

MINUTES OF THE MEETING
GENERAL GOVERNMENT AND HIGHWAYS SUBCOMMITTEE
50TH LEGISLATIVE SESSION
HOUSE OF REPRESENTATIVES

The meeting of the General Government and Highways Subcommittee was called to order by Chairman Rehberg on March 3, 1987 at 8:00 a.m. in Room 132 of the State Capitol.

ROLL CALL: All committee members were present, except Sen. Gage and Sen. Keating. Also present were Flo Smith, Budget Analyst from the Office of Budget & Program Planning (OBPP) and Taryn Purdy, Assistant Fiscal Analyst and Clayton Schenck, Senior Fiscal Analyst from the Office of the Legislative Fiscal Analyst. (LFA)

102A:0.00

HB 694

Rep. Fred Thomas, District 62, Ravalli County, introduced HB 694. (Exhibit No. 1) The bill has already passed the House on second reading and was referred to this committee. HB 694 is an insurance reporting bill requiring property and casualty insurance companies to annually file a report with the Insurance Commissioner's Office covering certain items such as premiums written, expenses, profits and losses. Section 6 was amended out of the bill on the floor of the House. The Insurance Commissioner's Office informed Rep. Thomas approximately \$16,000 would be required as a fiscal note. This would include a .5 FTE and a .25 data processing individual. Rep. Thomas felt this could possibly be done for less than the \$16,000 per year if the data was not put into the system and someone just filed the information. This information would be made available to the public.

Chairman Rehberg called for proponents.

Proponents

Karl Englund, Montana Trial Lawyers Association, supported the bill. This would make information available regarding the Montana experience on property and casualty insurers. If there would be a need to come back next session to make changes, there would be data available to use as a basis. The intent of the association in supporting this bill was to simply have those reports filed and made available to the public. They do not want to establish a large fiscal note or place a burden on the Insurance Commissioner's Office.

There were no other proponents.

Chairman Rehberg called for opponents.

Opponents

Bonnie Tippy, representing the Alliance of American Insurers, told the committee the medical insurers for malpractice have been reporting this sort of information for the past eighteen months and there have only been three requests for that information and two were from trial attorneys. She said the lay person would not be able to understand the language as the bill is now written. This will simply punish the insurance industry, cost the state some money to collect the data and the bill does not do a thing. She said when arguments were presented to the House Business and Labor Committee, the bill was tabled for a variety of reasons, one being the bill does not do anything that is not already being done. Currently the National Association of Insurance Commissioners is developing data and a format to be used across the entire country by all insurance commissioners. This will be available this month and will be uniform for all states. Data is already available, but is not in readable form and this bill will not change that. She urged the committee to give the bill a do not pass.

Jacqueline Terrell, representing the American Insurance Association, also urged the committee to give the bill a do not pass for the reasons as stated by Ms. Tippy. Ms. Terrell said it was also the position of the association that it would place a burdensome requirement upon the insurers without a benefit to those the bill is aimed at protecting.

Roger McGlenn, executive director of the Independent Insurance Agents Association in Montana, also opposed the bill. He said their association, after reviewing the bill, was concerned that limited funds will be expended on something that will not provide an immediate return to Montana insurance consumers.

There were no further opponents.

Rep. Quilici asked Rep. Thomas if he had had a chance to review Rep. Miller's bill heard by this committee requesting an actuary and staff to evaluate this type of information to be used by the Insurance Commissioner's Office. Rep. Thomas pointed out this bill was different in that it dealt with annual reports that are not difficult to understand. There might be some unfamiliar terms, but there was no big mystery

involved and it would be easy to follow. He said the bill would simply provide a report that would be easy to track for actuarial purposes. He felt this would also be beneficial to insurance companies as there would be a public report filed reviewing their activity over the last ten years.

Roger McGlenn said the independent insurance agents have, for the last two years, compiled statistical data at their expense on specific Montana premiums earnings and losses from reports already filed by the insurance companies and this could be made available almost immediately to the committee.

Rep. Thomas closed. He said the bill would require a simple report that would not be burdensome to anybody and he would appreciate the support of the committee.

102B:0.00

MILITARY AFFAIRS

Adjustant General

Rep. Quilici asked for clarification on the \$32,000 difference between the OBPP and the LFA budgets in utilities. Taryn Purdy, LFA, explained this resulted from the difference in the way the two systems track inflation. The LFA has approximately \$30,000 more in inflation and the actual difference was about \$3,000. The LFA used the prior and applied inflation figures to it and the OBPP did a little more detailed figuring of the utility costs.

Flo Smith, from the OBPP, said their budget included approximately a fifty percent increase for water rates.

