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STATEMENT OF BRAD SMOOT  
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HOUSE COMMERCE & ECONOMIC DEVELOPMENT COMMITTEE  
House Bill 2637  
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Mr. Chairman and Members:

On behalf of the American Insurance Association, composed of over 300 property and casualty insurers across the nation, we are pleased to have an opportunity to comment on HB 2637. Our members, most of which are licensed in Kansas, provide commercial and personal insurance for thousands of Kansas families and businesses including auto, home, general liability, business, medical malpractice and workers compensation.

AIA supported 2011 HB 2139, one of two workers compensation reform bills enacted by the Legislature last session. In particular, HB 2139 addressed the legislative concern that all employers should bear their fair share of the costs of the workers compensation system, including the obligation to maintain accurate and reportable work comp experience information on every covered employer. Otherwise, employers lose a very real incentive to maintain a safe workplace and other employers have to pay for poor safety practices and the high cost history of those “untracked” employers. For this reason, the use of multiple coordinated policies is preferred in shared employment relationships (often referred to as Professional Employer Organizations, or PEO’s). However, the Legislature recognized that some insurers and their PEO clients may want to use a single master policy instead. Use of such policies is fine, so long as that policy can track experience like the multiple coordinated policy. The National Council on Compensation Insurance (NCCI), which tracks employer accident and claims experience, can and does handle master policies in other states.

The changes proposed in HB 2637 continue the underlying legislative policy in favor of tracking claims experience but reverse the Insurance Department’s approval process from one of “prior approval” to what is referred to as “file and use.” In essence, the master policy could be used unless the department rejects it within 30 days of filing. This practice is similar to other commercial policy filing practices. AIA supports the file and use process over prior approval since it tends to speed up the process of bringing new policies to the Kansas insurance marketplace.

Thank you for consideration of our views.