

MINUTES

MONTANA SENATE 51st LEGISLATURE - REGULAR SESSION

COMMITTEE ON LABOR AND EMPLOYEE RELATIONS

Call to Order: By Chairman Gary C. Aklestad, on January 10, 1989, at 1:00 p.m. in the state Capitol building.

ROLL CALL

Members Present: All Members were present
Senator Tom Keating, Vice-chairman, Senator Sam Hofman,
Senator J.D. Lynch, Senator Gerry Devlin, Senator Bob
Pipinich, Senator Dennis Nathe, Senator Richard Manning,
Senator Chet Blaylock, and Senator Gary Aklestad.

Staff Present: Mary Florence Erving, secretary and Tom
Gomez, legislative Council were present.

PUBLIC FORUM

Senator Gary C. Aklestad opened the Public Forum and explained the meeting's purpose was to establish dialogue between committee and other interested parties concerning Workers' Compensation issues. Senator Aklestad extended an invitation to everyone attending the Public Forum to discuss problems and concerns.

Mike Micone, Director of Labor and Industry, made opening remarks dealing with department concerns. The department believes there should be new legislation due to the past court action. Mr. Micone introduced the department people. They are: Bill Palmar, acting administrator of Workers' Compensation; Jim Murphy, Chief of the State Fund; Hiran Shaw, Chief of the Insurance Compliance Bureau; Pete Strizich, State Fund Claims Manager, John L. King, Assistant; Steve Shapiro, Legal Council; and Mr. Bob Jensen, Administrator of Employment Relations Divisions of the Labor and Industry Department. These people will represent the Department during the session.

Senator Aklestad questioned Mr. Palmer about the current trust fund balance. According to Palmer, the amount of the unfunded liability is \$157,332,639, as of June 30, 1988. Under the existing rules and regulations (SB 113), Senator Aklestad questioned what the unfunded liability would be in one, three or five year time periods. Mr. Palmer, referring to Exhibit 1, page 1, quoted a schedule prepared by the Legislature Auditor with Workers' Compensation's cooperation. The Reserve Unfunded liability is \$157,322,639. If the program continues and payroll tax sunsets as scheduled in 1991, the unfunded liability will end in 1997.

Senator Aklestad stated the current payroll tax does not necessarily go into separate funds, but into the total fund, which is identical to premium insurance. If the fund was separated, and the unfunded liability was hypothetically isolated into a one, three and five year time periods according to existing rules and statutes, would the fund be solvent and gain in money over a period of time. Mr. Palmer stated the idea is to separate the outstanding claims prior to July 1, 1987 and have the state fund run claims, existing under the new law dated July 1, 1987, forward. The current payroll tax provides the funding of the unfunded liability. An actuary would have to provide liability payout figures, given the source of revenue on 157 million dollars.

Senator Aklestad asked, under the existing rules and statutes, would the fund stay solvent taking SB 315 into consideration. Yes, the rate would be in place to reflect the fund's solvency. Senator Aklestad queried whether the current established rates would generate enough trust fund revenue to pay off all benefits currently asked for under existing rules and statute. Yes.

Senator Aklestad asked about separating the unfunded liability. Palmer stated the department considers the separation a technical problem needing to be considered by legal council. The unfunded liability is an integral part of the state fund, and the claims would have to be identified. The liability is an estimate of all the cases in place. The old law cases would have to be identified, as well as new law cases.

Julie Barr, Legislative Auditor office, stated under the existing rules and regulations and assuming the sunset was not a factor, it would take until June 30, 1996 to pay off the 157 million dollars, without an premium increase.

Senator Aklestad questioned the department about the payroll sheet sent out each quarter to employers. Could the tax be

due the same time the quarterly premium tax is due. The employers would not have to hold the information, risking a missed deadline and a fine. Mr. Palmer stated the department has two programs, one for premiums and the other for payroll tax fund. Mr. Palmer stated the forms are generated by computer. The payroll tax system was set up separately. The self insured and private carriers coverage were set up under a separate insurance coverage system. Therefore, it was beneficial to set up one system. Currently, employers are mailed a form once a year. Employers may send the payroll tax and the Workers' Compensation premium at the same time. The systems were created separately because of the high administrative costs in having the employer calculate financial data, and then having to verify the calculations.

Senator Aklestad stated a form is sent to employers requesting the gross payroll, which is returned within a twenty day time period. The employers are requested to pay an amount based on the total payroll and occupation category. Senator Aklestad asked if the payment could be due on receipt, instead of giving the twenty day grace period.

The system is a two step approach requesting employers to submit payrolls in various classification categories. The premium is calculated, and the billing is sent to the employers. The state fund currently insures 27,000 employers, using 375 to 40 different classifications and rates. Volume discount is calculated based on the premium paid. The numbers must be calculated into the quarter premium. A modification factor, affecting 3000 of the employers, must also be calculated into the quarter's premium. In 1977, the division began a premium billing system to address the volume discount and modification factors. Previous to this time, employers' error was very common causing the process to slow down. The department determined it was cheaper to have the department calculate the employer's premium after it was submitted than to attempt to correct the errors. The current system has proven to be considerably error free.

Senator Aklestad stated there are approximately 375 to 400 job classification, and asked if these classification could be combined to save paper work and administrative costs. Mr. Palmer stated these classifications conform with the national standards, which are used by insurance carriers and are in accordance with rules of the National Council and Compensation Insurance.

Senator Aklestad stated that Montana may have higher Workers' Compensation rates compared to other states, and asked for the light work area break down. According to Mr.

Palmar, the department conducted a survey of twenty states west of the Mississippi using twenty clarification codes most common to Montana employees. The survey, updated in December and submitted to the Governor, does not suggest Montana is the highest, but is in the middle or lower third of frequent classifications. Montana is fifteenth or sixteenth in the list. (See Exhibit 1, Pages 17, 18 and 19) Mr Palmar stated that each state has their own jurisdiction covering benefit laws.

Senator Aklestad asked if all the states are on the same footing in regards to Worker's Compensation. Mr. Palmer stated that Wyoming has a limited number of rates set by legislation. Montana is comparable to Oregon, Idaho, Nevada, and Arizona. Utah rates are lower, but there is a benefit caps and a subsequent injury fund. North Dakota has lower benefit levels, and employers pay premiums on a difference basis, using a premium cap. South Dakota is a two way state with private carriers and self insurers.

Senator Aklestad asked if some of these states required all employers carry state insurance. North Dakota is a exclusive state with no self insurers or private carriers, but must have state fund coverage. Washington state has few self insurers, no private carriers, and a state fund. Idaho has a three way system, and Nevada has self insurers, no private carriers, and a state fund. Wyoming, Utah and Arizona are three way systems.

Palmar stated Montana benefits are better than North Dakota and Wyoming. Senator Aklestad asked about benefits compared to other states. Palmer stated Montana has an extremely adequate system. A federal commission evaluates states based on 19 regulation standards. Montana conforms with 15 1/2 of the regulation standards. Wyoming conforms with approximately 8 1/2 standards. There are only three or four other states in the nation that comply with a higher number of recommendations than Montana. Judging against this criteria, Montana has a very good benefit package.

Senator Aklestad stated he receives many complaints from constituents concerning Workers' Compensation issues. The process is slow. Senator Aklestad asked what is the benefit time frame, not including the cases involved in judicial review. According to Palmer, claims paid by the state compensation insurance fund, and not by private carriers or self insurers, have thirty days to accept or deny a claim. If accepted, the employer is obligated for wage loss benefits (compensation payments to the injured worker while workers are off work and unable to return), as well as medical payments. The current statutory process is to pay wage loss claims every fourteen days. At the end of the

fourteenth day, a check is mailed to the injured worker. The common complaint tardiness of the initial check. Palmer stated there are three documents needing to be completed before the check is issued for wage loss compensation. The documents are: A claim from the injured worker; a report by the employer; and medical evidence pertaining to the injury. The first check is issued in approximately four days after the four forms are submitted.

Jim Murphy, State Fund Bureau Chief, addressing the pay lag issuance of checks, stated the 1987 pay lag was approximately 65%, or 28 days after receipt. The 1987 medical documentation was approximately 90 to 100 days. Currently, 82-83% percent of the payments are sent out 28 days after the information is received. Ninety plus percent of the medical is paid within 45 days.

Senator Aklestad asked for the rate of claims being processed by the judicial review compared to two years ago. Looking at all plans, insurance company or state fund, Murphy stated by the time the cases reaches settlement stage, there is over ninety percent attorney involvement. At present, there is less attorney involvement under the new law. Senator Aklestad asked why there are less claims involving attorneys. Murphy stated he would like to believe the clarity of the reformed 1987 legislation has lessened the need for attorney involvement.

Senator Aklestad commented on the judicial judgment made regarding the influx of claims going through the court system rather than the review process system. Murphy said the influx information concerning the high number of court cases was correct. Murphy stated the Carmichael decision dictates the individual does not have to go through mediation before going to court. The Carmichael case sets precedent for all injury cases occurring before passage of the new legislation. There are currently more cases placed on the court docket than before, as apposed to the mediation option. The reverse was true prior to the Carmichael decision.

Senator Aklestad asked about the possibility of drawing benefits while the case is under appeal. Mr Murphy referred to a Supreme Court judgement that prohibits getting a stay. If an insurer lost a Workers' Compensation Court case, the insurer must continue or start paying the benefits even though the case was on appeal. The department is suggesting legislation to allow insurers to obtain stays. If the insurer losses the Workers' Compensation Court case, and there will be an appeal or request for rehearing, the insurer has the right to get a stay and not start paying benefits until the case is finally adjudicated.

Senator Aklestad asked, when past stays were not possible, and the judicial review favored the employer, how were the funds recouped from the employee. Murphy replied if the party won on appeal and the benefits were already paid out, the people, receiving the benefits were contacted for collection. Many times the monies are spent. One department case is still in the collection process. Senator Aklestad requested the department provide all pertinent information concerning the case.

Senator Aklestad inquired about mental strain collection. Murphy stated the reform statutes address the fact stress claims are not compensable. A stress claim could be compensable if the claim resulted from an actual physical injury from which stress developed. The straight mental stress was deleted by the reformed legislation.

Senator Aklestad questioned the effectiveness of the Workers' Compensation Court and the possibly of doing away with the court.

Senator Keating asked what was the percentage of courts opinions that are appealed. The department will provide the information. (See Exhibit 1)

Senator Blaylock asked Palmer about separating the 3/10th of one percent payoff of the unfunded liability to allow the premiums to run the rest of the department. Palmer stated the spreadsheet explains the unfunded liability would be paid in 1997, and explains the payroll tax expires in 1991. According to Palmer, the legislative audits office testified: If the payroll tax continued at the current 3/10th of one percent level, the unfunded liability would be paid off in 1996. Senator Blaylock asked if there is a great advantage to separate entity. Murphy questioned the mechanic of the most used work categories.

Senator Blaylock questioned Palmer concerning the twenty most used categories. Would the average rates go up if some of the categories were put together. Palmer stated the department is comparing rates with a particular employment risk, which would be the same in Montana, Utah, Nevada. The rate is determined by the benefits paid in the particular state. The department is comparing the same category of jobs, however the benefit structure driving the rate would be different than in the other states. If Montana's benefits were are low as neighboring states, the rates would be lower also.

Senator Aklestad asked about the exhibit's 13% rate increase and the additional 10% market notation loss. Palmer stated the assumption is: Once the payroll tax drops off and is no longer in place, the rates will have to increase in order to continue the unfunded liability pay out by 1997. The assumption is to require a 13% rate increase in 1997. The increase in rates will cause the state fund to loss approximately 10% of the market share. As the premium rates go up, business will be lost.

Senator Keating asked about the 12% tax revenue amount of \$12 million. ACCU is the funds generated by the 3/18th of one percent payroll tax. The 13% increase in all other rates would amount to 3/10th of one percent in revenue. The rate increase would be revenue neutral because the department would trade 3/10 of a percent from everyone to sufficiently raise rates to make up the 12 million dollar loss. Palmer said he believed this was true.

Senator Pipinich questioned the department about a constituent's fifteen room nursing home. The Workers' Comp premium rates were \$1,500 for April, May, and June of 1988, but jumped to \$6,200 for the months of July, August, and September. Palmer stated this incident was perhaps an exception.

Senator Hoffman questioned the ten percent loss of market, asking if the loss comes from individuals who private insure or from businesses getting by with less employees. Palmar stated the loss of market means being competitive with private insurers. There is an excellent chance the department would loss ten percent of the market because of the rate increase.

Senator Hofman stated the main reason the state compensation plan was originated was to insure a cheaper rate compared to the private sector. Is the state competitive, asked Senator Hofman. Palmar stated that each 375 to 400 codes establishes its own experience, and the codes will adjust to reflect experience. The private carrier may not have the identical risk, therefore the private rate may be less.

Senator Nathe asked Palmer to define the terms compensation and medical only. What percentage of the collected dollar is allocated to each category. Palmer replied that compensation refers to replacement of loss wages while the injured worker is no longer able to return to work. Medical is the cost paid to medical providers, such as physicians, physical therapists, chiropractors. Medical-only claims have no wage loss or compensation amounts paid on a particular injury because the individual was injured, didn't qualify because of the limit on the time off waiting period,

or the injured returned to work without loss time. Wage loss claims, as a percent of the total, will vary between 18 to 20% of the total accident reported. (See Exhibit 1) Medical payments are approximately one-third of total benefit cost. The 1988 compensation paid benefits were 63 million, and the 1988 medical paid benefits were 27 million. Total medical benefits are approximately one-third of the total dollar. Administration costs are additional. (See Exhibit 1, pages 2 and 3) The retraining and rehabilitation costs are included in Medical Benefits.

Senator Devlin asked for a department comment concerning a constituent's two cent bill. Palmer stated the amount was reported on a statement, not on a bill. The required statement explains that if the amount is less than ten dollars, the charge will be included in the next quarterly statement. Senator Aklestad suggested a more dramatic notation, which is, making instructions easier to read.

Senator Hofman asked why the unfunded liability went from \$149 to \$157 million. Palmar stated the effects of SB 315 will be measured in approximately three to five years. The data presented is for one full year after the reform. The fund balance decrease began in 1979. In 1985, the decrease in fund balance was \$28 to \$30 million. In 1986, the decrease was \$51 or \$52 million. In 1987, the decrease was \$68 million. The department was falling fast. The 1988 decrease amount was \$7 million. The actuaries reported the unfunded liability peaked approximately in January and February of 1988 in excess of \$157 million. The unfunded liability is continuing to decline.