EXECUTIVE ACTION

Rep. Quilici moved the committee adopt the LFA budget.

A voice vote was taken and the motion PASSED unanimously.

Administration Program

There was discussion regarding the five percent cuts taken in the OBPP budget. Taryn Purdy, LFA, said the five percent cuts were generally across the spectrum of the programs.

There was no further action taken by the committee under this program.

Army National Guard Program

Taryn Purdy reviewed the difference between the two budgets as follows:

1. OBPP deleted 1.0 FTE, security guard position, requested by the department and is included in the LFA.
2. The LFA allowed \$864 per year to Disaster and Emergency Services for insurance costs.
3. The OBPP retained \$3,250 in five percent cuts in supplies and materials, \$950 in travel and \$5,253 in repair and maintenance.
4. The OBPP deleted \$1,255 in rewards and \$225 in registration fees.

Both the LFA and the OBPP maintained the five percent cuts in the level of uniform reimbursement for officers.

In utilities, the LFA maintained the FY 86 level, plus inflation. The OBPP included \$2,634 more than the LFA for adjustment on water rates and electricity. In equipment, the OBPP included \$3,000 in FY 88 to replace a portion of the secure radio system.

EXECUTIVE ACTION

Chairman Rehberg moved the committee adopt the OBPP personal services level of \$287,159 in FY 88 and \$287,814 in FY 89, reflecting the five percent cuts for the full-time FTE.

A voice vote was taken and the motion PASSED unanimously.

Army National Guard - Modified

Designer - One full-time FTE and 100 percent federally funded.

EXECUTIVE ACTION

Rep. Quilici moved the committee grant the funding for the design engineer in the amount of \$22,065 in FY 88 and \$22,105 in FY 89.

A voice vote was taken and the motion PASSED unanimously.

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Army National Guard - Modified

Increased Telephone-Maintenance Cost - 100 percent federally funded.

EXECUTIVE ACTION

Rep. Quilici moved the committee grant the funding for increased telephone-maintenance costs in the amount of \$96,100 in FY 88 and \$96,100 in FY 89.

A voice vote was taken and the motion PASSED unanimously.

Army National Guard - Modified

Training Site Support - 100 percent federally funded.

EXECUTIVE ACTION

Rep. Quilici moved the committee grant the funding for the training site support in the amount of \$300,000 in FY 88 and \$300,000 in FY 89.

A voice vote was taken and the motion PASSED unanimously.

Army National Guard - Modified

Statewide Coordinator of Family Services - 100 percent federally funded.

EXECUTIVE ACTION

Rep. Quilici moved the committee grant the funding for the statewide coordinator of family services.

A voice vote was taken and the motion PASSED unanimously.

Air National Guard Program

Taryn Purdy reviewed the issues. The LFA current level included salaries for the fourteen firefighters at Gore Hill at the requested level. The OBPP included a lower reimbursement level. In budget cuts, the OBPP reduced repair and maintenance by \$5,000 which is eighty percent federally funded and twenty percent state funded.

EXECUTIVE ACTION

Rep. Quilici moved the committee adopt the LFA budget.

As a substitute motion, Chairman Rehberg moved the committee adopt the OBPP budget.

Major Ken Cottrill, Administrator of Centralized Services, explained the firefighters are exempt from the pay plan. They work 2,912 hours per year and are paid at a straight hourly rate for the full 2,912 hours. They work twenty-four hours on, forty-eight hours off, all year. The LFA figures are at full spending level. The OBPP figures have a small amount deducted used to make the federal share of the pay plan.

A voice vote was taken and the motion PASSED unanimously.

Air National Guard Program - Modified

Crash-Fire Rescue - Gore Hill

EXECUTIVE ACTION

Rep. Poulsen moved the committee grant the funding for the firefighters, repair and maintenance and utilities in the amount of \$413,173 in FY 88 and \$417,470 in FY 89.

A voice vote was taken and the motion PASSED, with Chairman Rehberg voting no.

Disaster Coordination Response Program

Taryn Purdy reviewed the issues. The five percent cuts maintained by the OBPP included \$1,501 in supplies and materials. In addition, \$796 in telephone moving charges, \$500 in registration fees, \$707 in radio repair costs and \$1,000 in maintenance contracts were eliminated in the OBPP budget. The OBPP also included pagers for various state officials for \$3,400 in FY 88. The LFA had \$200 less in audit costs than it should.

EXECUTIVE ACTION

Sen. Stimatz moved the committee add the \$200 for audit fees.

A voice vote was taken and the motion PASSED unanimously.

