

SESSION OF 2012

**SUPPLEMENTAL NOTE ON HOUSE BILL NO. 2637**

As Amended by House Committee of the Whole

**Brief\***

HB 2637, as amended, would revise the process by which the Commissioner of Insurance approves master policies for the self-insured under the Workers Compensation Act. A proposed master policy would need to be submitted to the Commissioner at least 30 days prior to its use. If the Commissioner was not satisfied that a master policy could track and report individual client experience and disapproved the policy, the bill would grant the insurer a hearing before the Commissioner. The bill would become effective on March 31, 2013.

**Background**

The bill was introduced on the behalf of professional employer organizations (PEOs) which provide human resource and employee benefit services to other businesses. The bill's proponents included the American Insurance Association, the National Association of Professional Employer Organizations, and several PEOs. Proponents described the current approval process as one of "prior approval." The bill would require a "file and use" means which is similar to other commercial policy filing practices.

The Department of Insurance and the Kansas Association of Insurance Agents opposed the bill. The Insurance Department explained recently enacted legislation prevents employers from hiding their actual worker compensation experience by taking part in a multiple

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\*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>

employer organization, a process known as “washing” worker compensation experience. The Department believes the current statutory language to be adequate, and the relatively late effective date of December 31 could continue the “washing” of these policies.

The House Committee on Commerce and Economic Development amended the bill by changing the effective date for the proposed approval process from December 31, 2013, to March 31, 2013.

The House Committee of the Whole amended the bill to specify that the whole bill, not just the proposed approval process contained in subsection (m) of section 1, would take effect on March 31, 2013.

According to the fiscal note prepared by the Division of the Budget, the bill would have no fiscal effect.