



**Testimony in support of Senate Bill 73 before the  
House Committee on Commerce, Labor & Economic Development**

By Michael Rost, IMA

On behalf of  
Kansas Association of Insurance Agents (KAIA)

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March 14, 2013

Mr. Chairman and Members of the Committee,

Thank you for allowing me to appear before you today in support of Senate Bill 73. My name is Michael Rost. I am an attorney for IMA a member of the Kansas Association of Insurance Agents (KAIA). KAIA represents more than 550 independent insurance agencies in Kansas. Together, our member agencies employ more than 3,000 licensed agents in local communities throughout our state.

One of the challenges faced by independent insurance agents is the ability to obtain affordable worker's compensation insurance for the businesses, particularly small businesses. We believe recent changes in the worker's compensation law will help reduce the cost of worker's compensation insurance, or at least limit increases in the cost. We support SB 73 because it is a continuation of efforts by the Legislature to help make worker's compensation insurance more affordable for businesses.

In line with these efforts, KAIA is requesting an amendment to SB 73 (or to SB 183, which is also under consideration by this committee) that would increase the threshold premium a business must pay before an experience modifier can be applied to calculate the business' premium. An experience modifier is a factor that is applied to adjust the premium of a business for the amount of claims payments made by the insurer for that business. Right now, a business in Kansas must pay a premium in excess of \$2,250 before an experience modifier can be applied. Although in a few instances a business' premium may actually decrease when an experience modifier is applied, in most instances it will increase. This is particularly true when a small business has a large loss, in which case the business' premium may drastically increase.

Currently, the \$2,250 threshold premium in Kansas is the lowest threshold premium in the United States. KAIA proposes that either SB 73 or 187 be amended to increase the threshold premium amount to \$5,000, which would bring it more in line with other states and would reduce the effect of applying an experience modifier to small businesses.

House Commerce & Economic  
Development Committee

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Attachment #: 4

Such an increase would also help to limit the effect of the National Council of Compensation Insurance's (NCCI) increase in the worker's compensation "split point" on small businesses. NCCI establishes rates for worker's compensation insurance virtually nationwide. In doing so it uses what is called a "split point." Currently, the split point is \$5,000. That means the first \$5,000 of any claim is used in full to determine a business' experience modifier. For any claim over \$5,000, only a percentage of the amount of the claim over \$5000 is used in the calculation of the experience modifier. NCCI raised the split point to \$10,000, meaning the first \$10,000 of any claim will be included in full in the calculation to determine a business' experience modifier. The net effect is the increase in the split point will increase experience modifiers across the board and hence could increase premiums

By increasing the threshold premium before an experience modifier can be applied to a business' premium the effect of the increase in the split point for Kansas businesses will be reduced.

KAIA requests the committee consider an amendment as described above. A copy of suggested amendment language is attached.

**AMENDMENT TO INCREASE THE EXPERIENCE RATING TRHESHOLD**

An employer purchasing worker's compensation insurance is not eligible for intrastate experience rating unless it has at least a \$5,000 annual worker's compensation insurance premium.