Murphy stated the increase-reason is calculated when the actuary looks at the financial fund status to see what happened in the past concerning of pay outs and medical compensation for the last four years. Since the new reforms have taken place, more solid data has been determined, thereby making the data more accurate. Some claims last from three to ten years.

Senator Hofman asked if the figures, presented the senators last session, came from the Workers' Compensation Division.

Senator Aklestad queried why the rates did not reflect the substantial rate increase. Murphy stated the rates were substantially raised in 1986. There were two rates increases: 10% in July and 17% in December. The actuary did included the increases, which was probably one of the reasons why the reform legislation was written.

Senator Manning asked what was the reason for the sharp increase, which caused the problem. Murphy stated the

problem started in 1980 or in 1981. There was an interpretation change in the statute court decision, which expanded the benefits. The fault is universal.

Senator Thayer asked for a better explanation of the unfunded liability, and what were the actuaries figures before the amount was discounted. Palmer replied the unfunded liability is strictly part of the balance sheet equation and represents the amount of money that is not available should all the claims be paid out immediately. The unfunded liability is not the amount of outstanding claims, which is approximately 206 million dollars. The unfunded amount is 157 million dollars. There are not enough assets to cover the claim reserves. A discounting formula of four to seven percent is used by the actuary. The liability is discounted because money earns the amount over a period of time. The outstanding claims are currently 206 million dollars, and the outstanding unfunded liability to cover the claims is 157 million dollars.

List of Testifying Opponents and What Group They Represent:

James Tutwiler, Public Affairs Manager, representing the Montana Chamber of Commerce.

Mike Rice, representing the Transystem Trucking, Great Falls, Montana.

Mr. Altman, representing himself.

Warren Wilcox, representing the John R. Daily, Inc of Missoula, MT.

John Anderson, Anaconda, MT, representing himself.

Richard Vinson, representing Dick Vinson Inc. of Trout Creek, MT and Salmon, Idaho.

Cherie McCaul, 2920 Kossuth, Butte, MT, representing self.

Riely Johnson, Helena, Mt, representing the International Federation of Independent Businesses.

Jerry Rhein, East Helena, MT, representing the American Chemet Corporation.

Keith Brownfield, representing Montana Risk Management.

Dale Malquist of Lincoln, MT, representing himself.

Jack Fulton, Denver, Colorado, representing the Western Sugar Company.

Tom Harrison, representing the Workers' Compensation Council.

Stan Bangston, representing himself.

Jim R. Ahrens, representing the Montana Hospital Association.

Jim Smith, representing the Montana Human Resource Development Council.

Jim Murry, Helena, MT, representing the AFL-CIO.

Ben Havdahl, representing the Montana Motor Carriers Association.

George Wood, Executive Secretary, representing the Montana Self-Insurers Association.

Mike Micone, Director, representing the Department of Labor and Employment Relations.

Testimony:

James Tutwiler, Public Affairs Manager of the Montana Chamber of Commerce, stated the concerns of business are related to the cost of Workers' Compensation, the difficulty of self insuring, the unfunded liability deficit, the mandated payroll tax deductions, and the timely claim resolutions. Tutwiler also addressed administrative procedure clarity and the coverage conflicts when operating a business across state borders or the Canadian border. (See Exhibit 2)

Mr. Mike Rice, Transystem Trucking, Great Falls, Montana, stated the trucking industry has particular problems with Workers' Compensation. Rice stated one thousand large, highway trucks have left the state, and the probable reason is compensation. Work Compensation is eight times higher in Montana than in Wyoming. The company saves \$30,000 per year for 30 drivers, if employed in Wyoming. Mr. Rice urged the state to encourage the use of self insurers up to the highest possible limit, and to establish a retrospective reserve state fund plan. Rice promoted eliminating joint several financial liability on group plans. (Exhibit 3)

Mr. Altman explained he has no recourse under the new law for temporary, under the old act Mr. Altman would have been entitle to benefits for temporary total disability, and five hundred weeks at \$149.40 or \$74,000, and rehabilitation. Mr. Altman was tested for new occupation, but has not been

given other rehabilitation or training. Mr. Altman stated he was on his own when he fell and was not properly trained. (Exhibit 3A)

Senator Nathe asked the department if training was an arbitrary system. Yes, to a certain degree.

Senator Blaylock asked Mr. Altman if he had trouble getting rehabilitation. Mr. Altman stated he was not the type to be a day care helper, which was the type of employment suggested.

Senator Nathe questioned the department concerning training, asking whether or not the system was arbitrary. When people are eligible for retraining or rehabilitation, what are the procedures. Pete Strizich, claims manager for the State Fund, stated the statutes define procedures that must be followed in making rehabilitation determination. Each case has to be approached on it's own merits. Senator Nathe questioned Strizich whether or not the injured person has a voice in the retraining. Strizich replied the individual has a voice in the retraining process.

Senator Lynch asked about the personal loss estimate since the reform. Mr. Strizich replied the injured would have been entitle to rehabilitation and to a decent wage for the rest of his life.

Warren Wilcox, Representing the John R. Daily, Inc. of Missoula, stated the rates have doubled twice in the past two years. The last increase was 220 percent over the prior year. Wilcox stated the Workers' Compensation must be a true form of insurance, so the company can have workers' compensation insurance for employees. Wilcox stated the John R. Daily, INC of Missoula, employing 75 people, is one of the only meat processors in the state. This year, the reform allowed private carriers to reenter Montana. Wilcox stated he had a private carrier at a rate double the state's rate. The mod went from 1.64 to 1.2, allowing other credits. The company went to a private insurance which takes care of the insurers by engineering safety programs to teach safety habit and expedites claim in an effective manner. Insurance company must service clients, and if they do not service their clients, they should stay out of the insurance business.

Senator Keating queried Wilcox about the rate increase asking if the company had any accidents or claims reports. Wilcox stated every person working since 1980 who had an accident, with only one exception, came back to work. The claims causing problems were compensation claims for accidents on the company's premisses, not medical.

John Anderson, 905 E. Park Avenue, Anaconda, Montana, stated he is a 21 year old man who worked for Deer Lodge Timber Products until being injured in August 1987 and needing compensation. (See Exhibit 4 & 4A)

The committee meeting was adjourned at 3:10 p.m. Senator Gary C. Aklestad announced the meeting will reconvene following adjournment of the State Senate.

The Labor and Employee Relations Committee reconvened at 5:00 p.m. by Vice Chairman Thomas Keating.

Testimony of Witnesses Testifying at the Public Forum:

Richard Vinson, Dick Vinson, Inc. of Trout Creek, Montana and Sand Point, Idaho, stated he has been self employed for 30 year, and currently has employees working for his private business. The Vinson Company, the third largest employer in Saunder County, has brought over one hundred million dollars into the state through pulp and lumber products. Vinson stated the company expanded in 1985 and obtained a Montana Economic Board Loan. The company grew to 118 employees, but neglected to monitor insurance operations until it was too late. Heavy incentives, safety program have proven to be effective. The company is now faced with a 2.8 experience mod with the state, putting the company at 585. The company had 138 claims with no refusals. The situation proved to be tough on morale.

Mr. Vinson stated the Idaho rates are \$13.42, with chances of getting some back. Other Idaho firms, Vinson's competition, have two percent self assurance. Wyoming is 2.05, North Dakota is 2.25, and British Columbia is 3.8, while Montana's rates are sufficiently higher rates at 13%. Vinson stated the company will leave Montana by Fall 1989. The company will not hire another person in the state of Montana, given the Workers' Compensation situation. The company will pay approximately \$400,000 premiums in 1989, but if the company moves to Idaho, the company will pay \$100,000 with the chance of getting some of the money back. Mr. Vinson urged the legislature to take constructive action.

Senator Pipinich asked Vinson if the Montana Legislature made progressive strides in the Workers' Compensation area, would his business stay in Montana. Definitely, yes.

Cherie McCaul, 2920 Kossuth, Butte, Montana, submitted testimony concerning her back injury. (See Exhibit 5)

Riely Johnson, International Federation of Independent Businesses, stated there are 6,000 Montana member in the Federation. The federation has kept track of 112 calls from members from September to December, which asked for help, assistance, or made a complaint. Eighty-seven percent of the calls involved Workers' Compensation activity. Johnson offered two suggestions: Move risk management into outside insurance professional and consider a deductible, comparable to other insurance. Try lowering the rates

Senator Keating asked how many of the 87 calls had to do with the state plan. Johnson replied all the call dealt with the state plan. None of the calls were concerning Workers' Compensation on a private plan. Mr Johnson stated some of the federation members are self insured.

Jerry Rhein, American Chemet Corporation of East Helena, stated he is a skilled employed interested in getting back to work. Rhein stated he was supposed to receive 66 2/3% of his former pay, but found out he earned too much money and could only be paid 66 2.3 percent of the average employee of the state. Rhein loses \$800 per month. Rhein may never be able to walk three to five miles a day on the concrete floors, a requirement of his job. Rhein stated he wants to go back to his job as soon as possible, but his doctor refuses to release him due to medical reasons.

Senator Keating asked Mr. Strizich if there is state law preventing a private carrier from paying two thirds of the wage, and who maybe using some other artificial level. Mr. Strizich stated the law fixes the maximum compensations rate at two thirds of the earnings up to a maximum of the states average weekly wage, not the state employees average weekly wage. The average employee of all the employees in the state of Montana.

Keith Brownfield, Montana Risk Management, stated in the capacity of risk manager, he provides corporate administration quotes to Montana businesses. Workers' Compensation is an area of concern. Brownfield stated the Montana Home Builders' Association have concerns, although the Association has pursued a self insurance program which was authorized last session. Several problems have occurred as the association made the plan workable. The division rules, adopted to insure the public welfare, eliminated the purpose of the law. The major home builders concern is the association members must be in business five years in order to be included in the program. Many of the members are in and out of business, therefore the self insurance program is prohibitive. Certified financial audits going back two years annually is a great expense for small business. The restrictive assured requirements, which require bonds

instead of an assigned CD for the same face amount or other forms of collateral for the state, are not flexible. The welfare statement claims for four years are required by the division. Complete data could be gained through three years experience. Smaller business cannot get the claims data from the previous carriers because they switch carriers from one year to the next. The Home Builders' Association would like clarification of the law to prevent the bureaucratic obstacles.

Brownfield stated the Clark West Valley Motors of Montana has twenty-five retail outlets in Montana. Valley Motors have been promised claim responses, but have not received consideration. The subsequent injury is almost impossible to work with because of the people employed, although vocational handicap benefits would not qualify in derived business benefits. In personal areas, the application process cannot detailed to find out if the applicant has problems. Mr. Brownfield presented the committee a letter from Roscoe Steel and Culvert Company, Billings, Montana. (See Exhibit 4)

Mr. Brownfield stated the Workers' Compensation Division should be competitive and self sufficient in the marketplace. International and interstate problems must be resolved, coverage B insurance needs to be available, and the State Fund should provide all state endorsements, retrospective rating policies, increased claim services, including the employers in the process, provide premium accountability, provide deposit alternatives requirements, update the experience rating system to update the current system which currently lags, and provided premium rates based on experience. Brownfield made reference of political implication concerning fluctuated rates.

Senator Blaylock asked if Brownfield could make reference to other "so called" political rate fluctuations, other than the one in Western Montana. (Montana was having trouble meeting the bids put up in Idaho, so the rate were held lower. The Montana Timber industry could compete. Brownfield did not make any further references. Brownfield stated there were gross rate increases of 15% in December prior to the last two legislative sessions. According to Brownfield, the amounts were not actually determined, but determined for a particular purpose and time. Senator Blaylock asked Brownfield when he wanted the rate announced. Brownfield replied the normal rate increases are to be announced each year in July.

Senator Keating informed Brownfield there is disagreement with the Brownfield's premise.

Senator Manning requested the department to present an argument in opposition to the Brownfield premise.

Jim Murphy stated one rate went up in 1986 prior to the 1987 session. The amount was 17 percent, not 15 percent. The amount was actuarial determined, and the rate was put in place because the department experienced a jump in the unfunded liability. Jim Murphy stated the case was not politically motivated.

Dale Malquist of Lincoln, Montana, a journeyman wireman and an IBEW member since 1969, stated he has enjoyed a relatively good standard of living until receiving an on the job injury. He is unable to perform a journeyman's job and stands to lose all pension benefits. Malquist stated he did not know his injury was compensable. Malquist stated he has to pay for travel expenses. He travels once a week for a year. It takes 30 to 60 days to be reimbursed by the insurance company. Idaho pays 172.70 for five hundred weeks, Wyoming pays 230.94 with scheduled injury, Oregon pays 370.96 for the disability duration, and Washington pays 385.49 plus 8% per annum. Montana has the lowest benefit rates.

Senator Keating questioned Malquist concerning the fact he did not know for several months that his injury was compensable. Senator Keating asked if the IBEW Union provided compensation guidance, or if the private carrier provided informational guidance. No. Keating noted the state plan is not involved, other than being a source of information.

Senator Hofman asked if other states pay the injured to go to the doctor. Malquist stated the state fund gives out travel vouchers listing pertinent travel data. The Workers' Compensation Code does not clarify travel information.

Jack Fulton, Director of Government Relations, for the Western Sugar Company, Denver, Colorado, submitted written testimony concerning disparity issues of fixed cost at the Billings plant compared to other state operations in Nebraska, Wyoming, and Colorado. The costs compared were water treatment, fuel distribution, property taxes, and Workers' Compensation. (See Exhibit 7)

Tom Harrison, Workers' Compensation Council, stated the organization has met for over a year on conflict issues dealing with Workers' Compensation's administration issues and dealing with the fact that the fund is under one administration. Harrison indicated the council includes representatives of self insurers, insurance companies, vocational rehabilitation groups, adjusting organizations,

Independent insurance agents association, as well as members of the plaintiffs and defense bar. Harrison volunteered informational expertise.

The concern of the council is to achieve the separations of the Workers' Compensation administration, and to fund the division through privatization concerning benefit stabilization and benefit costs. The Council is drafting a bill to address privatization.

Senator Blaylock asked about the long term separation question. Mr. George Wood, stated the Workers' Compensation Council thinks the separation would remove conflict and allow the division work to be strictly concerned with application administration and delivery system. The state fund should be a separate insurance company.

