



Kansas Insurance Department

Sandy Praeger, Commissioner of Insurance

TESTIMONY ON HB 2637

HOUSE COMMERCE AND ECONOMIC DEVELOPMENT COMMITTEE February 16, 2012

Mr. Chairman and Members of the Committee:

I am Kevin Davis with the Kansas Insurance Department. Thank you for the opportunity to testify on HB 2637.

This amendment is related to a law which was passed last session which provided for workers compensation policies on a multiple coordinated basis for employers in a shared employment relationship (see page 2, lines 28-35). This provision was sought to prevent employers from hiding their actual work comp experience by taking part in a multiple employer organization. This is a process known as “washing” your work comp experience.

However, to complement this provision of the law a provision was added which would allow an insurer to issue coverage through a master policy if the insurer has the ability to track and report individual client experience (see page 2, lines 36-40). Under the current law these master policies must be filed with the Department to verify that the insurer can track and report individual client experience. The Department must review and approve the filing before it can be used by the insurer. This bill basically provided for the same review of a policy but on what is referred to a “file and use” provision. That is, the insurer files the master policy with the Department and the Department has 30 days to disapprove such policy and notify the insurer in writing of its decision. Otherwise the policy is available for use in the state. The Department while not opposed to the new language thinks that current language is preferable. In the end either method can accomplish the same purpose, the review of and approval or disapproval of a filed policy.

The Department does object to page 3, lines 12-13 which allows policies to be issued which do not comply with the tracking and reporting requirements as required in the existing law and the proposed amendment through December 31, 2013. We believe this will provide an incentive for companies to place what would end up being non-compliant policies for over 18 months. This would tend to defeat the purpose of the amendment to track and report individual client experience and continue the “washing” of these policies.

For this reason we oppose the bill with this provision included in it.