

Approved: 4-3-02
Date: 4-3-02

MINUTES OF THE SENATE COMMITTEE ON FINANCIAL INSTITUTIONS AND INSURANCE.

The meeting was called to order by Chairperson Sandy Praeger at 11:00 a.m. on March 28, 2002 at the Rail of the Capitol.

All members were present except:

Committee staff present: Dr. Bill Wolff, Kansas Legislative Research Department
Ken Wilke, Office of the Revisor of Statutes
JoAnn Bunten, Committee Secretary

Discussion and Action on SB 654 - Municipalities; insurance, group funded municipal pools

The Committee discussed the balloon of the bill with amendments proposed by the Kansas Insurance Department at the Committee meeting on March 27th. (Attachment 1)

Senator Teichman made a motion to adopt the amendments as shown in the balloon of the bill, and that the Committee recommend **SB 654 as amended** favorable for passage, seconded by Senator Brungardt. The motion carried.

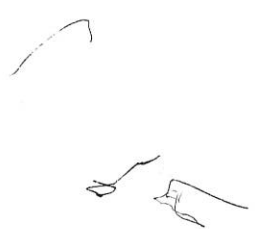
Adjournment

The meeting was adjourned at 11:15 a.m.

SENATE BILL No. 654

By Committee on Ways and Means

3-25



9 AN ACT concerning municipal funded insurance pools; amending K.S.A.
10 12-2621 and repealing the existing ~~section~~ sections

and K.S.A. 2001 Supp. 44-585

11
12 *Be it enacted by the Legislature of the State of Kansas:*

13 Section 1. K.S.A. 12-2621 is hereby amended to read as follows: 12-
14 2621. (a) With respect to the categories of coverage described in subpar-
15 agraphs (d)(1) through (4) of K.S.A. 12-2618, and amendments thereto,
16 premium contributions to the pool shall be based upon appropriate man-
17 ual classification and rates, plus or minus applicable experience credits or
18 debits, and minus any advance discount approved by the trustees, not to
19 exceed 25% of manual premium. The pool shall use rules, classifications
20 and rates as promulgated by an approved rating organization for workers
21 compensation if the pool has been in operation for less than five years.
22 Such rates shall ~~[either] be [the rates effective June 1, 1994, or] the pro-~~
23 ~~spective loss costs, as [defined] in K.S.A. 40-1113c and amendments~~
24 ~~thereto, plus expenses necessary to administer the pool. For purposes of~~
25 ~~subsection (b), the prospective loss costs shall be presumed to be the 70%~~
26 ~~required to be deposited in the claims fund. If the pool has been in~~
27 ~~operation for more than five years, the board of trustees may determine~~
28 ~~such rates and discounts as approved by the commissioner. Premium~~
29 ~~contributions to the pool for all other lines of insurance shall be based on~~
30 ~~rates filed by a licensed rating organization or on rates of certain com-~~
31 ~~panies filing rates with the commissioner and approved by the commis-~~
32 ~~sioner for the pool. In lieu of the foregoing, the board of trustees may~~
33 ~~determine such classification, rates and discounts as approved by the~~
34 ~~commissioner.~~

40-955 authorized

35 Premium contributions to any pool providing life insurance or any pool
36 providing group sickness and accident insurance as described in K.S.A.
37 12-2617, and amendments thereto, shall be based on sound actuarial
38 principles.

39 (b) An amount equal to at least 70% of the annual premium shall be
40 maintained in a designated depository for the purpose of paying claims
41 in a claims fund account. *If so approved by the commissioner of insurance,*
42 *the annual premium to be designated to such depository may be deter-*
43 *mined to be the net amount of premium after all or a portion of the specific*

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1 *and aggregate excess insurance premium costs have been paid. This shall*
 2 *be called the claims fund account.* If the pool has been in operation for
 3 more than five years the commissioner may authorize allocation of a dif-
 4 ferent amount to the claims fund account, if solvency of the pool would
 5 not be endangered. The remaining annual premium shall be placed into
 6 a designated depository for the payment of taxes, fees and administrative
 7 and other operational costs in an administrative fund account.

8 (c) Any moneys for a fund year in excess of the amount necessary to
 9 fulfill all obligations of the pool for that fund year, including any obligation
 10 to retain adequate surplus funds, as defined by subsection (h) of K.S.A.
 11 12-2618, and amendments thereto, in lieu of specific and aggregate excess
 12 insurance, may be declared to be refundable by the trustees not less than
 13 12 months after the end of the fund year. Any such refund shall be paid
 14 only to those members who remained participants in the pool for an entire
 15 year. Payment of previously earned refunds shall not be contingent on
 16 continued membership in the pool.

insert Sec. 2 - next page
and K.S.A. 2001 Supp. 44-585 are

3 ~~17 Sec. 2. K.S.A. 12-2621 (is) hereby repealed.~~
 4 ~~18 Sec. 3. This act shall take effect and be in force from and after its~~
 19 ~~publication in the statute book.~~

~~44-585. Same; premiums; contributions;~~

~~deposit of premiums; refunds.~~

(a) Premium contributions to the pool shall be based upon appropriate manual classification and rates, plus or minus applicable experience credits or debits, and minus any advance discount approved by the trustees, not to exceed 15% of manual premium. The pool must use rules, classifications and rates as promulgated by an approved rating organization and must report premium and loss data to a rating organization. Such rates shall [either] be [the rates effective June 1, 1994, or] the prospective loss costs, as [defined] in K.S.A. 40-955, and amendments thereto, plus expenses necessary to administer the pool. For purposes of subsection (b) the prospective loss costs shall be presumed to be the 70% required to be deposited in the claims fund. If the pool has been in operation for more than five years, the board of trustees may determine such rates as approved by the commissioner.

authorized

(b) At least 70% of the annual premium shall be placed into a designated depository for the sole purpose of paying claims. If so approved by the commissioner of insurance, the annual premium to be designated to such depository may be determined to be the net amount of premium after all or a portion of the specific and aggregate excess insurance premium costs have been paid. This shall be called the claims fund account. The remaining annual premium shall be placed into a designated depository for the payment of taxes, fees and administrative costs. This shall be called the administrative fund account. If a pool has been in operation for more than five years, the commissioner may authorize allocation of a dif-

ferent amount to the claims fund account, if solvency of the pool would not be endangered.

(c) At the end of a fund year or any time thereafter, the trustees may declare a refund of any surplus moneys for the fund year in excess of the amount necessary to fulfill all obligations under the workers compensation act for that fund year. Such refund shall not be distributed, in whole or in part, less than 12 months after the end of the fund year for which the refund was declared. After receipt from the pool of the notice of declared refund and satisfactory evidence that sufficient funds remain on deposit for the payment of all outstanding claims and expenses, including incurred but not reported claims, the commissioner shall approve distribution of the declared refund. Any such refund shall be paid only to those employers who remained participants in the pool for an entire year. Payment of previously earned refunds shall not be contingent on continued membership in the pool.

History: L. 1983, ch. 166, § 5; L. 1995, ch. 67, § 2; L. 1997, ch. 125, § 17; L. 1999, ch. 95, § 6; L. 2001, ch. 85, § 1; July 1.