a process whereby those employers that are ineligible for assigned risk coverage because of an outstanding premium obligation can be identified by carriers and NCCI for collection and application processing purposes.

◆◆◆

This is the final year of our current collection agency contract with the collection agencies now servicing assigned risk accounts. During 1997, the Residual Market Unit conducted on-site financial and operational audits of each collection agency. The results of these audits were generally positive and reflected that each agency is servicing its accounts in a satisfactory manner.

◆◆◆

The 1996 Annual Report referenced ongoing efforts to implement a second placement process with the collection agencies for uncollected premium accounts. We have preliminary statistics on the second placement process for the two-year period between January 1, 1996 and December 31, 1997. There were approximately 3,200 accounts placed with total premium dollars of \$9.3 million. Recoveries were \$370,000 with costs associated with those recoveries of \$124,000. Staff is looking at the second placement process to determine what modifications, if any, are required to further increase the efficiency and net return to Pool participating companies.

◆◆◆

Our litigation tracking database for indemnification accounts has been completed and staff is presently inputting all new account transactions into the database. The tracking system will provide numerous benefits to both our staff and our carrier customers, both in terms of accurate tracking of financial transactions and timely response to inquiries. The system provides for cross-referencing premium collection, indemnification and potential fraud accounts, and will allow staff the opportunity to manage the accounts more efficiently.

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NCCI Initiatives and Results

Residual Market Limited Other States Insurance Endorsement (RM-W-8018)

This filing generally provides employers insured in the residual market with coverage for claims by their employees for the workers compensation benefits afforded by another state, including monopolistic states, resulting from incidental travel or work in that state. This coverage became available in Kansas effective February 1, 1997.

Proposed Revisions to Articles of Agreement Of the NWCRP (RM-W-8020)

This filing includes changes to two provisions of the Articles of Agreement to allow an increased flexibility of the reinsurance mechanism of the National Workers Compensation Reinsurance Pool (NWCRP). This filing was approved in Kansas to be effective March 5, 1997.

Residual Market Limited Other States Insurance Endorsement Amended [P-35(A)]

With the approval of the Limited Other States coverage, this amended filing includes coverage in monopolistic states. The language for the conditions under which this amended endorsement applies is more defined than the previous version and was approved to be effective in Kansas as of February 1, 1997.

Kansas WCIP—Modification to the Assigned Risk Surcharge Program, Withdrawal of the Assigned Risk Merit Rating Plan and Withdrawal of the KS WCIP Rating Plan Endorsement (RM-01-KS-97)

This filing amends the current surcharge from 12.5 percent on first dollar if premium is \$2,250 or greater to 12.5 percent on premium in excess of \$2,250. This filing also withdraws the Kansas merit rating plan. The filing was approved effective June 1, 1997.

Assigned Risk Supplement to the Basic Manual for Workers Compensation and Employers Liability Insurance (RM-02-KS-97)

Files for approval of the April 1, 1997 edition of the Supplement. This filing was approved effective August 1, 1997.

KS WCIP—Servicing Carrier Performance Standards (RM-03-KS-97)

The 1998 Kansas performance standards were submitted with the 1997 NCCI bid. This filing was approved effective January 1, 1998.

Kansas Assigned Risk Safety Seminar Premium Credit Program (RM-04-KS-97)

With the approval of this filing, a 5 percent premium credit, subject to a maximum credit of \$250, will be applicable for Kansas assigned risk policyholders that attend an authorized safety seminar. This filing was approved effective January 1, 1998.

Kansas Assigned Risk Loss-Free Policy Premium Credit Program (RM-05-KS-97)

This filing proposes a 5 percent credit for Kansas nonexperience rated assigned risk employers, with Kansas standard premium less than \$2,250, that remain loss-free throughout their annual policy term. The filing was approved effective January 1, 1998.

Remediation Program

The Two-Tiered Remediation Program identifies servicing carriers that are not performing satisfactorily by requiring additional levels of reporting and oversight as well as financial penalties. In 1997, for National Pool states only, 3 carriers were placed on tier one remediation, requiring additional levels of oversight and reporting. Under tier two, 20 carriers were assessed penalties totaling approximately \$207,500. These penalties were used to offset Pool administration expenses.

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Assigned Risk Programs

The following programs have been developed by NCCI and approved by the Kansas regulator. In an effort to encourage employers to seek voluntary coverage, these programs were implemented to make

residual market policies less attractive than voluntary policies, thus keeping the residual market the true "market of last resort."