EXECUTIVE ACTION

Chairman Rehberg moved the committee reduce general fund and increase federal funds by \$3,400 in FY 88 and \$3,400 in FY 89 to account for a higher level of federally reimbursable travel than was included in the LFA current level.

A voice vote was taken and the motion PASSED unanimously.

103A:0.00

Emergency Management Development Program

Taryn Purdy reviewed the issues. The OBPP included \$11,273 more in travel than the LFA, which maintained the FY 86 level. The travel is 100 percent federally funded. The OBPP also included \$240 more in Department of Administration data processing costs.

Major Cottrill explained the department received money for training of personnel. Two positions were vacant part of the year and were not included in FY 86. The department does anticipate these two positions will be filled in FY 88 and FY 89. Major Cottrill reminded the committee that the LFA current level deleted a .5 FTE.

George DeWolf, Administrator of Disaster and Emergency Management Services, told the committee the department negotiates workload with the federal government and that this money represents the amount needed to meet the federal obligations.

EXECUTIVE ACTION

Rep. Poulsen moved the committee increase travel by \$11,273 and data processing costs by \$240.

A voice vote was taken and the motion PASSED unanimously.

Veteran's Affairs Program

Taryn Purdy reviewed the issues in this 100 percent general funded program. The OBPP deleted rent on the Butte office in the amount of \$1,998 each year and included \$250 each year for personal computer maintenance. The LFA current level deleted \$2,309 in one-time telephone equipment charges. The OBPP increased out-of-state travel by \$935 each year, honorarium expenses by \$350 each year and data processing by \$256 each year to upgrade statistical reports. The OBPP also included funding for a microfilm reader-printer for \$6,460 in FY 88. The LFA allowed funding for one personal

computer in the amount of \$3,500 for FY88. The department withdrew their request for the personal computer. Taryn said one cut made in both budgets was a contract with the Disabled American Veterans and the Veterans of Foreign Wars for secretarial work.

EXECUTIVE ACTION

Rep. Quilici moved the committee increase telephone charges by \$809, to reduce the total reduction taken in the LFA current level to \$1,500 for telephone equipment.

A voice vote was taken and the motion PASSED unanimously.

EXECUTIVE ACTION

Chairman Rehberg moved the committee delete the rent for the Butte office in the amount of \$1,998 in FY 88 and \$1,998 in FY 89.

A voice vote was taken and the motion PASSED unanimously.

Taryn explained why the \$6,460 for the purchase of a microfilm reader-printer was not included in the LFA budget. The department would like to move the microfilm records as they have a large amount of paper stored. Taryn said the transfer to microfilm could be a fairly expensive process and the department anticipated spending approximately \$30,000 over the next several years and taking it out of the operating budget. As that represents a fair amount of the operating expenses, it was left out of current level to allow for some discussion by the committee.

Chairman Rehberg said this was not the time to be requesting such items as this was a make-do biennium without increasing expenses any more than necessary.

Local Civil Defense Reimbursement Program

EXECUTIVE ACTION

Rep. Quilici moved the committee allow the disaster emergency federal grant and the appropriate language.

A voice vote was taken and the motion PASSED unanimously.

Veterans' Cemetery Program

Contracted services to open and close graves.

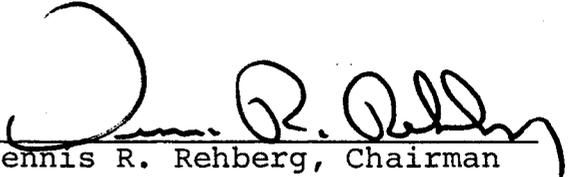
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EXECUTIVE ACTION

Rep. Quilici moved the committee allow the funds for contracted services to open and close graves in the amount of \$30,000 each year of the biennium.

A voice vote was taken and the motion PASSED unanimously.

ADJOURNMENT: The meeting was adjourned at 9:00 a.m.


Dennis R. Rehberg, Chairman

ON MOTION, PRINTED AND
PLACED ON SECOND READING

INTRODUCED BY *House* BILL NO. *694*
Spencer Niese *Thomas Gilbert C. Smith*

A BILL FOR AN ACT ENTITLED: "AN ACT REQUIRING LIABILITY
INSURERS TO REPORT CERTAIN INFORMATION RELATING TO LIABILITY
INSURANCE; AND PROVIDING A TERMINATION DATE."

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

Section 1. Purpose. The purpose of [sections 1 through
6] is to provide for the collection of data to monitor and
measure the cost of liability actions filed in this state.
Section 2. Definition. As used in [sections 1 through
6], "liability action" means any civil proceeding in this
state, whether tort or contract, that seeks redress for
personal injury or property damage.

