

**Local Government Mandate Statement
Kentucky Legislative Research Commission
2018 Regular Session**

Part I: Measure Information

Bill Request #: 1245

Bill #: HB 388 SCS 1

Document ID #: 7155

Bill Subject/Title: AN ACT relating to the Kentucky Workers' Compensation Funding Commission.

Sponsor: Representative James A. Tipton

Unit of Government: x City x County x Urban-County
Unified Local
 x Charter County x Consolidated Local x Government

Office(s) Impacted: any that pay premiums for workers' compensation insurance coverage

Requirement: x Mandatory Optional

Effect on Powers & Duties: x Modifies Existing Adds New Eliminates Existing

Part II: Bill Provisions and the Estimated Fiscal Impact Relating to Local Government

HB 388 SCS 1 would amend several sections of KRS Chapter 342, Kentucky’s statutory scheme for compensating workers for work-related injury or injurious exposure, to capture in special fund premium assessments all costs of workers’ compensation insurance coverage, including for self-insured employers.

Section 1 of the bill would amend KRS 342.001 to establish that, for policies with effective dates on or after January 1, 1995 that include a deductible, the special fund premium assessment would be calculated by the “deductible program adjustment” method, defined as “a method of calculating premiums and premiums received on a gross basis without regard to the following:

1. Schedule rating modifications, debits, or credits;
2. Deductible credits; or
3. Modifications to the cost of coverage from inception through and including any audit that are based on negotiated retrospective rating arrangements, including but not limited to large risk alternative rating options.

This provision is intended as guidance on, and transparency of, the premium assessment base for deductible policies.

Section 2 of the bill would require, beginning January 1, 2020 all premium assessments, including those payable by self-insured employers and state and political subdivision (including city and county government) employers, be remitted to the funding commission electronically by the 30th day following the end of each quarter.

Section 4 would amend KRS 342.1223(2)(b) to delete the term “nondividend-paying” from the description of equity securities. Section 4 would also establish that officers and employees of the funding commission may be exempted from the classified service.

Section 5 would amend KRS 342.1231 to reduce the time period within which the funding commission may mail a notice of assessment to an assessment payer (insurance company) from 7 to 5 years, after which time the assessment would be barred. **Section 5** would require an insurance carrier pay a refund owed an insured within 60 days of notice by the funding commission that the refund is owed. If the refund is unpaid on the due date a 1.5% late penalty shall be owed by the insurance carrier.

HB 388 SCS 1 is not expected to increase workers’ compensation insurance premium costs for local governments, particularly if they obtain workers’ compensation coverage through the Kentucky League of Cities or Kentucky Employers Mutual Insurance (KEMI). It could have some, unquantified, impact on premium prices for local governments that obtain their workers’ compensation insurance from another source. The electronic submission of assessment payments would have no to minimal fiscal impact on local governments. There could be a positive fiscal impact from savings in postal costs, and ease of electronic payment could reduce penalties and interest assessments due because of late payment of premium assessments. Some local governments currently submit payments electronically and those that don’t would have only minimal costs to be trained in the e-submission process.

Part III: Differences to Local Government Mandate Statement from Prior Versions

The local mandate statement for HB 388 SCS 1 is the same as the statement for HB 388 GA. HB 388 SCS 1 retains the provisions of HB 388 GA with a few changes. In Section 1 the dates were changed from “on or after January 1, 2019” to “on or after **January 1, 1995**” to make clear the Commission has been applying the deductible program adjustment method for calculating fund assessments to policies with deductibles since the 1995 date. To clarify that assessments for deductible policies. The last change is at Section 2 where it is established that officers and employees of the Workers’ Compensation Funding Commission may be exempted from the classified service. HB SCS 1 would not change the fiscal impact of the bill.

The local mandate statement for HB 388 GA is the same as the statement for HB 388 HCS 1. The House adopted the HCS and did not adopt any additional amendments.

HB 388 HCS 1 does not change the fiscal impact on local governments or local mandate analysis of HB 388 as introduced.

Data Source(s): LRC staff; Labor Cabinet; Kentucky League of Cities; Workers’ Compensation Funding Commission; KEMI

Preparer: Mary Stephens **Reviewer:** KHC **Date:** 3/16/18