

MINUTES OF THE HOUSE COMMERCE AND LABOR COMMITTEE

The meeting was called to order by Chairman Don Dahl at 9:00 A.M. on February 18, 2005 in Room 241-N of the Capitol.

All members were present except:

Broderick Henderson- excused
Kevin Yoder- excused

Committee staff present:

Jerry Ann Donaldson, Kansas Legislative Research Department
Norm Furse, Office of Revisor of Statutes
June Evans, Committee Secretary

Conferees appearing before the committee:

Terri Roberts, Kansas Coalition for Workplace Safety
Larry Magill, Kansas Association of Insurance Agents

Others attending:

See attached list.

The Chairman said the hearing on **HB 2447 - Workers compensation; reforming the residual insurance market structure and the benefit structure** would be continued.

Terri Roberts, Kansas Coalition for Workplace Safety, testified as a proponent to **HB 2447**. In this bill there are three changes to the system of workers compensation in Kansas that are proposed. (1) Replace the current residual market solicitation of vendors and administrators with a single carrier that assumes the risk for this segment of the market that the "voluntary carriers" will not cover. (2) Provide employers seeking workers compensation coverage competitive price (rate) information so they can make informed decisions about their coverage carrier, (hopefully a secondary outcome of this would be increased competition and lower rates.) (3) An internet site to be administered by the Kansas Insurance Commissioner's Office, similar to the one they now operate for the Seniors Medi-gap policies. Benefits to injured workers would be updated: the 75% factor now applied to the state wage formula for determining the maximum weekly payment for injured workers would be raised to 100%. The maximums for permanent total, (including temporary total, temporary partial; and permanent partial) would be raised from \$125,000 to \$250,000. The maximums for two other categories would be raised by \$25,000. The \$50,000 cap is removed from permanent partial disability (Attachment 1).

Larry Magill, Kansas Association of Insurance Agents (KAIA), testified as an opponent to **HB 2447**. The bill would replace an assigned risk plan that is functioning quite well and has delivered steadily reducing costs since it was first competitively bid in 1994, then again in 2000 and 2004 with a system that is hard to tell what it does.

KAIA was part of the unsuccessful bid this year to do a portion of the administration of the plan. We proposed using only one servicing carrier but the Kansas Workers Compensation Insurance Plan Board felt that having two carriers share the work was some protection if one of them could no longer perform. The point is that it can be done currently.

The Kansas Plan puts on free safety seminars annually for employers in the Plan. Those that attend are eligible for a 5% loss control discount that is unique to the Plan. The voluntary market does not offer a similar discount. NCCI closely monitors the service provided by the Plan. Kansas used to allow any carrier that was willing to be a servicing carrier but issues with the quality of service convinced the Insurance Department to change to the present limited servicing carrier setup. As a result the service has substantially improved. There does not appear to be a reinsurance mechanism to share the excess losses of the Plan with all the authorized workers compensation insurers. The NCCI currently administers that for the Kansas Plan.

New Section 4 that deals with buying insurance through the internet simply won't work. Worse, it would destroy the voluntary market.

CONTINUATION SHEET

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Kansas employers have seen their workers compensation costs increase dramatically in the last 4 years. The assigned risk plan, always a good barometer of the market, has grown from a low of around \$16 million to over \$70 million over that time. The carriers have substantially raised their loss cost multipliers and restricted use of their lower cost ones. So while the base loss cost rates have not gone up significantly, the market has made up for it with huge increases in loss cost multipliers (Attachment 2).

Dick Cook, Kansas Insurance Department, was in the audience and stated the Commissioner had concerns about **HB 2447**. The department has a governing board that is appointed by the Commissioner which is working and would hate to see it disappear. The date of July 2005 for having the internet information bing in place by July is also concerning. The Department has just signed a 4 year contract with a 1 or 2 year possible extension. There would be legal action, that would be costly, to get out of that contract. Mr. Cook also stated their website displays the loss cost multipliers and the lowest cost can be found there. Possibly, the website could be made more user friendly. It is believed that it would be better to procure insurance through an agent.

The Chairman closed the hearing on **HB 2447**.

The following written testimony was submitted: Proponent, John M. Ostrowski (Attachment 3) and Opponent, Marlee Carpenter (Attachment 4)

The meeting adjourned at 9:50 and the next meeting will be February 21, 2005.