Effective Date	Program	Description
9/1/93	Assigned Risk Adjustment Program (ARAP)	An assigned risk pricing program that surcharges insureds with a record of losses greater than expected under NCCI's current Experience Rating Plan.
9/1/93	12.5% Surcharge	Additional charges included when calculating premium for assigned risk policies. Applicable to premium in excess of \$2,250.
8/1/95	Kansas Assigned Risk Retrospective Rating Plan	This program is a voluntary retrospective rating program applicable to insureds with \$100,000 or more in standard premium.
1/1/98	Kansas Assigned Risk Safety Seminar Premium Credit	5% premium credit, subject to a maximum credit of \$250, for Kansas assigned risk policyholders who attend an authorized safety seminar.

Paid Loss Ratio Incentive Program

This program compares an individual carrier's paid loss ratio to the average paid loss ratio of its peer group on a state-by-state basis and provides financial incentives or disincentives (penalties) depending on results. Each policy year is evaluated at five annual year-end points. The table below summarizes the results for Kansas using data as of December 31, 1997. It shows the number and dollar amount of indicated incentives and disincentives. The cash

transactions with the carriers are settled in 20 percent increments depending on the evaluation number of the policy year. For example, for Policy Year 1993, the cash settled at December 1997 equals 80 percent of the total indicated incentive (or disincentive) less the amounts paid to (or by) the carrier as of December 1996. Note that Policy Year 1992 is at its fifth and final evaluation.

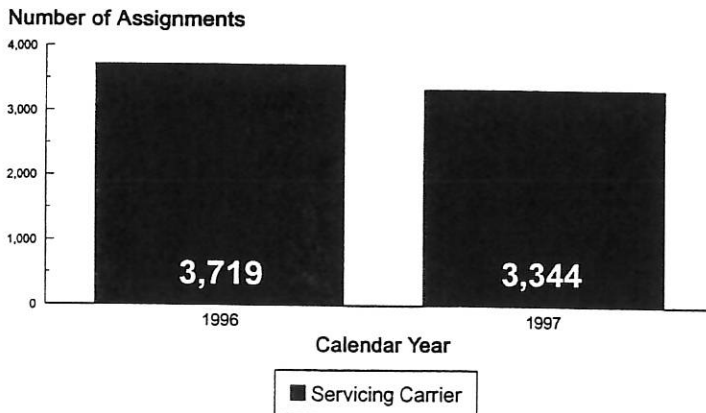
Policy Year	Evaluation Number	Total Indicated Incentives		Total Indicated Disincentives		Cash Settlements as of 12/97
		Number	Amount	Number	Amount	
1992	5	0	\$ 0	0	\$ 0	\$ 0
1993	4	0	0	0	0	0
1994	3	1	33,651	1	49,240	(17,649)
1995	2	0	0	1	20,084	(10,124)
1996	1	0	0	1	168,856	(33,771)
Total		1	\$33,651	3	\$238,180	\$(61,544)

Assignment Mechanism

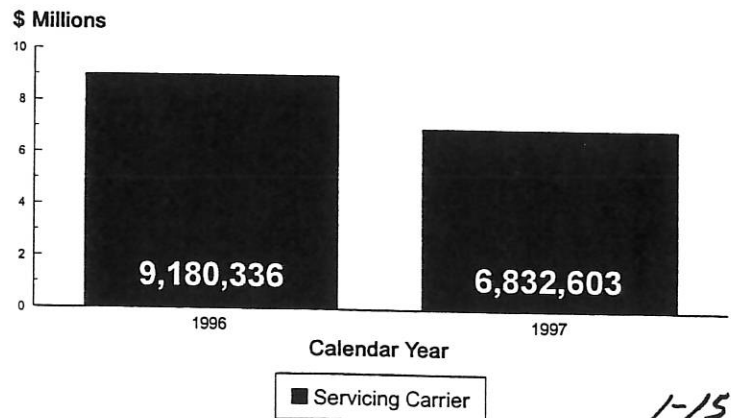
NCCI ensures the equitable distribution of assigned risk business among the servicing carriers within the National Workers Compensation Reinsurance Pool. Each carrier has a quota (volume of business to be assigned) that is awarded through a competitive bidding process. The bar charts display the

distribution of new assignments and premium in Kansas. The information on the number of assignments was calculated on a dominant state basis, while the premium was calculated on an any-exposure basis.

Assignment Distribution



Premium Distribution



1998 Servicing Carriers

The following insurance carriers have been selected through NCCI's servicing carrier bid process to service Kansas policies reinsured by the National Workers Compensation Reinsurance Pool. These servicing carriers must adhere to performance standards set forth by NCCI with approval from the Kansas Plan Board of Governors and the regulator.