Section 3. Insurer reporting requirements. (1) Each
insurer or group of insurers writing property or casualty
insurance in this state shall submit an annual report in a
form required by the commissioner, detailing its liability
insurance business and loss experience in this state.

(2) The report required by this section must include
but need not be limited to the following lines of insurance
written by each insurer:

(a) commercial liability, including premises insurance
and products and completed operations insurance;

- 1 (b) commercial automobile liability;
- 2 (c) professional liability; and
- 3 (d) any other liability line that is currently
- 4 reported in the annual statement.
- 5 (3) The report required by this section must include
- 6 but need not be limited to the following classes:
- 7 (a) municipal liability;
- 8 (b) liquor liability;
- 9 (c) any other class designated by the commissioner,
- 10 upon due notice and after a hearing.
- 11 (4) Reports filed pursuant to subsection (2) must
- 12 include the following data, specific to this state, by the
- 13 type of insurance for the previous calendar year:
- 14 (a) premiums written;
- 15 (b) premiums earned;
- 16 (c) incurred claims;
- 17 (d) incurred expenses allocated separately to loss
- 18 adjustment expenses, commissions, other acquisition costs,
- 19 general expenses, taxes, licenses, and fees, using
- 20 appropriate estimates when necessary;
- 21 (e) policyholder dividends;
- 22 (f) net underwriting gain or loss;
- 23 (g) net investment income, including net realized
- 24 capital gains and losses, using appropriate estimates where
- 25 necessary;



SECOND READING

HB 694

3-3-87

STATE OF MONTANA - FISCAL NOTE
Form BD-15

In compliance with a written request, there is hereby submitted a Fiscal Note for HB694, as introduced.

DESCRIPTION OF PROPOSED LEGISLATION:

An act requiring liability insurers and attorneys to report certain information relating to civil liability claims and cases; and providing a termination date.

ASSUMPTIONS:

1. Information would be reviewed, put in summary form, but no detailed analysis.
2. Information would be kept for five years, some on computer.
3. Information would not be used for rate review.
4. No revenue is anticipated from fines.
5. Additional staff - 2.5 FTE - plus operational expenses would be needed to comply with proposed legislation.

FISCAL IMPACT:

Insurance Regulatory Account FTE	FY88		FY89		Difference
	Current Law	Proposed Law	Current Law	Proposed Law	
21.0	21.0	23.5	21.0	23.5	2.5
Expenditures:					
Personal Services	\$505,696	\$550,931	\$505,112	\$550,181	\$ 45,069
Operating Expenses	192,651	199,006	185,791	192,946	7,155
Equipment	4,056	18,856	288	288	0
TOTAL	\$702,403	\$768,793	\$691,191	\$743,415	\$ 52,224

No additional revenue.

The increased expenditures would be paid from the Premium Tax Fund. Increased costs to the Premium Tax Fund reduces the general fund by a like amount.

*Fiscal note very high!
But, then again - who cares?
Billway Tabled.*

David L. Hunter DATE 2/16/87
DAVID L. HUNTER, BUDGET DIRECTOR
Office of Budget and Program Planning

Fred Thomas DATE 2-17-87
FRED THOMAS, PRIMARY SPONSOR

Fiscal Note for HB694, as introduced.

1 through 6 are intended to be codified as an integral part of
 2 Title 33, and the provisions of Title 33 apply to sections 1
 3 through 6.
 4 Section 9. Termination date. This act terminates July
 5 2, 1992.

-End-

1 (h) net operating gain or loss, including net
 2 investment income;

3 (i) federal income taxes; and

4 (j) net income.

5 (5) Each insurer or group of insurers may designate a
 6 statistical agent for purposes of reporting any portion or
 7 all of the above requirements.

8 Section 4. Sanctions for failure to comply with
 9 reporting requirements. The commissioner may levy a fine of
 10 not more than \$5,000 against any property or casualty
 11 insurer failing to comply with the reporting requirements
 12 contained in [section 3].

13 Section 5. Reports -- submission date. Reports
 14 required by [section 3] are due by July 1 of each year for
 15 the previous calendar year.

16 Section 6. Publication of data summaries. The
 17 commissioner shall annually compile and summarize all
 18 reports submitted pursuant to [section 3]. The
 19 commissioner's compilation must be published and made
 20 available to any interested resident of this state.

21 Section 7. Extension of authority. Any existing
 22 authority of the commissioner of insurance to make rules on
 23 the subject of the provisions of this act is extended to the
 24 provisions of this act.

25 Section 8. Codification instruction. Sections 1

