

MINUTES OF THE HOUSE COMMERCE AND LABOR COMMITTEE

The meeting was called to order by Chairman Don Dahl at 9:00 A.M. on January 25, 2005 in Room 241-N of the Capitol.

Committee members absent: Dale Swenson- unexcused

Committee staff present: Jerry Ann Donaldson, Kansas Legislative Research Department
Rena Jefferies, Office of Revisor of Statutes
June Evans, Committee Secretary

Conferees appearing before the committee: Dick Cook, Supervisory Commercial Multi-peril and Casualty, Kansas Insurance Department
Wayne Maichels, Director of Employment Security

The Chairman opened the meeting and said there were minutes of previous meetings before them and would ask for approval at the end of the meeting.

Mr. Wayne Maichels, Director of Employment Security is here to address questions that were asked last week when the Secretary of Labor gave a briefing.

Mr. Maichels stated that people just wanting part time employment are not qualified to receive workers compensation unemployment insurance.

Employers have to pay unemployment insurance taxes on all part or full-time employees. If employers control, direct, or supervise an individual, the individual is classified as an employee (Attachment 1).

Dick Cook, Supervisory Commercial Multi-peril and Casualty, Kansas Insurance Department, gave an overview on workers compensation insurance market and rating issues in Kansas.

In order for an insurance company to write workers compensation insurance in Kansas, it must be licensed in Kansas and be authorized to write workers compensation insurance. Current records indicate that there are almost 220 carriers writing workers compensation insurance in Kansas.

According to recent information provided by the National Council on Compensation Insurance, Inc. (NCCI), the rating organization used by the carriers, there are approximately 53,500 employers paying over \$365 million in annual Kansas workers compensation premium.

There are several types of employers that have formed pools under the Chapter 44 workers compensation law. The different categories of these pools are: 1. Construction Contractors (2 pools); 2. Nursing Homes (2 pools); 3. Restaurants and Motels (1 pool); 4. Hospitals (1 pool); 5. Automobile Dealers (2 pools); 6. Feedlots (1 pool); 7. Truckers (1 pool); and 8. Dissimilar Employers (1 pool).

Some of the pros to pooling are the availability of coverage, no Plan "penalties", increased loss control and safety programs, control of claims costs, accrual of investment income accrues to pool members, possibility of lower costs or premium and the possibility of return of surplus (dividends).

Some of the cons to pooling are pools are not insurance companies, members of pools are jointly and severally liable, risk is not transferred, excess insurance is required and pressure exists from membership association regarding pool membership.

Premiums paid by the employers should be adequate to cover the claims incurred by their insurance companies. Rates are usually adjusted annually, based on premium and loss information provided by the carriers to the NCCI. The major premium components are: (a) base rates, (b) classifications, (c) experience rating and (d) payroll size (Attachment 2).

The minutes of January 18, 19, and 20 were approved as presented.

CONTINUATION SHEET

MINUTES OF THE House Commerce and Labor Committee at 9:00 A.M. on January 25, 2005 in Room 241-N of the Capitol.

The meeting adjourned at 10:35 a.m. and the next meeting will be January 26, 2005.