Senator Blaylock asked Mr. Wood about the cost of the proposed separation. Mr. Wood stated he did not foresee an cost increase, other than the salary of the chief executive officer. The difference in salary would be made up by saving due to the expertise of the chief executive officer. The proposal would be to reconstruct the state fund as an insurer, living up to the same rules and regulations as the mutual insurance companies in Montana.

Stan Bangston, stated he could not hold his job due to injury, but the Workers' Compensation will not pay another dime. Bangston stated he has driven a truck since he was sixteen years old, and now he cannot. If he had a cash settlement payment, he could start a personal business.

Jim F. Ahrens, President of the Montana Hospital Association, expressed concern in the area of medical benefits regarding the Workers' Compensation Act and/or the provisions relating to attorney liens (sec. 37-61-420, MCA) required amendment, to ensure that monies an insurer furnishes for reimbursement of medical care as required under the Workers' Compensation Act actually goes to reimbursing the health care provider, as opposed to the claimant's attorney. (See Exhibit 8).

Jim Smith, representing the Montana Association for Rehabilitation Facilities, stated there are two problems with the Industrial Accident Rehabilitation Account statutes used to provide the state match with the SRS.SB 315 and the 1987 changes. The amount is diminishing, severely limiting the amount SRS is to receive for federal matches.

Jim Murry, Executive Secretary of the Montana State AFL-CIO, stated concerns of organized labor regarding Workers' Compensation in Montana and the nation. (see Exhibit 9)

Ben Havdahl, Executive Vice President of the Montana Motor Carriers Association, submitted written testimony regarding the Workers' Compensation issue in Montana concerning impact on motor carriers. (See Exhibit 10)

George Wood, Executive Secretary, Montana Self-Insurers Association, stated Montana is only one of eighteen states having a state fund. The percent is small. The state fund should be managed by a Board of Directors, and the directors should be policy holders. Wood stated there are many problems to be answered before solutions can be made. One hundred fifty-seven million dollars have been discounted. Wood stated the cause of the problem is administration deficiencies, not the court system. The problem is the 3/10th of one percent. Three hundred million dollars is now being spent from the General Fund. Concerning the Workers Compensation Court, Wood stated any charge will increase costs and delay justice. The 1987 legislation has done much of what was expected, and does not need legislative revision.

Mike Micone, Director of the Department of Labor and Employment Relations, stated the department and division has concern about cases on the books. Micone informed the committee that we must give the reform bill time to perform, so results can be measured. There are some technical changes because of the courts. The problem is not in the operations.

ADJOURNMENT

Adjournment At: The meeting was adjourned at 6:43 p.m.



Senator Gary C. Aklestad, Chairman

GCA/mfe

ROLL CALL

LABOR COMMITTEE

51st LEGISLATIVE SESSION

DATE: *January 10, 1989*

	PRESENT	ABSENT	EXCUSED
SENATOR TOM KEATING	X		
SENATOR SAM HOFMAN	X		
SENATOR J. D. LYNCH	X		
SENATOR GERRY DEVLIN	X		
SENATOR BOB PIPINICH	X		
SENATOR DENNIS NATHE	X		
SENATOR RICHARD MANNING	X		
SENATOR CHET BLAYLOCK	X		
SENATOR GARY AKLESTAD	X		

OFFICE OF THE LEGISLATIVE AUDITOR
STATE INSURANCE FUND FINANCIAL ACTIVITY PROJECTION
FUNDING ANALYSIS ASSUMING THE PASSAGE OF SB 315 AND HB 884

after FY 87 SB 315 will serve the test of the courts
TAX OF 3.2% ON PLAN 1, 11, 111 EMPLOYERS
TAX SUNSET in 4 years followed by a rate increase

3:30 pm

LINE	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999
EXPENSES (paid)													
or FRR Benefits													
Cash Benefits	\$70,161,068	\$10,952,370	\$12,550,799	\$12,686,003	\$12,812,863	\$89,139,621	\$90,025,967	\$90,926,227	\$91,835,489	\$92,753,844	\$93,681,382	\$94,618,196	\$95,564,376
Investment Earnings	\$6,257,711	\$85,865,028	\$85,957,344	\$86,816,918	\$87,739,978	\$88,652,795	\$89,561,248	\$90,466,138	\$91,367,408	\$92,265,137	\$93,160,866	\$94,054,554	\$94,947,202
Misc. Income	(4286,256)	(8163,747)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
TOTAL INCOME	\$76,132,523	\$100,232,273	\$102,747,139	\$105,041,536	\$107,365,759	\$97,587,416	\$99,267,216	\$100,878,665	\$102,618,357	\$104,593,481	\$106,699,848	\$108,961,750	\$111,385,202
EXPENSES (paid)													
or FRR Benefits													
Cash Benefits	\$54,036,180	\$63,238,309	\$64,455,000	\$65,404,000	\$66,484,000	\$88,074,000	\$88,872,000	\$89,676,000	\$90,480,000	\$91,288,000	\$92,096,000	\$92,904,000	\$93,712,000
Investment Earnings	\$25,513,859	\$27,319,541	\$27,994,131	\$28,669,897	\$29,345,663	\$25,933,413	\$26,535,924	\$27,138,435	\$27,740,946	\$28,343,457	\$28,945,968	\$29,548,479	\$30,150,990
Other Expenses	\$6,248,421	\$8,009,266	\$7,500,000	\$7,500,000	\$7,500,000	\$8,100,000	\$8,300,000	\$8,500,000	\$8,700,000	\$8,900,000	\$9,100,000	\$9,300,000	\$9,500,000
Paid Debt Expenses	\$0	\$0	\$200,000	\$200,000	\$200,000	\$200,000	\$200,000	\$200,000	\$200,000	\$200,000	\$200,000	\$200,000	\$200,000
TOTAL EXPENSES	\$85,798,460	\$98,567,116	\$100,000,817	\$101,573,897	\$103,284,063	\$122,307,413	\$123,907,924	\$125,176,435	\$126,420,946	\$127,665,457	\$128,910,000	\$130,154,554	\$131,400,000
Loss Ratio:	0.95	0.95	0.95	0.95	0.95	1.25	1.25	1.25	1.25	1.25	1.25	1.25	1.25
SERVES (CME Repts)													
Cash & Investments	\$62,388,385	\$64,739,419	\$65,485,741	\$66,231,975	\$67,000,000	\$123,860,995	\$124,639,284	\$125,420,748	\$126,204,673	\$127,000,000	\$127,800,000	\$128,600,000	\$129,400,000
Liability	\$211,556,873	\$222,072,058	\$226,322,209	\$229,729,410	\$233,303,768	\$219,870,488	\$214,867,109	\$210,912,310	\$209,413,666	\$208,641,167	\$208,860,232	\$209,962,904	\$211,161,725
Unfunded Liability	(\$119,168,488)	(\$157,332,639)	(\$142,836,467)	(\$127,154,409)	(\$110,360,722)	(\$96,009,492)	(\$80,927,824)	(\$65,191,562)	(\$48,679,993)	(\$31,165,407)	(\$12,525,243)	\$7,390,236	\$28,733,705
CAL YEAR	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999
NET (Montana)													
Total 1/11/111 Payro	\$3,995,800,349	\$4,155,632,363	\$4,197,189,687	\$4,239,160,573	\$4,281,552,179	\$4,324,367,701	\$4,367,611,378	\$4,411,287,492	\$4,455,400,367	\$4,499,954,370	\$4,544,953,914	\$4,590,403,453	\$4,636,307,481
Plan III Payroll:	\$1,907,994,667	\$2,227,579,931	\$2,137,362,944	\$2,158,736,573	\$2,180,323,939	\$1,981,914,461	\$2,001,733,605	\$2,021,750,941	\$2,041,768,451	\$2,062,388,135	\$2,083,012,016	\$2,103,842,137	\$2,124,880,551
Plan III % of NET:	47.75%	53.60%	50.92%	50.92%	50.92%	45.83%	45.83%	45.83%	45.83%	45.83%	45.83%	45.83%	45.83%
avg. Rate:	\$3.68	\$3.85	\$3.98	\$3.98	\$3.98	\$4.50	\$4.50	\$4.50	\$4.50	\$4.50	\$4.50	\$4.50	\$4.50

SENATE LABOR & EMPLOYMENT
EXHIBIT NO. 1 page 1
DATE January 10, 1989

NO. 2 of 4

STATE COMPENSATION INSURANCE FUND
BALANCE SHEET
JUNE 30, 1988

ASSETS

Cash in Treasury		\$753,142
Premium Receivable		23,847,773
Interest Receivable		725,988
Notes Receivable		241,068
Adjusted Accounts Receivable		3,968,355
Property Held in Trust		7,973,579
Investments:		
Mortgages	\$153,657	
Federal Securities	3,760,997	
Corporate Bonds	22,218,108	
Securities on Loan	727,876	
Short Term Investment Pool	2,479,200	\$29,340,038
Plus: Unamortized Premiums	13,048	
Interest Purchased	5,548	18,596
Less: Unaccumulated Bond Discounts	(\$2,049,519)	
Unaccumulated Federal Security Distribution	(79,601)	(2,129,120)
Net Investments		27,229,514
TOTAL ASSETS		\$64,739,419

LIABILITIES, RESERVES AND FUND BALANCE

LIABILITIES

Adjusted Account's Payable		\$642,066
Advance Deposits		15,001,503
Uncleared Collections		543
CLAIMS RESERVES		
Compensation Benefits	\$158,030,363	
Medical Benefits	15,459,033	
Medical Only Benefits	2,955,550	206,427,946
FUND BALANCE		
Unrestricted		(157,332,639)
TOTAL LIABILITIES, RESERVES AND FUND BALANCE		\$64,739,419

STATE COMPENSATION INSURANCE FUND
 STATEMENT OF OPERATIONS AND CHANGES IN RESERVES
 FOR FISCAL YEAR ENDED JUNE 30, 1988

INCOME

Earned Premium	\$85,865,028
Interest Earnings on Investments	3,578,622
Payroll Tax	10,952,370
Other Income	41,642

Total Current Year's Income	\$100,437,662
Prior Year's Adjustments, Net	(205,389)

Total Income	\$100,332,273

EXPENSES

Claims Expenses:	
Compensation Benefits	\$63,238,309
Medical Benefits	27,319,541

Total Claims Expenses	\$90,557,850
Other Expenses:	
Administrative Assessment	\$6,785,000
Rehabilitation Assessment	537,705
Structured Settlements-Interest	17,235
Miscellaneous Expenses	669,326

Total Other Expenses	\$8,009,266

Total Expenses	\$98,567,116
RESULTS OF OPERATIONS BEFORE CHANGES IN RESERVES	\$1,565,157

Less: Changes in Reserves:

Compensation Benefits	\$8,536,073
Medical Benefits	(970,315)
Medical Only Benefits	2,263,550

	9,829,308

RESULTS OF OPERATIONS AFTER CHANGES IN RESERVES \$1,104,000

Prior Year Negative Surplus (149,168,468)

NEGATIVE SURPLUS (\$157,332,639)

SENATE LABOR & EMPLOYMENT

EXHIBIT TO #1 page 8

DATE 1-10-89

BILL NO Public Forum

STATE OF MONTANA

DEPARTMENT OF LABOR AND INDUSTRY
DIVISION OF WORKERS' COMPENSATION
STATE COMPENSATION INSURANCE FUND

Review of Operations for

Fiscal Year Ending June 30, 1988



STATE OF MONTANA
DEPARTMENT OF LABOR AND INDUSTRY
DIVISION OF WORKERS' COMPENSATION
STATE COMPENSATION INSURANCE FUND

Review of Operations For
Fiscal Year Ending June 30, 1988

Introduction and Summary

This report summarizes the final results of our review and analysis of the liabilities for benefit payments, the loss ratios, and to determine appropriate amounts to be allocated to the other reserves and fund balances for the fiscal year ending June 30, 1988.

The principal purpose of these analyses has been to test the adequacy of the amount set aside each year for benefit liabilities and to measure the extent to which current premiums have provided for current benefits incurred, and any additional liability arising from claims incurred in previous years. Under normal operations, each year's premium should be adequate to provide for all present and future payments of all benefits incurred during that year, whether or not reported, with a margin for unpredictable contingencies. The liabilities and benefit reserves established should be sufficiently large so as to minimize the necessity of assessing future employers for losses that were incurred in prior years.

In actual practice, it is impossible to predict the exact cost of individual claims, to foresee increases in hospital and medical expense charges, and to evaluate the extent to which more liberal benefit payments may be granted to persons disabled in previous years or their dependents. It is necessary, therefore, to revise the estimates each year and, if indicated, to call upon either premium income, current investment income or favorable experience to offset such an unanticipated increase in benefit costs. Since claims do have a tendency to fluctuate from year to year, it is also necessary for us to analyze these fluctuations and predict, if possible, the underlying trends in claims development and differentiate that from the fluctuation about those trends that occurs in a given year.

Thus, if claims are plotted on a graph, we expect to see many peaks and valleys. We attempt to find a smooth relationship somewhere between these peaks and valleys. The fluctuation can then be relegated to a fluctuation reserve that is established to assure that premiums do not jump up and down in a seemingly random manner but have a smooth transition from year to year.

Summary

A review of the operations for the fiscal year ending June 30, 1988, shows an underwriting loss from operations of (\$22,531,396). The net result is such that as of June 30, 1988 the liabilities of the Fund exceeded the assets by (\$157,332,639). Included in this underwriting loss is an adjustment of \$25,270,973 for claims incurred prior to July 1, 1987 (see Schedule C). When this is removed from the above underwriting loss, the result is that 1987-88 fiscal year earned premiums exceeded claims incurred plus expenses reported by \$2,739,577. Note that this does not include an accrued payroll tax of \$10,952,370 for the year.

It must be pointed out that the incurred claims estimates for the 1987-88 fiscal year are heavily dependent upon an estimated 20% to 25% savings as a result of the passage of SB315. We have verified the appropriateness of this estimate through continuing discussions with staff with regard to settlements under the new law. A firmer determination of these savings will only be possible once additional claims experience becomes available.

Our calculations have been based upon an assumed annual interest rate of 8%. This rate is based upon expectations of future investment returns over the duration of the benefit liabilities and is representative of the current level of return on Fund assets.

The premium income was about 22% higher than that earned in 1987. The investment income showed a 43% decrease from the previous year. Administrative and other nonclaim expenses increased by 28%.

