

MINUTES OF THE HOUSE COMMERCE AND LABOR COMMITTEE.

The meeting was called to order by Chairman Donald Dahl at 9:00 a.m. on January 24, 2003 in Room 521-S of the Capitol.

All members were present except: Representative Donald Betts, Unexcused
Representative Bob Grant, Unexcused
Representative Joe Humerickhouse, Unexcused
Representative Todd Novascone, Excused
Representative Bob Grant, Unexcused
Representative Doug Patterson, Unexcused
Representative Rick Rehorn, Unexcused

Committee staff present: Jerry Ann Donaldson, Kansas Legislative Research Department
Renaë Jefferies, Revisor of Statutes
June Evans, Secretary

Conferees appearing before the committee: Commissioner Sandy Praeger
Dick Cook, Kansas Insurance Department
Sabrina Wells, Kansas Insurance Department

Others attending: See Attached Sheet

The Chairman called the meeting to order at 9:00 a.m.

Sandy Praeger, Kansas Insurance Commissioner, gave a briefing on Second Injury–Workers’ Compensation Fund stating the Commissioner has the responsibility for the administration of this fund.

The Department’s Workers’ Compensation Program has annual expenditures of approximately \$4.0 million. Paramount among this program’s goals are: (1) defending claims against the fund to minimize fund expenditures, and (2) evaluating the future potential liability of the fund to minimize state fee assessments.

1993 legislation eliminated second-injury claims with accident dates after July 1, 1994. The fund does, however, have ongoing responsibility for certification cases and insolvent employer cases. The open caseload has been reduced from 9,527 in 1994 to 4,030 in 2002. This trend will continue with the department’s dedicated oversight and management of this fund. This fund is being phased out (Attachment 1).

Dick Cook, Workers Compensation, Kansas Insurance Department, stated the direct earned premiums are starting to increase since coming down after 1993. In 1995 premiums went from a pure priced administered type of rating system where the National Council on Compensation Insurance (NCCI) provided prices for rates for every insurance company to use, to a loss cost figure which made it much more competitive. Loss cost is the loss of any claim in the loss adjustment expenses. The other portion of that is the carriers expense

CONTINUATION SHEET

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provision which is the loss cost multiplier. Take the loss cost multiplier times the loss cost and that gives the final rate the insurance companies use. In 1995, when the system was changed, insurance rates were more competitive and premiums came down even more. From 1995 through 2000, direct earned premiums came down. Premiums are tied to the economy and the economy was doing well. Now the investment market has gone down; the cost of claims have gone up, consequently the insurance companies are raising their rates. We are starting to see workers compensation insurance being more costly. Last year's data shows \$291M in premiums written by the insurance carriers in the state of Kansas. Anticipated premiums this year are \$300M plus. On top of that we have about \$47M in the group funded pool that the Insurance Department administers. The Division of Workers Compensation handles the self-insured market which is probably about another \$200M. All totaled about \$550M. The combined ratio is important to insurance companies; going above 1 or 1.5 companies usually do not make any money. This is offset with investment income. Investments are down. If carriers can't make money off of their investments and their combined ratio is up above 1.20, they have fiscal problems which necessitates a raise in premiums. The Kansas Assigned Risk Plan is growing this year. It is anticipated to be \$50M this year. About four years ago it was about \$18M which was the lowest it had been for a number of years. There are concerns about workers compensation. Carriers are not making money on their investments like they have in the past so they are trying to make money off of their underwriting profits; therefore, they have to raise rates. The reinsurance market was hit heavy because of the 9-11 disaster and now it is hard to get reinsurance.

Tom Burgess requested bill introduction concerning liens.

Representative Ruff moved and Representative Yoder seconded to introduce a bill concerning civil procedures; relating to liens; filing time. The motion carried.

The meeting adjourned at 9:35 a.m.. The next meeting will be January 27._____