SESSION OF 2011

SUPPLEMENTAL NOTE ON HOUSE BILL NO. 2139

As Amended by House Committee on Insurance

Brief*

HB 2139, as amended, would delete a requirement in the current law governing the workers compensation assigned risk pool that prohibits the Insurance Commissioner from approving workers compensation rates or rating plans when the annual premium is less than $2,250 (with some exceptions). The bill would instead provide that the Commissioner would approve rates and rate modifications which can include the application of surcharges, experience modifications, or other rating variables. Under current law, the approval of the application, modifications and other rating variables has been limited to claims experience and individual risk.

The bill also would permit insurance companies to file up to four workers compensation loss cost multipliers and up to four policyholder dividend plans within a single insurer. Under the bill, eligibility for individual loss cost multipliers and dividend plans would be required to be based on insurer underwriting criteria and judgment.

The bill would delete requirements for the workers compensation assigned risk pool to reduce both its assessments and its size (premium volume) before the years 1997 and 1999, respectively.

*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

Background

The bill was introduced at the request of the Kansas Insurance Department whose representative indicated that the bill is a result of an actuarial study of the plan which concluded that the rates charged to risk with premium under $2,250 are inadequate and recommended that the surcharge be applied to all risks. The representative also indicated that the assigned risk pool was meant to be the place of last resort for workers compensation coverage for employers who have been denied coverage in the private marketplace; it was not intended to be a subsidized pool which competes with the voluntary workers compensation market. A representative of the NCCI (National Council on Compensation Insurance) appeared in support of the bill and stated that the bill would remove outdated pricing restrictions and give the governing board of the Kansas Workers Compensation Insurance Plan and the Kansas Insurance Department the necessary flexibility to determine the appropriate pricing methods for this government-run insurance safety net. The Kansas Association of Insurance Agents (KAIA) also appeared in support of the bill and offered a conceptual amendment. The KAIA representative indicated that smaller companies, such as a regional mutual insurer, would like to be able to offer the same choices as the large stock companies but do not want the increased expense of maintaining separate companies (separate rate and form filings, maintaining a number of licenses). The representative concluded that allowing up to four loss cost multipliers should cautiously stimulate competition in workers compensation rating, but not jeopardize the market.

There were no opponents to the bill at the time of the House Committee hearing.

The House Insurance Committee recommended an amendment that allows a single insurance company to file up to four loss cost multipliers and up to four dividend plans and to use underwriting judgment to determine which rate is used. The amendment was requested by the Kansas Association of

Insurance Agents.

The fiscal note prepared by the Division of the Budget on the original bill states that the Kansas Insurance Department indicates that passage of the bill would have no fiscal effect on its operations.