The Fund staff experienced some computer problems in producing the data reports that are needed to develop our claims and liability estimates. As a result, some interpolations

and approximations were used to derive the required data. We do not believe this process produced a material distortion of our results.

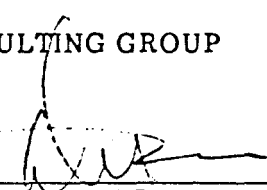
In our opinion, based upon the information and data furnished to us, the liabilities for benefit payments set forth in this report as of June 30, 1988 are, in the aggregate, reasonable and appropriate. This is based on our assumption that the procedures of the Division are adequate to properly establish and maintain the records on which these results are based. Because a negative Unrestricted Fund Balance exists as of June 30, 1988, future premiums will need to be drawn upon to satisfy the existing liabilities of the Fund. The continuing financial soundness of the Fund is therefore conditioned upon these future premiums being realized.

We are pleased to present our final report and will be more than happy to discuss it with you at your convenience.

Respectfully submitted,

C&B CONSULTING GROUP

By



 Drew James, F.S.A., M.A.A.A.
 Consulting Actuary

DJ:kf



Balance Sheet

For comparison purposes, we are setting forth in Schedule A a summary of the assets and liabilities for each of the three past fiscal years. This comparison will give some indication of growth in assets and changes in the liabilities and reserves over those three years. The assets relating to the fiscal year ending June 30, 1988 were derived from the figures shown in the State Insurance Fund preliminary annual report prepared by the Division. Liability items have been arranged as noted below with comments on specific items.

The reserves were calculated by CH&E using actuarial techniques commonly used in the insurance industry. The definitions of the various reserves set by CH&E are as follows:

Liabilities for Benefit Payments - The amounts shown as liabilities for benefit payments have been calculated each year as the amount required to fully provide for liability on all claims which have been incurred up to the current statement date.

Liabilities for Dividends Payable - The unallocated reserves available for dividends is determined each year based upon any favorable experience during the year.

Reserve for Contingencies - The items under the heading of Reserves for Contingencies are reserve funds that are normally considered as being desirable under any insurance operation under which unforeseen contingencies could arise. In the past, separate reserves were set up for catastrophe, claim fluctuations, medical cost fluctuation, security valuation and rate stabilization. The results of our June 30, 1988 review are such that the liabilities exceed the assets by \$157,332,639. Therefore, there are no funds presently available as a contingency reserve.

STATE COMPENSATION INSURANCE FUNDBalance Sheet

	<u>6/30/86</u>	<u>6/30/87</u>	<u>6/30/88</u>
<u>Assets</u>			
Cash	\$ 1,369,004	\$ 1,576,799	\$ 753,142
Bonds and Other Mortgages	46,393,240	33,561,518	27,075,657
F.H.A. Mortgages	188,947	171,868	153,857
Premium Receivable	14,637,114	18,599,465	23,847,773
Other Assets	<u>7,815,870</u>	<u>8,478,735</u>	<u>12,908,990</u>
Total	<u>\$70,404,175</u>	<u>\$ 62,388,385</u>	<u>\$ 64,739,419</u>
<u>Liabilities</u>			
Accounts Payable	\$ 488,709	\$ 775,816	\$ 642,066
Advance Deposits	12,810,902	14,179,979	15,001,503
Uncleared Collections	-	-	543
Allowance for Uncollectible Accounts	-	-	-
Deferred Revenue	8,476	2,440	-
Benefit Payments	138,118,055	196,598,638	206,427,946
Dividends Payable	<u>-</u>	<u>-</u>	<u>-</u>
Total Liabilities	<u>\$151,426,142</u>	<u>\$211,556,873</u>	<u>\$ 222,072,058</u>
Reserves for Contingencies	\$ -	\$ -	\$ -
Unrestricted Fund Balance	(81,021,967)	(149,168,488)	\$(157,332,639)
GRAND TOTAL	<u>\$70,404,175</u>	<u>\$ 62,388,385</u>	<u>\$ 64,739,419</u>

Detail for Claims Liabilities and Reserves

Schedule B, which follows, shows a comparative summary setting forth the specific amounts set aside for benefit payments attributable to claims incurred and outstanding at the end of each of the past three years. These are segregated into Compensation, Medical, and Medical Only claim items. The schedule also gives the annual increase in these liabilities and reserves, the paid claims for the year, and the incurred claims for the past three fiscal years. The liabilities and reserves for benefit payments as shown in the schedule are the best estimates of the amounts required in the future to pay for benefits accrued to date.

The setting of individual claim liabilities is required to allocate best estimate claim amounts to individual employers and classes of risk. However, these liabilities are judgmental numbers. We determine our liability estimates based on statistical experience of the past projected into the future. This method gives us an indication of whether the individual claim liabilities are established at reasonable levels compared to past experience of actual run-off claim expense. It should be noted that in setting the claims file liabilities, the Fund's Accounting staff picks up the individual claims liabilities set by the staff Reserve Analyst and adds last year's actuarial adjustment. Thus, the June 30, 1988 claims file liabilities of \$204,186,844 includes an actuarial adjustment of \$24,317,687 from June 30, 1987. The total Actuarial Adjustment decreases these claims file liabilities for 1988 by \$8,334,898.

It should be noted that the substantial increase in the Medical Only liability occurred because we now do a separate calculation for these claims instead of our previous method of simply allocating part of the total medical reserve to Medical Only.

A reopened claim reserve is used to account for claims expected to be reopened in the future. This reserve is calculated as a function of claims closed during the current and recent prior fiscal years.

STATE COMPENSATION INSURANCE FUND

Detail for Claim Liabilities and Reserves

	Year Ending		
	6/30/86	6/30/87	6/30/88
<u>Compensation</u>			
Claim file liabilities	\$ 95,770,885*	\$ 126,622,180*	\$ 159,778,992*
Actuarial adjustment to claim file liabilities	1,294,595	15,762,110	(9,012,629)
Reopened claim reserves	1,787,000	2,610,000	2,764,000
Claim administration expense reserves	4,500,000	4,500,000	4,500,000
Total	\$103,352,480	\$149,494,290	\$ 158,030,363
<u>Medical</u>			
Claim file liabilities	\$ 12,421,226*	\$ 34,560,771*	\$ 43,732,852*
Actuarial adjustment to claim file liabilities	19,050,349	8,555,577	(1,535,819)
Reopened claim reserves	1,769,000	2,413,000	2,362,000
Claim administration expense reserves	900,000	900,000	900,000
Total	\$ 34,140,575	\$ 46,429,348	\$ 45,459,033
<u>Medical Only</u>			
Claim file liabilities	\$ 575,000*	\$ 625,000*	\$ 675,000*
Actuarial adjustment to claim file liabilities	-	-	2,213,550
Claim administration expense reserves	50,000	50,000	50,000
Total	\$ 625,000	\$ 675,000	\$ 2,938,550
GRAND TOTAL	\$138,118,055	\$196,598,638	\$ 206,427,946

Incurred Claims

	Year Ending		
	6/30/86	6/30/87	6/30/88
<u>Compensation</u>			
Annual increase in liabilities and reserves	\$ 18,096,610	\$ 46,141,810	\$ 8,536,073
Paid claims	43,866,927	54,036,180	63,238,309
Incurred compensation claims	\$ 61,963,537	\$100,177,990	\$ 71,774,382
<u>Medical and Medical Only</u>			
Annual increase in liabilities and reserves	\$ 16,851,764	\$ 12,338,773	\$ 1,293,235
Paid claims	20,472,172	25,513,860	27,319,541
Incurred medical and medical Only claims	\$ 37,323,936	\$ 37,852,633	\$ 28,612,776
TOTAL INCURRED CLAIMS	\$ 99,287,473	\$138,030,623	\$ 100,387,158

*Claims file liabilities equal prior year's actuarial adjustment plus the individual claim liabilities established by the Fund.

Summary of Five-Year Premium Earned and Claims Incurred

As a further analysis of the incurred claims, Schedule C gives a summary of the five-year premiums earned and claims incurred. This schedule lists the liability increase on account of prior years' claims, the incurred claims for the current year, and the total claims experience as recorded in the financial statement. The premiums earned are the accrued premiums for the year. The ratios of incurred premiums to claims are given for the current year's claims and for the financial statement reported number in Schedule C, total column.

As you will note, there was a decrease in the current year liability for the 1988 fiscal year of 2.6%. This decrease is attributable to the anticipated favorable impact of SB315, which went into effect on July 1, 1987. There was a \$25,270,973 liability increase that represents an addition to the June 30, 1987 benefit liabilities reported in our Review of Operations as of that date. As a result, we would now estimate that the unrestricted fund balance as of June 30, 1987 at (\$174,439,358), instead of (\$149,168,488) as reported last year. Therefore, the restated unrestricted fund balance actually increased by \$17,106,719 during the 1987-88 fiscal year to the (\$157,332,639) reported as of June 30, 1988.

SCHEDULE C

STATE COMPENSATION INSURANCE FUND

Summary of Five-Year Premiums Earned and Claims Incurred

	Liability Increase On Account of Prior Years' Claims	Current Year	Total
<u>Fiscal Year ending June 30, 1984 (69th year)</u>			
Premium earned in the year		\$37,032,670	\$ 37,032,670
Claims incurred including adjust- ments for prior years	\$9,383,249	<u>35,245,113</u>	<u>44,628,362</u>
Ratio of claims incurred to premium earned		95.2%	120.5%
<u>Fiscal Year ending June 30, 1985 (70th year)</u>			
Premium earned in the year		\$49,292,000	\$ 49,292,000
Claims incurred including adjust- ments for prior years	\$36,380,726	<u>45,010,950</u>	<u>81,391,676</u>
Ratio of claims incurred to premium earned		91.3%	165.1%
<u>Fiscal Year ending June 30, 1986 (71st year)</u>			
Premium earned in the year		\$50,861,306	\$ 50,861,306
Claims incurred including adjust- ments for prior years	\$31,914,389	<u>67,373,084</u>	<u>99,287,473</u>
Ratio of claims incurred to premium earned		132.5%	195.2%
<u>Fiscal Year ending June 30, 1987 (72nd year)</u>			
Premium earned in the year		\$70,161,068	\$ 70,161,068
Claims incurred including adjust- ments for prior years	\$60,915,916*	<u>77,114,827</u>	<u>138,030,623</u>
Ratio of claims incurred to premium earned		109.9%	195.3%
<u>Fiscal Year ending June 30, 1988 (73rd year)</u>			
Premium earned in the year**		\$85,865,028	\$ 85,865,028
Claims incurred including adjust- ments for prior years	\$25,270,973	<u>\$75,116,185</u>	<u>100,387,158</u>
Ratio of claims incurred to premium earned		87.5%	116.9%

*Includes \$5,896,000 for reduction in discount rate from 9¼% to 8%.

**Excludes \$10,952,370 of payroll tax collected pursuant to HB884.



Summary of Underwriting Operations

In Schedule D, which follows, there is presented a summary of underwriting operations for each of the past three fiscal years. This is presented in a somewhat different form from that shown in your financial statement and has been derived from the figures appearing in these statements. Shown first are the reported premiums earned for each of the last three years on an accrual basis. The totals of the claims incurred and the expenses reported are shown for each year with the claims incurred figure including the claims expense reserve increases. On line 5 is the underwriting gain (loss) for each year. This gain (loss) is the balance left after taking claims and expenses out of premium income.

The final line of this summary of underwriting operations shows that during the 1988 fiscal year, (\$8,164,151) has been added to the Unrestricted Fund Balance of (\$149,168,488) on June 30, 1988 for a total Unrestricted Fund Balance of (\$157,332,639) as of June 30, 1988.

SCHEDULE DSTATE COMPENSATION INSURANCE FUNDSummary of Underwriting Operations

	6/30/86	6/30/87	6/30/88
1. Earned premium reported	\$50,861,306	\$ 70,161,068	\$ 85,865,028
2. Claims incurred	99,287,473	138,030,623	100,387,158
3. Expenses reported	6,921,105	6,248,421	8,009,266
4. Total claims & expenses Items 2 plus 3	\$106,208,578	\$144,279,044	\$108,396,424
5. Underwriting gain/(loss) Items 1 minus 4	\$(55,347,272)	\$(74,117,976)	\$(22,531,396)
6. Investment income	7,964,872	6,257,711	3,578,623
7. Other income	313,486	525,333	41,642
8. Payroll tax accrued	10,952,370	-	-
9. Total income Items 5 plus 6, 7 and 8	\$(47,068,914)	\$(67,334,932)	\$(7,958,761)
10. Unallocated reserves available for dividends	\$ -	\$ -	\$ -
11. Increase/(decrease) in rate stabilization claim and medical cost fluctuations reserves	\$ -	\$ -	\$ -
12. Increase/(decrease) in security valuation reserve	-	-	-
13. Increase/(decrease) in catastrophe reserve	-	-	-
14. Adjustment to reflect unamortized portion of bond swaps made in prior years ⁽¹⁾	(4,982,083)	-	-
15. Miscellaneous prior years' adjustments	\$ -	\$ (811,589)	\$ (205,390)
16. Total increase/(decrease) in reserves and liabilities. Item 9 minus 10, 11, 12, and 13.	\$(52,050,997)	\$(68,146,521)	\$(8,164,151)

(1) Adjustment due to change in accounting treatment during 1986 fiscal year.

C & B CONSULTING GROUP

COATES, HERFURTH & ENGLAND, INC.

November 22, 1988

SENATE LABOR & EMPLOYMENT

EXHIBIT # 1 Page 16

DATE 1-10-89

BILL NO Public Forum

Workers' Compensation Division
Department of Labor and Industry
State of Montana
P. O. Box 4759
Helena, Montana 59604-4759

Ladies and Gentlemen:

We have examined the methods and procedures utilized by the Workers' Compensation Division of the Department of Labor and Industry of the State of Montana in the determination of its liabilities for compensation, hospital, medical and other benefits as of the close of its fiscal year ended June 30, 1988, under Compensation Plan Number Three, as set forth in the Workers' Compensation Act. Our examination included a determination of the appropriateness of the underlying methods and procedures, such review of the basic records as we considered necessary in the circumstances and an analysis of the results so obtained.