- Commercial Union Insurance Co.
- Travelers Insurance Co.

1998 Direct Assignment Carriers

Direct assignment is not an option for participating in the Kansas Workers Compensation Plan. Direct assignment carriers receive policy assignments, which they must service directly and bear full responsibility for the financial results of these policies. The state regulator approves direct assignment carriers and monitors their performance. Currently, the regulator is not approving any direct assignment requests and is requiring all licensed carriers in Kansas to subscribe to the Articles of Agreement.

Whom to Contact

As part of NCCI's commitment to provide better customer service, we have supplied a list of contacts

and the areas they service to meet your specific needs.

For Information On	Contact	Telephone
Assigned risk application requirements and procedures, status and binding of coverage, assigned risk plans and assigned risk policies	Customer Service Center—Assigned Risk Unit Darrell McGee, Director Assigned Risk Unit	800-622-4123 800-622-4123 ext. 6207
Resolving customer/stakeholder residual market issues and disputes	Kent Murphy Assigned Risk Team Leader Midwestern Team	800-622-4123 ext. 6265
State legislative issues, rate filings, state item filings or political developments	Andrew Sabolic, GC&I Director e-mail: Andrew_Sabolic@ncci.com	314-843-4001
New product information, product demonstrations, custom data products, software products and affiliation information	Donald Martin, Account Executive	630-761-9664 ext. 23
Experience rating, classification questions, ownership rulings, inspection and test audit services, as well as to order publications, manuals, standard data products, <i>InsNet</i> [®] <i>Online</i> , seminars and workshops	Customer Service Center Jackie Abouzeid, Director Customer Service Unit and Michael Spears, Director Experience Rating Unit	800-622-4123 561-989-6108 561-989-6100

Glossary of Residual Market Terms

Any-Exposure—Regarding multistate policies, this theory attributes the policy and related state premium to each state on the policy. For example, a policy providing coverage in Tennessee, Georgia and Alabama with state premiums of \$25,000, \$52,000 and \$11,000, respectively, would be counted as a Tennessee policy with \$25,000 in premium, as a Georgia policy with \$52,000 in premium and as an Alabama policy with \$11,000 in premium.

Assigned Carrier—The insurer that has been assigned to provide coverage to an employer that has applied for workers compensation insurance pursuant to a Workers Compensation Insurance Plan. An assigned carrier can be either a servicing carrier or a direct assignment carrier.

Calendar Year—The 12-month period beginning January 1 in which a transaction either occurred or was included in the financial statements, irrespective of the contractual dates of the policies to which the transactions relate and the dates of the accidents.

Direct Assignment Carrier—An insurance company authorized by the state's insurance department to write and service assigned risk business directly with full responsibility for the financial results of the policies issued.

Dominant State Theory—Regarding multistate policies, this theory attributes the policy and entire premium to the state on the policy with the highest premium. For example, a policy providing coverage in Tennessee, Georgia and Alabama with state premiums of \$25,000, \$52,000 and \$11,000, respectively, would be counted as a Georgia policy with \$88,000 in premium.

Incurred Losses—Calendar year incurred losses equal paid losses plus the change in case and IBNR reserves during the 12-month period in question. Policy year incurred losses reflect paid losses, case reserves and IBNR reserves for policies written in a particular policy year. Incurred losses match accidents that have occurred with premiums that have already been earned.

Loss Ratio—The ratio, expressed as a percentage, of total incurred losses to total premiums in a given period.

National Workers Compensation Reinsurance Pool (NWCRP or Pool)—A contractual reinsurance pool mechanism among participating workers compensation insurers, which affords such insurers an option for complying with state Workers Compensation Insurance Plan or other assigned risk program requirements by sharing in the operating results arising out of certain policies written pursuant to such Plans or Programs. The National Pool operates in AK, AL, AR, AZ, CT, DC, DE, GA, IA, ID, IL, IN, KS, NC, NH, NJ, OR, SC, SD, VA and VT.

Operating Gain/(Loss)—The financial statement presentation that reflects the excess of earned premium over incurred losses less all operating expenses and plus all investment income.

Policy Year—The year of the effective date of the policy. Policy year financial results summarize experience for all policies with effective dates in a given calendar year period.

Possible Renewals—A calculated figure representing a percentage of canceled or expired policies that NCCI still expects to be reinstated or renewed.

Premiums Written—The premium charged by an insurance company for the period of time and coverage provided by an insurance contract.

Reinsurance Pool—A financial agreement among participating insurers to share in the experience of certain assigned risks, thereby reducing both administrative costs and annual fluctuations in the liability of participating insurers arising from the operation of state insurance plans.

