

SESSION OF 2002

SUPPLEMENTAL NOTE ON SENATE BILL NO. 654

As Amended by Senate Committee on
Financial Institutions and Insurance

Brief*

SB 654, as amended, allows public municipal funded pools, with the approval of the Insurance Commissioner, to deduct all or a portion of the cost of excess insurance (reinsurance) from premiums collected to arrive at the amount of premium that must be maintained in a designated depository for the purpose of paying claims.

Further, for municipal funded pools and for private sector pools for workers compensation, the bill specifies that rates used by the pools shall be the prospective loss costs as authorized in KSA 40-955.

The Senate Committee amendment is technical and removes reference to statutes that have been repealed and deletes an optional use of the rates in effect on June 1, 1994, as those rates are no longer used by either public sector or private sector pools.

Background

SB 654 was requested by the Kansas Association of School Boards whose representatives explained that, as the Association considers implementation of a municipal funded pool for property insurance, it finds costs of reinsurance to be quite high. Allowing those costs to be offset from the premiums designated for payment of claims is important as it will take some time to build the pool to a level in which reinsurance costs are not such a major part of the fund. Private sector pools have had this authority since 1995.

*Supplemental notes are prepared by the Legislative Research Department and do not express legislative intent. The supplemental note and fiscal note for this bill may be accessed on the Internet at <http://www.kslegislature.org/cgi-bin/fulltext/bills.cgi>

The Insurance Department proposed the amendment in order to update the two statutes applicable to premium contributions for both public and private pools.