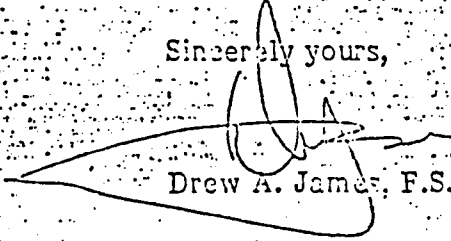
The resulting liabilities for benefits to be paid, so determined, may be summarized as follows:

Compensation benefits	\$158,030,363
Medical benefits	45,459,033
Medical only benefits	<u>2,933,550</u>
Total	\$206,427,946

In our opinion, the above claim liabilities are based upon the benefits provided under the Workers' Compensation Act of the State of Montana. Further, in our opinion, on the basis of the information and procedures referred to above, and upon our assumption that the procedures of the Division are adequate to properly establish and maintain records required for this purpose, such liabilities in the aggregate are reasonable and appropriate as of that date. Because a negative unrestricted fund balance exists as of June 30, 1988, future premiums will need to be drawn upon to satisfy the existing liabilities of the Fund. The continuing financial soundness of the Fund is therefore conditioned upon these future premiums being realized.

By following this procedure each year and by reviewing and adjusting the rates each year to reflect changing benefits and experience, in our opinion, the Fund can continue to be maintained on a sound actuarial and financial basis.

Sincerely yours,


Drew A. James, F.S.A.

DAJ/pv

DEPARTMENT OF LABOR & INDUSTRY

DIVISION OF WORKERS' COMPENSATION

TED SCHWINDEN, GOVERNOR

MARGARET "PEG" CONDON BLDG.
5 SO. LAST CHANCE GULCH



STATE OF MONTANA

HELENA, MONTANA 59601

WORKERS' COMPENSATION DIVISION

December 2, 1988

SENATE LABOR & EMPLOYMENT

EXHIBIT #1 Page 17

DATE 1-10-89

BILL NO. Public Forum

MEMORANDUM

MEMO TO: Governor Schwinden

FROM: Bob Robinson, Administrator

RE: November 1988 Survey of Workers' Compensation Rates
in Other States

In November, the Workers' Compensation Division again contacted the state compensation insurance funds and large private insurers in 20 states west of the Mississippi to update the survey conducted in May of 1988. The purpose of the survey is to provide an accurate comparison of the actual rates used by other insurers for occupations that are common in the Montana workplace. The survey is updated semiannually to account for rate changes that take place on July 1 and on October 1 by many of the insurers.

Again, the survey confirms that Montana State Fund rates are not among the highest in the region. In fact, in the majority of the occupations surveyed, the Montana State Compensation Insurance Fund rates rank in the lower half. In 13 of the 20 occupation classifications, the Montana State Fund rates are lower than the majority of the insurers in other states. Only one rate falls in the top quarter of the rates surveyed. The average ranking overall for the Montana State Fund is 18th out of 29 insurers rated.

The Job classifications surveyed are representative of the Montana economy and were selected based on the amount of payroll

reported annually as well as some additional occupations common in Montana. A ranking of "1" indicates the highest rate among the 29 insurers surveyed. In no case, either in the comparison of private insurers or with state compensation insurance funds, does the Montana State Fund rate rank as "Number One." The highest ranking Montana State Fund has is "7" in the classification "Nursing Home Employees" when all insurers are ranked. That is the only classification that the Montana State Fund ranks in the top 25%. Six classifications rank in the second quarter; 6 rank in the third quarter; and 7 rank in the lowest quarter.

The table below shows the distribution of Montana State Fund rates.

Distribution of
MONTANA STATE COMPENSATION INSURANCE FUND Rates
Compared to All Insurers Surveyed

	<u>Rank</u>	<u>Number of State Fund Rates</u>	<u>% in Quarter</u>
Highest Quarter	01-07	1	5%
Second Quarter	08-14	6	30%
Third Quarter	15-21	6	30%
Lowest Quarter	22-29	<u>7</u>	<u>35%</u>
		20	100%

Sixty-five percent (65%) of the Montana rates fall in the lower half of all insurers surveyed. Only one rate, or 5%, fall within the top quarter and 6 rates, or 30%, fall within the second quarter.

The rates used in the survey are the actual rate charged--not a filed or guideline rate.

Table Two of the survey compares Montana State Fund rates to those charged by private insurers in each of the 20 states. As the

table illustrates, Montana State Fund rates are lower than the rates charged by the private insurers in Montana and in the majority of other states. It should be noted that the Montana private insurer reported in this survey is a different insurer than that reported in the May survey. The private insurer reported in this survey uses the National Council of Compensation Insurance guideline rates.

Thirteen of the 20 states surveyed have state compensation insurance funds. Survey Table Three compares the state fund rates. The results are nearly identical when only state fund rates are compared. Again, in 13 of the 20 classifications, Montana State Fund rates rank in the lower half of the state funds surveyed.

The state funds fulfill several needs. They are the insurer of last resort ensuring that any business can obtain coverage and provide an insurance alternative for the small and high risk employer. In addition, state funds provide a competitive rate alternative to the private insurance companies. This competition seems to be working well in Montana. In the previous survey, the private insurer pegged its rates at 17 1/2 percent (17.5%) above the State Compensation Insurance Fund rate. The insurer reported in this survey does not use the Montana State Fund rate as its guideline but uses the rate recommended by the National Council on Compensation Insurance (NCCI).

In summary, the survey demonstrates that Montana State Fund rates for workers' compensation are near or below the median, for all occupations surveyed--both in the comparison to other state funds and private insurers.

RJR/bac

11/29/88

WORKERS' COMPENSATION INSURANCE RATE SURVEY
STATE FUNDS ONLY

STATE SUPPLIED	FARM DRIVERS	LOGGING TRUCK LOGGING	LOGGING DRIVERS	LOGGING	ELECTRICAL RESIDENTIAL COMMERCIAL WIRING CARPENTRY	WELL DRILLING	TRAILER DETAIL	OIL & GAS	YARDS	WELL TONING	STONE BUILDING	REPAIR	AUTO	PROFIS- CLERICAL OFFICE EMPLOYERS	HOSPITAL PROF. EMPLOYER	SCHOOL TEACHER	RESTAURANT	HOTEL		
MONTANA	10-21	10-21	38-22	15-05	6-17	4-30	10-42	19-09	24-73	18-59	1-17	0-11	5-33	0-37	9-71	1-67	0-20	5-08	3-44	
ARIZONA (2)	8-58	12-61	15-96	15-96	5-69	7-08	17-06	21-28	22-51	13-62	2-25	9-03	5-51	0-72	0-48	2-76	0-53	6-22	4-30	
CALIFORNIA	b)11-99	22-08	27-41	27-41	c) 9-22	d) 7-01	c)20-34	c)20-34	24-18	17-44	4-43	11-59	e) 5-96	1-38	0-78	11-25	3-66	2-21	10-39	6-65
COLORADO	11-46	17-30	61-35	61-35	8-78	5-20	21-08	16-92	28-63	13-35	1-77	10-09	6-38	0-94	0-44	9-68	1-94	0-59	6-44	3-80
IDAHO	7-50	11-22	20-61	20-61	4-09	4-78	12-34	13-99	12-15	18-38	1-58	6-52	5-00	f) 0-79	0-61	7-47	2-99	0-44	5-39	3-89
MINNESOTA	13-60	13-60	30-68	30-68	8-49	5-04	15-12	25-80	20-74	20-12	1-74	12-93	6-34	1-15	0-40	7-75	2-62	0-67	3-50	3-50
NEVADA	g) 9-85	20-98	12-00	12-00	h) 9-86	5-83	j)14-87	j)14-87	10-60	5-97	j) 2-40	8-03	5-97	k) 0-44	0-51	7-20	3-05	1-07	1) 5-05	m) 3-40
NORTH DAKOTA (3)	8-95	8-95	13-31	13-31	7-56	2-60	7-46	7-46	12-51	13-40	0-83	3-32	4-75	1-41	0-25	1-80	1-80	0-47	2-18	1-43
OKLAHOMA	8-55	12-02	28-01	28-01	5-50	4-47	10-61	11-43	14-72	13-49	1-75	8-05	3-63	0-88	0-40	6-92	1-66	0-41	6-30	4-43
OREGON (4)	15-05	21-03	38-45	38-45	9-20	6-03	27-72	24-31	45-29	20-28	3-45	9-56	8-98	1-17	0-61	14-51	2-39	0-69	11-01	5-90
UTAH	3-63	5-20	12-22	12-22	2-83	2-61	6-23	6-23	6-87	7-23	0-61	4-13	2-43	n) 0-45	0-21	2-23	0-42	0-17	1-39	1-41
WASHINGTON (5)	11-23	22-15	40-06	40-06	8-65	5-05	17-10	18-20	12-43	18-33	3-29	5-97	5-17	0-54	0-92	9-54	4-80	1-21	9-89	6-54
WYOMING (6)	1-54	1-54	3-80	3-80	3-80	3-80	3-80	3-80	3-40	3-80	0-61	1-61	1-12	0-39	0-11	0-90	0-90	0-70	1-70	0-75
WT STATE FUND	6/13	10/13	4/13	9/13	8/13	10/13	10/13	5/13	3/13	6/13	10/13	6/13	7/13	5/13	10/13	3/13	10/13	12/13	8/13	9/13
BANKING																				
Bank/Total																				
1 = Highest Rate																				

LEGEND

- a) These rates apply to a minimum \$750 premium
- b) Average crop class
- c) Rate for Wages < \$17.00/hour
- d) Rate for wages < \$10/hour
- e) Auto dealers only
- f) Attorneys = \$ 27
- g) \$14.71 = combination - Field crop = \$9.85
- h) \$9.66 wages < \$15/hr - \$8.32 > \$15/hr
- i) \$14.67 wages < \$15/hr - \$12.63 > \$15/hr
- j) Classed by type of store - Range to \$5.52
- k) Classed by type of professional/Range to \$8.64
- l) Dude ranch = \$28.38
- m) Bar = \$3.10
- n) Attorney = \$ 10 State Fund
- o) Attorney = \$ 13 Private

(1) The rates reported this period are from a different carrier
 (2) Manual rates are same for all carriers but carriers may offer deviations to guaranteed cost policyholders
 (3) The payroll base for all classifications is limited to \$3600 annually
 (4) SAIF utilizes a 3-tier rate system
 Rates reported are standard rate
 (5) State Fund utilizes an hourly rate. Rate per \$100 was calculated using 1986 Montana average wage per industry.
 (6) Classification system has only been in use a few years.
 Does not use MCCI codes.

Exhibit 1A p51
1-10-89
Public Forum
Bill Palmer

Senate Labor Informational Hearing

Mr. Chairman - members of the Committee

Throughout the past year we have continued to hear a great deal about the need for workers' compensation reform. The perception is one either of impatience or misunderstanding about the legislation passed during the '87 session.

A major reform package was enacted which included the following:

1. Froze maximum comp benefit @ \$299 weekly.
2. Established a 6 day waiting period for comp benefits.
3. Eliminated awards for "potential loss of earning capacity."
4. Maintained the partial benefits for 500 weeks.
5. Established independent medical examiners to issue impairment ratings.
6. Added COLA adjustments to permanent total cases.
7. Restricted lump sum awards.
8. Established controls on hospital charges.
9. Limited surviving spouse benefits to 10 years.
10. Created a "return-to-work" rehab process.
11. Established felony charges for obtaining W.C. benefits under fraudulent circumstances.
12. Established a 2 year return to work preference for injured workers.
13. Kept employers from firing a worker for filing a W.C. claim.
14. Removed entitlement to benefits if person was under the influence of drugs or alcohol at time of injury.
15. Modified definition of "injury", "accident" wage, etc. Eliminated stress as an accident.
16. Established the mediation process, etc.

SENATE LABOR & EMPLOYMENT
EXHIBIT NO. 1A
DATE 1-10-89
BILL NO. _____

1-10-89

Public Forum

Purpose of system:

Replace lost wages for injured workers, and provide medical treatment, rehabilitation, and retraining through a self administering system which minimizes the necessity for litigation.

As we stated during the 1987 session, it will take several years before any dollar or hard figures are available to show the impact of the 1987 reform. However, after one year of operating under the new law, indications tell us the reform legislation is working. For the first time since 1984 the State Compensation Insurance Fund has a positive cash flow. In addition, State Fund personnel, insurance company representatives and our actuary indicate the savings attributable to the reform legislation will probably be realized. There appears to be less attorney involvement, insurance companies appear to be more willing to write business in Montana and the mediation process is resolving over 60% of the disputes without going to court. The rehabilitation counselors who are working with the injured workers on a daily basis report the claimants are cooperating and are returning to work. Investigations are being conducted on fraudulent claims.

I am told that the new administration will propose additional legislation which will continue the reform movement.

The division has identified a number of areas where changes are recommended. Some stem from recent court decisions, and are designed to clarify the language in the statutes. Other changes we would term housekeeping measures. Representative Clyde Smith as agreed to introduce this legislation. We are not able to discuss these proposals at today's meeting, but suffice it to say these bills are presently being drafted and reviewed by the Legislative Council.

SENATE LABOR & EMPLOYMENT
EXHIBIT NO. 1A
DATE 1-10-89
BILL NO. _____

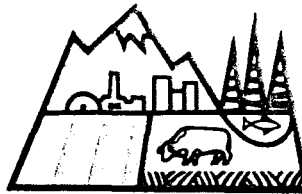
Senator Akelstad has requested the Division of Workers' Compensation to provide certain information about the workers' compensation system in Montana. Based on that request, we have put a package of materials together for each of the committee members. In the interest of allowing all of the people present to have a chance to testify before the committee, we will not get into the details contained in each of the documents provided in the package. Rather I would like to briefly summarize the information presented. Several staff from the division are available to answer any particular questions of the committee, and of course will be available to any committee member after they have had time to review the information provided.

