

MINUTES OF THE SENATE COMMERCE COMMITTEE

The meeting was called to order by Chairperson Karin Brownlee at 8:30 A.M. on March 16, 2006 in Room 123-S of the Capitol.

All members were present.

Committee staff present:

Kathie Sparks, Kansas Legislative Research Department
Helen Pedigo, Revisor of Statutes
Jackie Lunn, Committee Secretary

Conferees appearing before the committee:

Others attending:

See attached list.

Chairperson Brownlee opened the hearing on **HB 2671-Workers compensation, occurrence deductibles, defined** by introducing Kathie Sparks from Legislative Research to explain the bill. Ms. Sparks stated this bill would allow insurers issuing workers compensation policies to offer optional occurrence or per claimant, or both.

Upon the conclusion of Ms. Sparks explanation of the bill Chairperson Brownlee introduced Larry Magill representing the Kansas Association of Insurance Agents to give his testimony as a proponent of **HB 2671**. Mr. Magill presented written testimony. (Attachment 1) Mr. Magill stated the bill is a cost saving measure and a risk management tool. The bill gives greater flexibility to the work comp statute for deductibles. He urged the Committee to pass the bill out favorable.

Upon the completion of Mr. Magill's testimony a discussion followed with the Committee. Senator Kelly made reference to the fiscal note asking if this would increase the insurance premiums for businesses which carry work comp insurance. Mr. Magill stated, if it did increase the insurance premiums it would be very slight. He also added that it is optional. Senator Barone entered the discussion with the same concerns as Senator Kelly. Senator Barone stated his concern was in individual businesses and what impact the bill would have on them.

With no other questions or discussion, Chairperson Brownlee closed the hearing on **HB 2671**.

Chairperson Brownlee opened the hearing on **HB 2753-Workers compensation, closing claims five years old** by introducing Helen Pedigo from the Revisors office to explain the bill. Ms. Pedigo stated **HB 2753** would amend the Workers Compensation Act dealing with closure of claims by providing any claim that has not proceeded to final hearing, a settlement hearing, or an agreed award under the Workers Compensation Act within five years from the date of filing an application for hearing would be dismissed by the administrative law judge for lack of prosecution. She stated an extension of time would be allowed for good cause and if filed before the time limit expires.

Chairperson Brownlee introduced Jeff Glendening representing the Kansas Chamber to give his testimony as a proponent to **HB 2753**. Mr. Glendening presented written testimony. (Attachment 2) Mr. Glendening stated the bill was a simple bill and passed the House with only 1 no vote. He stated this has always been an issue and became necessary with the recent passage of the Sarbanes-Oxley act in Washington. Businesses are now required to carry forward their liability which includes workers compensation claims. Businesses need the ability to close the Workers Compensation claims to avoid excess liability. He also stated they had worked with the opposition in the House Committee and both sides agreed with the bill.

With no questions or discussion, Chairperson Brownlee closed the hearing on **HB 2753**.

Chairperson Brownlee suggested putting one of these bills into the other. **Senator Jordan made a motion to roll HB 2753 into HB 2671 and pass it out favorably for passage. Senator Ritz seconded. Motion carried.**

Chairperson Brownlee called the Committee's attention to the ALJ bill. She stated she had been given additional information from Dick Thomas with the Division of Workers Compensation regarding penalties

CONTINUATION SHEET

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and fraud and abuse procedures for not following a ruling made by an ALJ on a work comp case. (Attachment 3) Chairperson Brownlee stated the statutes might address her concerns with the ALJ's not having the power of contempt. Paula Greathouse, Director, Division of Workers Compensation entered into the discussion at the request of the Chair. Director Greathouse stated she felt that the ALJ's did not need the contempt power because the statute covered rules and procedures for fraud and abuse. She also stated when investigating for fraud abuse, they do a portion of the investigation and the Insurance Commissioners Office does part. Senator Emler joined in and stated he felt the penalties for fraud abuse in the statute seemed to be appropriate and did not think language needed to be added to the bill giving contempt power to the ALJ's. Chairperson Brownlee stated that she would take final action on the bill tomorrow morning. Senator Kelly joined the discussion with concerns on how big an issue it is for the ALJ to make a ruling and the insurance carrier to refuse to honor the ruling. Director Greathouse responded by saying this is not a huge problem.

Meeting adjourned at 9:05 a.m. with the next scheduled meeting tomorrow, March 17, 2006 at 8:30 a.m. in room 123S.