

SESSION OF 2014

**SUPPLEMENTAL NOTE ON SUBSTITUTE FOR HOUSE  
BILL NO. 2615**

As Amended by House Committee of the Whole

**Brief\***

Sub. for HB 2615, as amended, would increase the membership and change the appointment authorities of a governing board for a Workers Compensation Assigned Risk Pool. The terms of the current seven members (five members representing the insurance industry and two members representing the general public), currently appointed by the Commissioner of Insurance, would be terminated. However, the bill would allow for those individuals to be reappointed. The 11 members of the new board would consist of the following:

- Three members, appointed by the Commissioner of Insurance, from representatives of insurance companies admitted to sell workers compensation insurance in the state, for a term of three years;
- Three members, appointed by the Commissioner of Insurance, from representatives of insurance companies admitted to sell workers compensation insurance, for a term of two years;
- Two members, appointed by the Kansas Association of Insurance Agents, one for a term of three years and one for a term of two years;
- One member appointed by the Kansas Chapter of the National Federation of Independent Businesses for a term of two years;

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\*Supplemental notes are prepared by the Legislative Research Department and do not express legislative intent. The supplemental note and fiscal note for this bill may be accessed on the Internet at <http://www.kslegislature.org>

- One member appointed by the Kansas Chamber of Commerce for a term of three years; and
- One member, appointed at-large by the Insurance Commissioner, for a term of three years.

The terms of office for members subsequently appointed to the board would be three years. Appointees could serve no more than two consecutive terms.

The bill would require a governing board to meet annually to select a chairperson and select a plan administrator through a competitive bid process. An independent financial audit of a plan would be performed biennially.

## **Background**

Representatives of the Kansas Association of Insurance Agents, the Kansas Chamber, the National Federation of Independent Businesses, and a risk management firm spoke in favor of the bill during the House Committee hearing. Proponents explained the increased representation would include those entities that pay workers compensation premiums and provide for an audit on a regular basis.

Representatives of insurance companies and insurance associations stated that while businesses pay premiums, it is the insurance companies that assume the risk of loss. Opponents expressed concern the bill would diminish the equilibrium among employers, injured workers, agents, and the state.

The House Committee on Commerce, Labor and Economic Development amended the original bill to:

- Delete language outlining a competitive bid process;

- Delete language limiting the length of plan administrator contract to a period not exceeding five years;
- Delete language requiring a plan administrator to have an office in Kansas or to deposit money in the state;
- Delete language requiring surplus amounts of funds, equal to or greater than 5.0 percent of premiums collected, to be distributed to the policyholders;
- Increase the size of the board from 7 members to 11 members; and
- Change the frequency a financial audit is performed, from annual to biennial.

The House Committee recommended a substitute bill be introduced that incorporated the amendments along with the provisions contained in the original bill.

The House Committee of the Whole amended the bill to provide for terms of three years for subsequent appointments to the board.

According to the fiscal note prepared by the Division of Budget, in consultation with the Kansas Insurance Department, the bill would have no fiscal impact.