The package of materials requested by Senator Akelstad contain the following:

1. A copy of the State Compensation Insurance Fund's balance sheet and statement of operations for the FY/88. The information shows the unfunded liability to be approximately \$157,000,000. This is an increase of \$8,000,000 from year ago. The actuary believes the unfunded liability peaked sometime during the year and should continue to decline.
2. We have also included a complete copy of the actuary's report regarding his review of the operations ending June 30, 1988, as well as a copy of the actuary's letter which will be included in the Division's Annual Report. Considering the payroll tax and the need to review and adjust rates on an annual basis, the actuary believes that if such a process continues the Fund can be maintained on a sound actuarial and financial basis. *Technically* The Fund is not financially solvent, but can be actuarially sound as long as revenues can continue to meet benefit

3. We have also included a copy of a rate survey conducted by the division in November, which compares rates of about 20 class codes used by State Compensation Insurance Fund and insurance companies in other states. We selected the high volume payroll codes most used by Montana employers. The rate survey shows the basic rates in Montana are at the low or middle levels.
4. The last item in your package is a spread sheet similar to the spread sheets used during the 1987 session. It is important to emphasize the spread sheets and the final projections can be changed dramatically by merely changing any one of the numerous assumptions. The particular spread sheet provided in the package includes the following assumptions; market share for the State Fund will decrease approximately 5%; there will be a 4% growth in payroll FY/87-88, with only 1% growth in subsequent years; the payroll tax will sunset after the four years and there will be a rate increase in 1992 after the payroll tax is dropped. With these assumptions the schedule shows the revenue from the payroll tax will be approximately \$11,000,000 to \$12,000,000 a year, a gradual or one time rate increase of approximately 13% will be needed in 1992 and the unfunded liability would be eliminated sometime in 1997. This, of course, is based on existing legislation. Legislative changes as well as assumption changes all affect the projections.

With that I will close for now and entertain questions from the committee.



MONTANA CHAMBER OF COMMERCE

P. O. BOX 1730

• HELENA, MONTANA 59624

• PHONE 442-2405

Testimony
of the
Montana Chamber of Commerce
by
James Tutwiler, Public Affairs Manager
Workers Compensation Matters
January 10, 1989

Mr. Chairman, members of the committee, I am James Tutwiler, Public Affairs Manager, Montana Chamber of Commerce. The Chamber appreciates the opportunity to appear before this committee and to comment on workers compensation issues you are considering.

As the state's principle business representative, we continuously monitor conditions and trends and listen to what the business community has to say. Our assessment is that, as of this moment, workers compensation is considered by businesses in Montana as one of the top three problems they must face.

Generally, the concerns of businesses relate to the following:

-The cost of WC insurance, especially in some cases when compared to the cost of coverage for like industries in other states.

-The difficulty of self insuring

-The unfunded liability deficit

-Mandated payroll tax deductions

-Timely resolution of claims

-Clarity of administrative procedures encountered

-Conflicts in coverage when ^{OPERATING} opening a business across state borders or the border with Canada

in some instances, the workers compensation

reforms of 1987 are beneficial, it is the opinion of many businesses that changes and improvements are urgently needed.

It is the hope of the Montana Chamber that we can be of assistance to the legislature, and this committee, in pin-pointing problems and shaping appropriate legislative solutions. To that end we have encouraged business leaders across the state, some who are here today to testify, to work with the legislature and the new administration toward a workers compensation program that fairly protects the employee and does not unduly burden the employer.

This concludes my brief remarks. I wish to express the Montana Chamber's appreciation to the committee for holding this public hearing on workers compensation.

DATE 1-10-89BILL NO. Public Forum*Seely*

COMMENTS OF MIKE RICE TO THE SENATE LABOR COMMITTEE

January 10, 1989

1. The state should encourage the use of self insurance up to as high a limit as possible rather than our current system which attempts to force either first dollar coverage or total self insurance with nothing in between. This would allow much quicker claims handling as well as dramatically reduced administrative and adjustor cost burdens.
2. Establish a retrospective reserve plan in the state fund in order to allow savings to the employer with lower accident cost and increased charges to the employer with higher cost. This provides the employer with a much better incentive than the current modification system that lags three years and is rarely accurate and almost impossible to verify.
3. Eliminate the joint and several financial liability requirement on group plans. There are many good reasons for group plans, all beneficial to Montana business, none of which affect the benefits paid to employees. These reasons include such areas as volume discounts, large retrospective reserve policies and better safety and engineering services. Without group plans these benefits are unavailable to the smaller employer. Elimination of this provision would not cause any more exposure to state or private funds than already exists in single employer policies.
4. Allow insurers, both private and state, to waive the NCCI classification system in order that insurance carriers could rate any risk on exposure only. Rating would be done like any other form of insurance using prior history, detail loss runs, loss prevention programs, management attitude, etc. In this regard perhaps the state should investigate whether work comp insurers, both private and the state fund, are using the NCCI properly or whether it is being used to fix rates.
5. Prohibit multiple classification of identical work. One of the many examples of this circumstance is that of work performed on trucks. If the work is done in a dealership, the work comp rate is 5.38% for class 8391. Identical work done on the same trucks by a trucking company is 16.59% for class 7219 or over 300% higher. I am sure the same circumstances exist in many service classifications.
6. Do not allow employers from other, especially Canadian, jurisdictions to operate without Montana worker's compensation insurance unless Montana worker's compensation insurance is recognized in that jurisdiction. We currently have a situation in Montana in which Canadian carriers operating through Montana are not required to have Montana worker's comp since Montana recognizes the coverage of the Canadian provinces, yet any Montana carrier working in those provinces is required to purchase Canadian insurance on top of its Montana insurance. This results in double cost to the Montana trucker.

7. Disallow any settlement when any fraud or misrepresentation is discovered. The fund insurer and employer should be able to "look back" if there is a significant change in the insured employee's condition or earnings soon after a settlement or award.
8. Recognize work comp for what it truly is, i.e. a no-fault system. Since work comp in fact is a no-fault system, it is unfair for the employer to pay 100% of the cost. The cost should be split between the employer and the employee in a manner similar to Social Security. This would give the employee the same incentive as the employer to hold down compensation expenses.
9. Deny benefits to any employee injured while in violation of the law such as speeding, careless driving and illegal drug or alcohol use.
10. Apply the theory of contributory negligence to awards made to any employee who fails to use provided safety equipment or follow safety instructions.
11. Require more extensive binding arbitration.
12. Limit attorney's fees to 20% of any award.
13. Restrict lump sum payments. This would reduce the attractiveness of big hit awards to attorneys and require attorneys to collect payments as they are made.
14. Very serious consideration should be given to the creation of an assigned risk pool and elimination of the state fund altogether.

It is very simple for anyone in business in Montana, including the trucking industry, to present a litany of horror stories, including excessive awards, questionable claims and poor claims handling. However I believe that resolution of those problems comes not from the argument of the specific events, but in improving the system in order to prevent abuse and minimize the cost that comes with inefficient administration of the system. There is no inherent reason why premiums in Montana for a company such as ours to be as much as eight times more than in some other states. A trucker should not be able to save over \$1,000 a year per driver simply by removing the job from this state to one of many surrounding states.

The recommendations made above are not intended to reduce legitimate benefits, but rather to provide the employer and the insurer a far more flexible framework in which to negotiate price and structure of coverage. These recommendations should eliminate the problems of negotiation with an insurance company bound by the very rigid and inflexible classification system, rating system and administrative process dictated by the state.

MR. CHAIKIN, MEMBERS OF THE COMMITTEE
THANK YOU FOR ALLOWING ME TO ~~APPEAR~~ ^{TESTIFY} BEFORE YOU
MY NAME IS JACK ALTMAN ^{RESIDE IS IN BUTTE, MT}

On August 19, 1987 while employed by Cablelogic, Inc., I was standing on a ladder hooking a main cable when the old cable tension released whipping the ladder back and forth causing me to lose my balance and fall 20 feet to the ground.

I was taken to St. James Community Hospital where surgery was performed on my right ankle. The injuries included a fracture and dislocation of the right ankle with a comminuted fracture of the tibia and fibula.

My treating doctor, Charles R. Canty, is an orthopedic surgeon in Butte. He has indicated that I have a 30% permanent partial impairment of the right lower extremity. My doctor also explained that I was suffering an arthritic condition as a result of the injury and that this will continue to get worse.

He performed an open reduction operation and used a number of screws to fix the parts of my ankle and leg in place. Because of post traumatic arthritis that developed, a second operation was required on 8/18/88. The doctors informed me I would require an ankle joint fusion which means I would never again have any range of motion in my ankle. I underwent this surgery on August 18, 1988.

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Before the accident, I was in excellent health and worked without any problems at the heavy labor as a millwright, including high climbing work, at a pay scale which is now about \$17 per hour. The work I did for Cablelogic included high climbing and balancing which the doctor said I can no longer do. Before the accident, I worked as a millwright for Combustion Engineers at Colstrip, Montana; I worked at the pulp mill in Missoula; and I worked for Dix Construction on Pegasus Gold mine. *FOR 8 YRS*
PLUS OTHERS jobs

This job for Cablelogic was a (temporary position) for me while I was waiting to get into a job at Tostan -- I was number five on the list. This would have been at about \$17 per hour.

I TRIED TO GET A
~~The first thing I did was attempt to get a partial lump sum advance of \$8,970 from the benefits which were clearly due to me, to pay pressing bills such as child support and other bills.~~
SO I WOULD BE UNABLE TO TAKE CARE OF MY CHILDREN
They turned me down flat, and my attorney informed me that under the new law, I had no reasonable recourse.

Under the old act, I would be entitled to benefits for temporary total disability, and, in addition, a settlement which may have been 500 weeks x \$149.50 or \$74,750. Also, I would have been entitled to rehabilitation. Under the new law, I am informed that the State Compensation Insurance Fund is making no settlements whatsoever.

Now, I am getting paid \$166.67 per week. With overtime, I was capable of making over \$1,000 per week. ^{with} The straight 40 hour work week would have given me \$680 per week.

I have been informed by my doctor that over my work life, I will have a substantial loss of earnings and earning capacity. I cannot return to the \$17 per hour millwright work that I did before the accident. Under the law as it exists, I cannot be compensated for this loss.

I cooperated with rehabilitation people who the State referred me to, but the State Fund threatened to cut me off benefits because of my bad attitude of not cooperating with them. The rehabilitation people recommended that I see a psychologist, but they informed me that the State Fund wouldn't pay for it. They tested me for different occupations and what I was suited for was in the mechanical field. The jobs they suggested included working in a day care center, being a cashier, etc. at the minimum wage. I am 36 years old, and I am not interested in being trained in computers. I have not been given any rehabilitation or training.

*EGF
- WELSON
my bad
told* *BECAUSE I CALLED 15 TIMES ON DAY THE LAST I LET THE PHONE RING 27 TIMES*

Mr. Chairman and members of the committee, my name is ~~BILTON~~ Anderson, I'm 21 years old and from Anaconda. I worked for Deer Lodge Timber products until my injury on August 20, 1987. Before that, I was in the army and studied automotive technician in college. In 1986, I was a automotive technician in Anaconda. Between mechanical jobs I started working as a sawyer. After working 6 weeks, I became injured and underwent T-12 surgery with Herrington rods on 8-21-87. Due to this injury, I've lost all motion in my lower spine. ** explanation of severity of injury*

It seemed like W.C. didn't realize the severity of my injury. They advised an attorney was not necessary. They said under the new law, everything would be taken care of. I waited six months and got an attorney. Almost immediately, my attorney, W.C. and myself went through a mediation to increase my wage rate. It had been incorrect since the first installment.

Susan Kern from re-hab came to the house and asked questions and administered physical tests. She sent me to HCH in Butte to be tested further on physical abilities and tolerance of pain levels. She thought I should be able to go back to my old occupation as a sawyer or a mechanic. It's been 17 months and I have not yet gotten a positive answer about upgrade schooling in computer technology. Once re-training is considered, it will last 26 weeks and will only be extended if they consider it a "good cause". Rather than schooling in this area, Re-hab would like me to go through OJT program using skills they believe to be transferrable. They suggested clerks, dispatcher, cook.

400 weeks at sawyer job would have been \$29,200, 400 weeks on W.C. is \$19,466.18 a difference of \$9,733.82.

STATEMENT MADE BY:

John Anderson 905 E. PARK AVE.
ANACONDA MONTANA

563-2254

ROSCOE STEEL & CULVERT CO.

P. O. BOX 20978 • BILLINGS, MONTANA 59104



"SPEEDY"

January 9, 1989

Senator Gary Akelstad
Senate Labor Committee

The following comments are my firm's views on worker's compensation. The purpose of this writing was to present same in a hearing January 9, 1988 in Helena, Montana. I apologize that our firm is unable to represent itself at this hearing and respectfully submit these comments for your use and perusal.

The Chamber of Commerce of the United States has listed six basic objectives that underlie the worker's compensation laws:

1. To provide sure, prompt, and reasonable income and medical benefits to injured workers or their dependents regardless of fault.
2. To provide a single remedy and reduce court delays and costs.
3. To relieve public and private charities of financial drains.
4. To eliminate payment of fees to attorneys and witnesses, as well as eliminating time consuming trials and appeals.
5. To encourage employer interest in safety and rehabilitation through appropriate experience rating mechanisms, and
6. To promote a study of the causes of accidents which leads to a reduction in accidents and human suffering.

Many variations exist in worker's compensation laws from state to state. Large discrepancies exist in coverage of the worker, benefit levels, effort expended on safety, and various appeals processes. Some uniformity of benefits came about as a result of the enactment of the Occupational Safety and Health Act of 1970. OSHA's National Commission submitted five major objectives to the President:

Broad coverage of employees and work related injuries and diseases.

1. Substantial protection against interruption of income.

2. Provision for sufficient medical care and rehabilitation services.

3. Encouragement of safety.

4. An effective system for delivery of these benefits and services.

These objectives expanded the worker's compensation system but did not eliminate state to state discrepancies. After 1970 two additional movements began to appear:

1. An increased emphasis on rehabilitation.

2. An increase in the use of litigation against employers.

During this same period the work force to begin to receive a new generation of worker whose work ethic was not as high as that of the preceding generation. Also, medical costs began increasing at rates much faster than the rate of inflation.

It is our firm's opinion that the above nationally and locally dictated factors have set the stage and promoted the current state of affairs in worker's compensation in Montana. The current situation is the subject of constant debate and opinion. Whatever the situation is, the employer is a player, must be involved, and must be given a playing field in which the odds are fair and his input will have weight.

The first and foremost item that must be addressed is compensation itself. The decision to return to work is an economic one. If benefits equal or exceed working income there is no incentive to return to the workhorse. By the same token compensation must be adequate and not exceedingly low as it is in certain states. The impact of a potential lump sum settlement in compensation for an injury does not promote an attitude conducive to returning to work. It promotes a lottery attitude and destroys effort expended to return the injured worker to the work force from whence he came. The system cannot work when it produces a conflict of interest in the workers whose future depends on his return to health but whose attention is being focused on a financial recovery. Compensation should perform the functions of maintenance of existing life style, security and social activities. It is not a means to retire prematurely.