Residual Market—State insurance plans which provide employers that are unable to secure coverage in the voluntary market with a means of insuring their operations through a designated insurance carrier. Also known as "involuntary market," "assigned risk market," or "market of last resort."

Residual Market Share—The ratio of assigned risk premium (Pool plus Direct Assignment) to the total direct written premium.

Glossary of Residual Market Terms (Cont'd)

Servicing Carrier—An insurance company authorized to write and service assigned risk business on behalf of the participating companies of a pooling arrangement, of which it is also a participating company.

Workers Compensation Insurance Plan (WCIP or Plan)—A program established by state insurance regulatory authorities and developed by NCCI whereby workers compensation insurance may be secured by eligible employers unable to secure such coverage in the voluntary market.

1. The Senate Commerce Committee opted for the division to proceed with compilation of a database of information on claim characteristics and costs related to a statistically significant sample of open and closed claims.

To facilitate the open and closed claim study the Senate amended K.S.A. 1998 Supp. 44-557a to provide administrative penalties for failure of self-insured employer, group-funded workers compensation pools, insurance carriers or vocational rehabilitation providers to supply the division the information necessary for open and closed claim studies.

2. The Senate Commerce Committee decided to continue to allow the division the discretion to inspect insurance company and group-funded insurance plans accident prevention programs. In order to clarify responsibilities K.S.A. 44-5,104 was amended to provide:

- a. Each insurance company or group-funded self-insurance plan shall maintain and shall provide accident prevention programs upon the request of the covered employer.
- b. The inspection of the insurance company's or group-funded self-insurance plan's accident prevention programs shall include, but is not limited to, random inspections and those based upon employer complaints. Documented employer complaints shall be appropriately investigated and the results shall be reported to the commissioner of insurance. The secretary shall not be required by this section to inspect each insurance company or group-funded self-insurance plan.
- c. The information obtained regarding the types of accident prevention programs offered to policyholders shall be sent to the insurance commissioner who shall widely disseminate information about the program.
- d. Affirmed that the division inspectors **may** audit accident prevention programs of each insurance company or group-funded self-insurance plan.

3. The Senate Commerce Committee adopted the following amendments to K.S.A. 44-5,122 in order to assist the fraud unit in the timely performance of its duties:

- a. Changed **shall** to **may** in order to give the assistant attorney general the discretion whether to forward a case to the prosecuting attorney of the county where the alleged fraudulent acts occurred, or he may prosecute it himself.
- b. Any case which a county attorney fails to prosecute within 90 days shall be returned to the division and the assistant attorney general shall then prosecute the case if prosecution is still warranted.

The Senate Commerce Committee also amended K.S.A. 44-5,125 to extend the statute of limitations to five years after discovery for workers compensation fraud.

REMARKS CONCERNING HOUSE BILL 2209
HOUSE BUSINESS, COMMERCE AND LABOR COMMITTEE
FEBRUARY 16, 1999

Thank you for giving me the opportunity to appear before you in support of HB 2209, which was introduced by the House Judiciary Committee at the request of the Kansas Credit Attorneys Association, which is a state-wide organizations of attorneys whose practice includes considerable collection work, and Kansas Collectors Association, Inc., which is an association of collection agencies in Kansas.

This bill will amend K.S.A. 60-2310 to delete therefrom subparagraph d.

Subparagraph d prohibits a judgment creditor from using wage garnishment to enforce any claim which has been assigned. For instance, if ABC Company buys an account from a creditor, whether that account is already in judgment or not, ABC Company cannot thereafter enforce the account against the debtor by the use of wage garnishment.

Assignment of an account does not refer to the typical arrangement whereby a creditor places an account for collection with a collection agency or collection attorney. In that situation, the account has not been assigned. The original creditor still owns the account and any enforcement of the account must be brought in the name of the original creditor.

An account is assigned where value is given by the assignee and the actual ownership of the account is transferred from the original creditor to the assignee.

This is a common arrangement in commerce today, particularly in the banking and finance industry. Consumer debt created by credit cards, promissory notes and mortgages is

bought and sold every day.

Another common practice is in the telephone industry, where the consumer receives a bill from one telephone company that includes charges from one or more other companies.

The proposed amendment is not designed to necessarily encourage this practice, but simply to recognize that the arrangement is common in the market place and to allow the purchaser of debt to have the same enforcement options as does the original creditor. The consumer is not deprived of any remedies as the assignee on consumer paper remains subject to all of the same defenses that would affect the original creditor.

Elwaine F. Pomeroy
For Kansas Credit Attorneys Association
And Kansas Collectors Association, Inc.