KANSAS
LIVESTOCK
ASSOCIATION

Since 1894

To: House Committee on Insurance
Representative Jene Vickrey, Chair

From: Tucker Stewart, Associate Counsel, Kansas Livestock Association

Re: **HB 2043 concerning insurance, relating to financial examination requirements**

Date: January 19, 2017

The Kansas Livestock Association (KLA), formed in 1894, is a trade association representing nearly 5,200 members on legislative and regulatory issues. KLA members are involved in many aspects of the livestock industry, including seed stock, cow-calf and stocker production, cattle feeding, dairy production, grazing land management and diversified farming operations.

The Kansas Livestock Association (KLA) supports HB 2043 repealing a state conducted audit of self-insured pools that currently occurs once every five years. KLA has operated a self-insured pool since 1993. Approximately 65 KLA member entities belong to the pool and represent over $72 million in payroll. These entities largely include feedyards, farms, and ranches.

All profits are returned to our members in the form of dividends. The size of the dividend is based on each operations individual safety record. In the 23 years of operation the KLA program has distributed nearly $12 million in dividends. Last month, KLA issued a record large $2.5 million dividend. Like all group pools: KLA submits quarterly financial statements to the Kansas Insurance Department (KID), KLA is required by statute to contract with an independent CPA for an annual audit which is submitted to KID, and at least annually KLA contracts with an independent actuary in preparation for each annual audited financial report.

The state-conducted five-year audit, mandated by current law, is duplicative, does not provide any substantive information not already filed with KID and is not a useful tool to measure financial health because it only occurs once every five years. In fact, the annual audits, required by state law and performed by pool members, are more widely used by industry in publications. The five year audit costs KLA over $14,000 dollars that could otherwise be sent back to pool members in the form of dividends. It is important to note, even if the mandatory five-year audit is repealed the Insurance Commissioner may still conduct an audit at the Commissioner's discretion it will just no longer be a mandatory audit.

KLA respectfully requests that this committee support HB 2043 and end an unnecessary, duplicative, and expensive audit requirement.

*6031 SW 37th Street * Topeka, KS 66614-5129 * (785) 273-5115 * Fax (785) 273-3399 * E-mail: tucker@kla.org * www.kla.org*