

Workers Compensation—State Fair Board; Master Policies; Assigned Risk Pool; Schedule Rating

HB 2139 enacts and amends certain workers compensation provisions and amends insurance rate filing and risk classification law.

Workers Compensation—State Fair Board

The bill enacts new law to authorize the State Fair Board (Board), notwithstanding the self-insurance assessment rating provisions in the law, to purchase workers compensation insurance from an admitted carrier. The bill further provides that the contract for the purchase of the workers compensation insurance must comply with the competitive purchase process outlined in existing law for the Division of Purchases (Department of Administration). If the contract includes a premium or rate in excess of \$500, the bill provides that it must be purchased on the basis of sealed bids. The contract, under the bill, would not be subject to the requirements for purchase through the state Committee on Surety Bonds and Insurance.

The bill also provides that if the Board enters into a private contract for the purchase of workers compensation insurance, the Board would no longer be subject to the self-insurance assessment and the Director of Accounts and Reports would then cease the transfer of any amounts for the self-assessment for the Board, with one exception; the Board would continue to be assessed for any moneys paid relating to existing claims made by the Board within the self-insurance fund until all claims have been closed and settled.

If the Board opts to enter into a private contract, the bill provides that the State Workers Compensation Self-Insurance Fund (the SSIF) would not be liable for compensation of any claims under the Workers Compensation Act relating to the Board during the term of the private contract. Finally, the Board would be required to notify the Secretary of Administration and the Kansas Health Policy Authority of the effective date of any workers compensation policy acquired pursuant to the contract provisions of the bill.

Workers Compensation—Limitations on Issuance of Master Policies; Rule and Regulation Authority

The bill also amends a rate filing statute (as amended by 2011 HB 2074) to provide that any entity purchasing a workers compensation policy for the covered employees of more than one employer pursuant to a shared employment relationship (e.g. a PEO, Professional Employment Organization) must purchase the workers compensation policy on a separate multiple coordinated policy basis. These policies must be issued pursuant to the Workers Compensation Act (KSA 44-501 *et seq.*) from an insurer holding a certificate of authority to do business in Kansas and providing workers compensation coverage.

The bill grants the Insurance Commissioner the authority to allow an insurer to issue coverage through a master policy if the Commissioner is satisfied that the insurer is able to track and report individual client experience to the advisory organization in a manner that is acceptable to the Commissioner. Such master policies would be required to be filed with the Commissioner prior to approval.

The bill further authorizes the Insurance Commissioner to adopt such rules and regulations as are reasonable and necessary to carry out the purpose and provisions for the purchase of workers compensation policies through a shared employment relationship.

Workers Compensation—Assigned Risk Pool

The bill also deletes a requirement in the law governing the workers compensation assigned risk pool that prohibits the Insurance Commissioner from approving workers compensation rates or rating plans when the annual premium is less than \$2,250 (with some exceptions). The bill instead provides that the Commissioner approve rates and rate modifications which can include the application of surcharges, experience modifications, or other rating variables. Under prior law, the approval of the application, modifications and other rating variables had been limited to claims experience and individual risk.

The bill deletes out-of-date requirements for the workers compensation assigned risk pool to reduce both its assessments and its size (premium volume) before the years 1997 and 1999, respectively.

Workers Compensation—Schedule Rating

Finally, the bill deletes an exception in the law that disallowed schedule rating for workers compensation policies. [Schedule rating will allow an insurer to adjust the premium from a filed rate based on special or unique characteristics of the business.]