Secondly, employers must take up their responsibilities. The playing field must be constructed in such a way that it benefits the employer financially through cost savings. The system must make the employer have a genuine concern for his employees and

stipulate that the major goal with no exceptions is RETURN TO WORK. Employees and employers both must understand that this and this alone is the objective of the worker's compensation system

Third, the physician must be a pro-active partner in the effort. In the first few days after the injury, the physician should be provided with the employee's job description, and an in depth view of the job being performed. He also needs to know what the parameters are for the following:

1. Job modification or transitional work that is available for the injured employee.
2. That the company has an early return to work policy and that light duty is available until the employee can return to his original duties.

It is a proven fact that the earlier the efforts begin to return the employee to work, the better are the chances of full recovery. It is also a proven fact that the less the worker hears from the physician and employer, the sooner the downward spiral of negative feelings begins. The key is contact and rehabilitation.

I have made no mention of attorneys, malingerers, direct attempts to rob the system and various other items much in vogue when discussing worker's compensation in Montana today. It is my belief that if the above principles were adhered to that these items would not get the consideration they are currently getting. A well run system is its own reward.

From the employer's standpoint, I would like to make a few recommendations for the legislature to consider in its pending overhaul.

1. Build in employer responsibility. Make it financially rewarding to the employer to rehabilitate his employee. Make it a concern to stay in touch with his employee. An interesting idea would be to insist that the employer be responsible for getting an employee's compensation to him on a timely basis. The check could be sent to the employer for distribution to the employee. This would give opportunity for maintenance of contact and provide opportunity to get the individual back to productive status. Workmen's camp insurance in the State of Montana is the only type of insurance where the payer, the employer, is left out of managing the claim. Yet in many cases he offers the most hope for full and successful recovery because he controls the key element, jobs. The employer should also be kept informed by the Worker's Comp Division of all medical costs and pending lump sum settlements on a claim. This leads into point two.

2. All employers should automatically be provided with periodic loss runs, premium calculations, experience modifier work sheets and be given the opportunity to review, question and generally protest what they feel are incorrect data. Currently, an interested employer must pull teeth to get this information and when it is finally obtained, it is untimely and we are told, "It is too late to change your rating this year." The rating is the report card, if you will, of how well the employer is doing. It is the financial reward which drives him to work safe, rehabilitate aggressively, and generally manage the whole industrial accident scenario to the best of his ability. The more closely the positive reward follows the effort, the greater the reinforcement. When it comes months after the fact and proper credit is not given, it fosters an attitude of complacency. The right to receive this information and have input into the final results should not be denied the premium paying party. This information is not really that much different from information provided to employers automatically by the Unemployment Division. And it is done in a timely fashion.

3. The administration of the Worker's Comp Division should be overhauled and made more efficient. The idea of an "employer's representative" has merit, but when the representative cannot get answers from the claims people, the loss run people, the people who set reserves, or the people who calculate experience modifiers, because of lack of organization and cumbersome bureaucracy, the system breaks down. Both the employer and the employee can become very frustrated and this contributes to the spiral of negative feelings that plagues the system today.

Many of the thoughts and theories expressed in this document are from the book, Workers Compensation Cost Control-A Maverick Approach by Kay F. Hinds. These thoughts completely agree with the thoughts of my company and mirror our current efforts in dealing with industrial accidents. We are not experts at this business but consider ourselves to be learning on a fast curve and are starting to see some real successes. Other thoughts are those of our own and some express some frustration with real life situations that we have actually experienced in dealing with the worker's comp problem. All we ask is that the other player, the State of Montana, whose history is one of care and concern for the worker, whose worker's compensation law was the first in the nation (signed in 1915) and preceded all other states by five to six years, get itself back on course in a partnership with the worker and the employee. We can have the best Worker's Comp Division if we work at it.

Sincerely Yours,

JAMES P. ROSCOE
PRESIDENT.

Mr. Chairman and members of the committee, thank you for letting me testify before your today. My name is Cherie McCaul and I am an injured worker from Butte, Montana. I was a laundry worker at the Crest Nursing Home when I injured my back. Since injured, I have lost on an average of \$400.00 per month plus all my medical benefits that I had on the job due to the fact that I can't afford to pay the premiums on what I receive on compensation. Therefore, I am without medical insurance.

It has been a year now since I was injured and I have had no re-training or have had anybody to talk to me about getting some re-training. They just say I have too many transferrable skills. According to my transferrable skills they feel I can be a bartender in Darby, Montana and would not have to do any heavy lifting, that the customers would do it; or I could work in Polson, Montana for 4 hours for the School District, 2 hours for the Post Office and 2 hours at the Courthouse. There is no chance of getting any re-training for another job. What I receive now on compensation is barely enough for me to live on. I can't afford to re-train myself and take care of my family and self.

I have been a steady worker in the state of Montana for 15 years and have never drawn any unemployment or any other benefits. I would very much like to be off the system and back in the work force at a job where I can support myself but I cannot do this without some kind of re-training so I can meet the job market. I am solely responsible for the support of myself AND MY FAMILY and I have a good many more years to work. I would like to have a job with benefits and a decent wage that I can live on. I feel I can do this if I am re-trained. I cannot go back to my previous occupation. I am permanently disabled and when I reach maximum healing, I will be without compensation, without the skills needed to make a living with my disability and totally unable to provide for myself again.

Cherie McCaul
2920 Kessuth
Butte, MT
59701

LABOR COMMITTEE

WITNESS STATEMENT

51st LEGISLATIVE SESSION

DATE: 1-10-89

PLEASE LEAVE ANY PREPARED STATEMENTS WITH THE COMMITTEE SECRETARY !

NAME: Keith Brownfield Date: 1-10-89

ADDRESS: P O Box 22444 Billings MT 59104

PHONE: 657-1830

REPRESENTING WHOM: MT Risk Management - Roscoe Steel
Valley Motor Stores

APPEARING ON WHICH PROPOSAL: Workers Compensation Home Builders Assoc.

DO YOU: SUPPORT? _____ AMEND? _____ OPPOSE? _____

COMMENTS: Home Builders Assoc
Roscoe Steel - see enclosure
Valley Motor Stores
MT Risk Management
see Exhibit #64

My name is Keith Brownfield. For 5 years I have worked Montana Risk Management as a risk manager. I provide corporate administrative support to Montana businesses. One of the primary administrative areas I help with is workers' compensation.

First I would like to present some concerns of the Montana Homebuilder's Association.

This Association has tried to pursue a self-insurance program which was authorized by the last session. Several problems occurred which make the concept very unworkable.

1) Division Rules that were adopted to insure the public welfare basically eliminated the purpose of the law. Major Homebuilder concerns are:

- a. Association members have to be in business for 5 years to be in the program.
- b. Certified financial audits going back two years and annually after that are a great expense.
- c. Restrictive surety bond requirement which would require the bond instead of an assigned CD for the same face amount.
- d. The claims loss/run statements for at least four years are required by the Division. Usually very detailed workers' compensation statistics can be derived from only 3 years. However, 3 years is still prohibitive when past insurance carriers won't send updated data to businesses that are no longer clients.

The Homebuilders' Association would like clarification of the law to prevent the types of bureaucratic obstacles that have impeded their efforts.

Second, I would like to present a concern of Car Quest or Valley Motor Stores of Montana.

This corporation has almost 25 different retail outlets throughout Montana.

Valley Motor has been promised responses to their claims inquiries but have not received communication or satisfaction. Valley Motor wants you to know that they feel there are deficiencies administratively.

Valley Motor would like you to know that in any new legislation proposed they want business to be a partner in the system.

They also would like you to know that subsequent injury (39-71-901) Part 9 is almost impossible to work with because a person who "is employed" although vocationally handicapped, wouldn't qualify. Most screening practices do not allow the necessary questions to be asked prior to hiring. So this system is not very useful as it is.

Third, I would like to present a letter from Roscoe Steel & culvert president Jim Roscoe.

This letter is very informative and worth your time to read. Mr. Roscoe has studied workers' compensation insurance, he has applied learned principles, and he has drawn some important useful conclusions for your review.

Fourth, I feel that the Workers' Compensation Division should be competitive and current in the marketplace and therefore self-sufficient.

- 1) Try to resolve interstate-international problems.
- 2) Provide coverage "B" insurance
- 3) Provide "All" States endorsements
- 4) Provide retrospective rating policies
- 5) Provide increased claim service
- 6) Provide premium accountability
- 7) Provide deposit alternatives
- 8) Update experience rating system (current system and small employers)
- 9) Provide premium rates based on experience
- 10) Insure that the new administrator "administers" instead of politicking. For instance, immediately preceding the last two legislative sessions the State Fund announced a 15% rate increase in December to be effective January 1 coinciding with the session and proposed an even larger increase in six months. We never had midterm increases on non-political years. The purpose of these moves was obvious and very disturbing.
- 11) Utilize private sector to increase policyholder services.
- 12) Section 125 - need to have the Division in compliance with Federal laws.

157, 545
12/19/89

MONTANA STATE LEGISLATURE

SENATE LABOR COMMITTEE

JANUARY 10, 1989

MR. CHAIRMAN AND MEMBERS OF THE COMMITTEE:

MY NAME IS JACK A. FULTON, DIRECTOR OF GOVERNMENT RELATIONS, THE WESTERN SUGAR COMPANY, DENVER, COLORADO. WITH ME TODAY IS MR. MARTY ANS, EMPLOYEE RELATIONS REPRESENTATIVE, BILLINGS, MONTANA, WHO OVERSEES OUR SAFETY PROGRAM THROUGHOUT THE COMPANY.

THE WESTERN SUGAR COMPANY WAS FORMED IN APRIL OF 1985 TO MANAGE AND OPERATE BEET SUGAR PLANTS ACQUIRED BY TATE & LYLE PLC OF LONDON, ENGLAND AND REDPATH INDUSTRIES LTD OF TORONTO, CANADA, IN THE STATES OF NEBRASKA, WYOMING, COLORADO, AND MONTANA.

ONCE THE ACQUISITION WAS COMPLETE, A BEET CONTRACT IN PLACE, AND EMPLOYEES PUT BACK TO WORK, WE BEGAN THE PROCESS OF PREPARING THE PLANTS FOR OPERATION. DURING THESE REVIEWS, THE NEW OWNERS WERE SHOCKED AT THE WIDE DISPARITY OF FIXED COST AT THE BILLINGS PLANT IN COMPARISON TO OUR OTHER STATES OF OPERATION.

THE MAIN AREAS OF DISPARITY WERE: WATER TREATMENT, FUEL DISTRIBUTION, PROPERTY TAXES, AND WORKERS COMPENSATION.

SINCE 1985 WESTERN HAS EXPENDED CONSIDERABLE TIME AND FINANCIAL RESOURCES TO ABATE THESE PROBLEMS. BY CHANGING OUR METHOD OF OPERATIONS, WE COMPLETELY ELIMINATED THE NEED FOR OUTSIDE WATER TREATMENT, RESULTING IN AN ANNUAL SAVINGS IN EXCESS OF \$300,000 PER YEAR.

WE HIRED A FEE APPRAISER WITH VAST EXPERIENCE IN THE BEET SUGAR INDUSTRY, AN ATTORNEY WHO SPECIALIZED IN PROPERTY TAX MATTERS, AND THROUGH THE APPEALS PROCESS, SUCCEEDED IN REDUCING OUR PROPERTY TAX LIABILITY FROM \$589,519 IN 1985-86 TO \$386,215 IN 1987-88.

WITH THE HELP OF A BILLINGS LAW FIRM, WE INTERVENED IN THE RATE-MAKING PROCESS OF THE MONTANA PUBLIC UTILITIES COMMISSION. ALTHOUGH IN EACH CASE THE COMMISSION RULED AGAINST OUR POSITION, THE RATE FROM GAS DISTRIBUTION WAS RECENTLY REDUCED BY APPROXIMATELY 50%.

WE APPEALED OUR WORKERS COMP RATE THROUGH THE MONTANA RATE AND CLASSIFICATION COMMITTEE OF THE NCCI. ALTHOUGH WE RECEIVED LITTLE MORE THAN LIP SERVICE FROM THE COMMITTEE, THE RATE FOR SUGAR FACTORY WORKERS DROPPED FROM \$31.50 PER \$100.00 OF PAYROLL IN 1985-86 TO \$17.96 IN 1987-88. THE CURRENT RATE FOR MONTANA IS \$18.20.

WHILE EACH OF THESE AREAS SHOW A REMARKABLE IMPROVEMENT, WITH THE EXCEPTION OF WATER TREATMENT, MONTANA REMAINS FROM ONE AND ONE-HALF TIMES TO THREE AND ONE-HALF TIMES HIGHER THAN OUR OTHER AREAS OF OPERATION.

WHILE WESTERN HAS INVESTED THE TIME AND FINANCES TO ALLEVIATE THESE PROBLEMS WITH SOME SUCCESS, MANY, ESPECIALLY SMALLER COMPANIES, HAVE SIMPLY CLOSED UP SHOP AND MOVED TO ANOTHER STATE.

I HAVE INCLUDED FOR YOUR REVIEW A NUMBER OF EXHIBITS DETAILING THE IMPACT OF WORKERS COMPENSATION ON WESTERN'S OPERATIONS.

A. - EXHIBIT "A" SHOWS THE RATE WE PAY PER \$100.00 OF PAYROLL THROUGHOUT OUR FOUR-STATE AREA OF OPERATION. MONTANA ACCOUNTS FOR 19.4% OF OUR TOTAL LABOR DOLLARS, BUT 34.7% OF TOTAL PREMIUM. OVER THE LAST YEAR, COLORADO WORKERS COMP RATE HAS ESCALATED BY OVER 40% TO THE RATE OF \$14.20. ON THURSDAY, JANUARY 5, 1989, 66 BILLS WERE INTRODUCED IN THE COLORADO LEGISLATURE TO ADDRESS WORKERS COMPENSATION.

B. EXHIBIT "B" DETAILS BY STATE OUR TOTAL NUMBER OF EMPLOYEES OF WHICH MONTANA HAS 20%, WHICH IS IN LINE WITH TOTAL PAYROLL DOLLARS VERSUS 34.7% OF PREMIUM.

