



**National Council on
Compensation Insurance**

Terri Robinson

State Relations Executive
Regulatory Services Division

(P) 501-753-5180 (F) 561-893-5655

Email: Terri_Robinson@ncci.com

March 4, 2016

The Honorable Mark Hutton
Chairman, House Commerce, Labor and Economic Development Committee
Kansas State Capitol
300 SW 10th Street
Room 521-E
Topeka, Kansas 66612

Re: **Kansas Government Efficiencies Review Draft Recommendations Template**

Dear Chairman Hutton:

It has come to my attention that the Kansas Government Efficiencies Review Draft Recommendations Template (watermarked "DRAFT") attributes certain information to the National Council on Compensation Insurance (NCCI). Under "KDOL Assessment Rate Change, Recommendation #2—Adjust the Kansas Department of Labor (KDOL) Administrative Fund Assessment Rate to 1% on a Written Premium Basis" (page 35), the author makes the following statements.

Kansas' most recent written premium per National Council on Compensation Insurance (NCCI) statistics was \$4,841,778,073. The NCCI 2016 rate filing received by the Kansas Insurance Department shows a decrease of 11.6% to the Kansas WC base rate for voluntary market carriers. This decrease is expected to reduce the 2016 written premium base by a commensurate 11.6%, to \$4,280,131,817. Therefore, an assessment rate of 1.00% using written premium as the rating base would have generated a total revenue amount of \$42,801,318 compared to the \$11,900,930 revenue generated by a 2.79% rate based on paid losses.

While there may be other references in the report that NCCI might question, the statements above are the most materially inaccurate and should not be characterized as NCCI "statistics". I offer the following clarifications, on which I will elaborate further below.

1. The most recent annual written workers compensation premium in Kansas is not \$4,841,778,073. This figure appears to be a misinterpretation of information published in the NCCI's **Tax and Assessment Directory**.
2. NCCI does not agree that projected premium can be accurately estimated by applying the approved loss cost change to prior year premium.
3. NCCI does not agree with the conclusion that changing the assessment base as proposed in the report would result in increased funding.

First, the figure of \$4,841,778,073 appears in NCCI's ***Tax and Assessment Directory***, a reference manual published by NCCI, as the assessment base for the Kansas Insurance Guaranty Fund. NCCI does not establish this figure. It is obtained from the National Conference of Insurance Guaranty Funds (www.ncigf.org). The assessment base for this fund reflects premium from multiple property and casualty lines as provided in the Insurance Guaranty Act of Kansas, which is referenced in the NCCI manual. The National Association of Insurance Commissioners (NAIC) collects data on written premium for private carriers. For 2014 the NAIC reports approximately \$493 million in statewide written premium for workers compensation insurance in Kansas. (Annual Statement data provided by the NAIC, Exhibit of Premium and Losses, direct of reinsurance, Workers Compensation Only).

Regarding projected workers compensation premium, changes in premium from year to year are driven by many factors other than loss cost changes. For example, since workers compensation premium is based on payroll, economic changes are a significant driver. The change in wages, employment, and industry types are key to the change in annual statewide workers compensation written premium. Regulatory and legislative changes are some of the various other factors that can have premium impact. This draft report does not consider anything other than loss cost changes for projecting future statewide annual workers compensation premium.

Finally, because the annual Kansas workers compensation written premium base cited in the report is significantly overstated, the resulting calculation of additional funding generated by an assessment base change is also overstated. In fact, a 1% assessment of statewide workers compensation written premium would actually generate less revenue for the KDOL Administrative Fund than the revenue generated by the current funding mechanism.

I regret that, to my knowledge, NCCI was never contacted during the development of the information reflected in this draft report. NCCI does not support or oppose the proposed change. This letter is simply intended to clarify the information attributed to NCCI and provide more appropriate data for use in consideration of this issue.

Thank you for the opportunity to clarify the record. I am happy to respond to any additional questions you might have.

Sincerely,

A handwritten signature in cursive script that reads "Terri Robinson".

Terri Robinson
State Relations Executive

TR:ah

cc: Secretary of Labor, Lana Gordon
Brad Smoot