C. - EXHIBIT "C" DETAILS WORKERS COMP COST PER CWT OF PRODUCTION, WITH MONTANA THE HIGHEST AT \$34.39 PER CWT. WESTERN SUGAR IS A COMMODITY COMPANY COMPETING WITH TEN OTHER BEET SUGAR PROCESSORS, AND BOTH DOMESTIC AND FOREIGN CANE SUGAR OPERATIONS. WHILE WE HAVE EXCELLENT GROWERS PRODUCING AN EXCELLENT PRODUCT IN MONTANA, NO BUYER IS GOING TO PAY MORE FOR SUGAR PRODUCED IN MONTANA THAN THAT PRODUCED ELSEWHERE. IN FACT, WITH OUR MARKETING AREA BEING PREDOMINATELY EAST OF THE ROCKIES INTO ILLINOIS AND INDIANA, BILLINGS' GEOGRAPHICAL LOCATION IS A DETRIMENT.

D. - EXHIBIT "D" LISTS THE RATES FOR CLERICAL, AGRICULTURAL, AND FACTORY WORKERS THROUGHOUT THE TWELVE STATES THAT PRODUCE AND PROCESS SUGAR BEETS. WITH THE EXCEPTION OF MINNESOTA, MONTANA HAS THE HIGHEST RATES IN THE NATION.

E. - EXHIBIT "E" DETAILS TOTAL CLAIMS AND COST PER CLAIM FOR OUR LAST THREE FISCAL YEARS. IN EACH CASE, WITH OR WITHOUT RESERVES FOR FUTURE COST INCLUDED, MONTANA CLAIMS ARE ONE AND ONE-HALF TO TWO AND ONE-HALF TIMES MORE COSTLY THAN THOSE IN COLORADO OR NEBRASKA.

WYOMING WAS NOT INCLUDED IN THIS COMPARISON AS IT IS A CAPTIVE STATE, AND TOTAL COST FOR THE PAST THREE YEARS WAS NOT AVAILABLE. HOWEVER, FOR CALENDAR YEAR 1988, WE HAD 24 CLAIMS IN WYOMING FOR A TOTAL COST OF \$9,718.80, AN AVERAGE OF \$404.95 PER CLAIM.

DURING EACH OF THE PAST TWO YEARS, ALL OF OUR PLANTS HAVE BEEN REVIEWED BY A TEAM OF EXPERTS FROM THE ROYAL INSURANCE COMPANY WHO HAVE MADE SUGGESTIONS FOR IMPROVING THE SAFETY OF OUR FACILITIES.

EACH PLANT LOCATION HAS BEEN ASSIGNED A SAFETY COORDINATOR WHO WORKS WITH THE SAFETY COMMITTEE MADE UP OF BOTH MANAGEMENT AND HOURLY EMPLOYEES. SAFETY RECORDS ARE A PART OF MANAGER'S REVIEW FOR SALARY CONSIDERATION.

WESTERN SUGAR IS DEDICATED TO PROVIDING A SAFE WORKPLACE.

I BELIEVE THE INFORMATION WE HAVE PROVIDED TODAY CLEARLY SHOWS MONTANA HAS SERIOUS PROBLEMS IN THE AREA OF WORKERS COMPENSATION, PROBLEMS THAT NEED TO BE ADDRESSED BY THE CURRENT LEGISLATURE.

THANK YOU FOR THE OPPORTUNITY TO APPEAR BEFORE YOUR COMMITTEE; MR. ANS OR I WILL BE HAPPY TO ANSWER ANY QUESTIONS YOU MAY HAVE.

THE WESTERN SUGAR COMPANYFINANCIAL IMPACT
LOCAL COMMUNITIESBILLINGS, MONTANAFISCAL 1987-1988

Payroll	\$ 4,453,134
Unemployment Taxes	92,081
Workmens Compensation	586,530
Property Taxes	386,215
Local Purchases	12,237,759
Grower Payments	<u>19,940,995</u>
TOTAL	\$37,696,714

FULL TIME EMPLOYEES: 105

SEASONAL EMPLOYEES: 372

THE WESTERN SUGAR COMPANYCOMPARISON
WORKMENS COMPENSATION

<u>LOCATION</u>	<u>RATE</u> <u>FACTORY WORKERS</u>	<u>ANNUAL PAYROLL</u>	<u>MODIFIED</u> <u>PREMIUM</u>
Colorado	\$14.20	\$ 6,674,436	\$ 653,868.00
Wyoming	.80	2,485,517	18,368.00
Nebraska	5.30	9,363,225	430,800.00
MONTANA	17.96	<u>4,453,134</u>	<u>586,530.00</u>
TOTAL		\$22,976,312	\$1,689,566.00

MONTANA: 19.4% of TOTAL PAYROLL
34.7% of TOTAL PREMIUM

THE WESTERN SUGAR COMPANYEMPLOYMENT - FACTORY OPERATIONS

<u>LOCATION</u>	<u>NUMBER EMPLOYEES</u>	<u>PERCENT OF TOTAL EMPLOYEES</u>	<u>PERCENT OF TOTAL PREMIUM</u>
Colorado	612	26%	38.7%
Nebraska	1011	44%	25.5%
Wyoming	223	10%	1.1%
MONTANA	<u>477</u>	<u>20%</u>	<u>34.7%</u>
	2,323	100%	100.0%

THE WESTERN SUGAR COMPANY
WORKMEN COMPENSATION TAXES
PER CWT. OF PRODUCTION

<u>LOCATION</u>	<u>1987-1988 PRODUCTION</u>	<u>WORKMENS COMP. TAXES</u>	<u>COST PER CWT. PRODUCED</u>
Nebraska	2,601,743	\$ 430,800.00	\$.166
Colorado	2,041,982	653,868.00	.320
Wyoming	1,180,104	18,368.00	.016
MONTANA	<u>1,710,515</u>	<u>586,530.00</u>	<u>.343</u>
TOTAL	7,534,344	\$1,689,566.00	.224

BILLINGS: 23% of TOTAL PRODUCTION

35% of TOTAL PREMIUM

One and one-half times higher than Company average.

SENATE LABOR & EMPLOYMENT
EXHIBIT NO. 7 pg 10 of 11
DATE 1-10-89
BILL NO. Public Forum

WORKMEN COMPENSATION RATES
EXHIBIT "D"

BEEET PROCESSING STATES
(Per \$100.00 Payroll)

<u>LOCATION</u>	<u>CLERICAL</u>	<u>AGRICULTURAL</u>	<u>FACTORY WORKERS</u>
California	.78	11.13	11.28
Colorado	.31	5.93	14.20
Idaho	.41	7.50	8.88
Michigan	.53	1.23	4.48
Minnesota	.51	12.44	18.09
MONTANA	.81	10.93	17.96
Nebraska	.19	3.01	5.30
North Dakota	.25	1.41	6.40
Ohio	.24	.67	5.66
Oregon	.71	11.50	17.59
Utah	.28	4.12	5.03
Wyoming	.80	.80	.80

THE WESTERN SUGAR COMPANY
 WORKERS COMPENSATION
 EXHIBIT "E"

TOTAL COST INCLUDING RESERVES

LOCATION	NO. CLAIMS	10/1/85 - 9/30/86		10/1/86 - 9/30/87		10/1/87 - 9/30/88	
		TOTAL COST & RESERVES	COST PER CLAIM	TOTAL COST & RESERVES	COST PER CLAIM	TOTAL COST & RESERVES	COST PER CLAIM
Nebraska	123	\$157,316.32	\$1,278.99	\$334,031.10	\$2,569.47	\$268,511.93	\$3,274.53
Colorado	38	132,715.01	3,492.50	179,436.77	1,435.49	197,963.65	2,249.56
Misc. Loc.	5	938.75	187.75	1,183.00	1,183.00	0.00	0.00
<u>MONTANA</u>	<u>65</u>	<u>372,052.75</u>	<u>5,723.89</u>	<u>345,799.37</u>	<u>6,066.66</u>	<u>260,461.66</u>	<u>5,107.10</u>
TOTAL	231	\$663,022.83	\$2,870.22	\$860,450.24	\$2,749.04	\$726,937.24	\$3,289.31

Montana - 2 times higher than average

2.2 times higher than average

1.6 times higher than average

COST EXCLUDING RESERVES

LOCATION	NO. CLAIMS	10/1/85 - 9/30/86		10/1/86 - 9/30/87		10/1/87 - 9/30/88	
		TOTAL COST	COST PER CLAIM	TOTAL COST	COST PER CLAIM	TOTAL COST	COST PER CLAIM
Nebraska	123	\$ 92,666.32	\$ 753.38	\$217,304.35	\$1,671.57	\$ 59,042.45	\$ 720.02
Colorado	38	83,233.35	2,190.35	142,680.89	1,141.44	114,936.85	1,306.10
Misc. Loc.	5	938.75	187.75	1,183.00	1,183.00	0.00	0.00
<u>MONTANA</u>	<u>65</u>	<u>372,052.75</u>	<u>5,723.89</u>	<u>186,647.38</u>	<u>3,274.51</u>	<u>84,270.11</u>	<u>1,652.35</u>
TOTAL	231	\$548,891.17	\$2,376.15	\$547,815.62	\$1,750.20	\$258,249.11	\$1,168.55

Montana - 2.4 times higher than average

1.87 times higher than average

1.41 times higher than average



MONTANA HOSPITAL ASSOCIATION

SENATE LABOR & EMPLOYMENT

EXHIBIT NO. 8 page 1 of 7

DATE 1-10-89

BILL NO. Public Forum

720 NINTH AVE
P.O. BOX 5119
HELENA, MT
59604
(406) 442-1911

January 13, 1989

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mes T. Oliverson
Kalispell

Dale Jessup
Whitefish

Lane Basso
Billings

Senator Gary Aklestad, Chairman
Senate Labor Committee
Capitol Station
Helena Mt 59620

Dear Senator Aklestad:

Enclosed is a copy of the testimony that I provided at the Workers' Compensation hearing on Wednesday, January 11, 1989 on behalf of the Montana Hospital Association.

I look forward to working with you on this issue.

Sincerely,

James F. Ahrens
President

Enc.

January 12, 1989

For the record, I am James F. Ahrens, President of the Montana Hospital Association.

It has come to the attention of the Montana Hospital Association that in the area of medical benefits, the Workers' Compensation Act and/or the provisions relating to attorney liens (sec. 37-61-420, MCA), require amendment, to ensure that monies an insurer furnishes for reimbursement of medical care as required under the Workers' Compensation Act actually goes to reimbursing the health care provider, as opposed to the claimant's attorney. The problem has arisen in those circumstances where an insurer has either denied all liability for a Workers' Compensation claim or, where the insurer initially denied responsibility for a certain medical and/or hospital cost, and the claimant's attorney has been successful in obtaining such benefits. In these situations, even though the insurer is required to pay 100 percent of the doctor or hospital bill at issue, the attorney has a 20 percent lien on such benefits. As a result, the attorney is getting paid the full fee at the time the insurer tenders payment of the medical bill, while the health care provider receives 80 percent of what is owed.

An example of what has become a universal problem is as follows. The insurer receives a medical bill which on its face appears unrelated to the compensable injury. The insurer therefore denies payment and responsibility. Claimant, through his attorney, writes a letter to the insurer explaining why the treatment and resulting expenses are in fact related to the compensable injury. The insurer accepts responsibility. However, in order to protect its own interest and the attorney lien, the insurer tenders payment to the doctor or hospital or other health care provider, either by dual payee warrant naming the health care provider and claimant's attorney as payees, or tender only 80 percent of the medical benefit to the doctor or hospital with the remaining 20 percent going directly to claimant's attorney. In either scenario, the result is the same. The attorney receives his 20 percent fee to which he is entitled pursuant to his contingent fee agreement with the claimant, however, the health care provider who provided necessary medical services to the claimant is reimbursed only to the tune of 80 percent. This leaves the doctor or hospital in the position whereby it has to pursue such monies from the claimant directly. Oftentimes, considering the claimant's injury and subsequent reduction in income, he either is unable or unwilling to pay the remaining 20 percent.

The source of this problem is found in a decision from the Supreme Court in Kelleher Law Office v. State Compensation Insurance Fund, 691 P.2d, 823 (1984) (attached hereto for your review). The Supreme Court held that attorneys who have filed their retainer agreement with the Worker's Compensa

tion Division shall have a lien upon any Workers' Compensation benefits obtained through their effort. As interpreted by the Workers' Compensation Court, in those circumstances where an insurer has initially denied all liability, or liability for a certain medical or hospital cost, if the claimant's attorney has played some role in obtaining such benefits, he has a lien in the amount provided for in his contingent fee agreement (set by Division Rule at 20 percent), in such medical or hospital benefit. If the insurer does not honor that lien and ensure that the attorney recovers his fee directly from the medical payment, the insurer remains responsible for such fee. Accordingly, insurers, for their own protection, in all circumstances where claimant is represented by an attorney and where the attorney has had any input in the obtaining benefits, make all checks either dual payee or pay the attorney fee directly, tendering only 80 percent of actual costs to the doctor/hospital who provided services.

The Workers' Compensation Act, or the statutes governing attorney liens need amendment to avoid this harsh inequity perpetrated upon health care providers. The attorney lien, at least as it applies to medical benefits, must be eliminated. The risk of recovering the attorney fee should lie with the attorney who entered into the contingent fee agreement in the first instance, and not with the health care provider who rendered necessary medical services.

Finally, I would like to say a word about a cost containment technique that I believe would benefit the fund and the State. Case Management is a method that stresses the coordination of care among different providers at different care sites. It makes certain that appropriate levels of care are rendered. This alone can often reduce the cost of care. It also makes certain that the patient follows through with prescribed treatment. This makes certain that patients are returned to full functioning as soon as medically possible. The expenses of employing case managers will be more than off set by reduced medical benefits paid.

I urge the Committee to incorporate a case management component in the amendment of the Workers Compensation Statute.

**KELLEHER LAW OFFICE, Claimant
and Appellant,**

v.

**STATE COMPENSATION INSURANCE
FUND, Defendant and Respondent.**

No. 84-202.

Supreme Court of Montana.

Submitted on Briefs Aug. 2, 1984.

Decided Nov. 28, 1984.

Law office brought action against Compensation Insurance Fund seeking order directing Fund to pay attorney fees and costs after attorney for office successfully represented client in workers' compensation action but did not receive payment from client pursuant to contingency agreement. The Workers' Compensation Court, Timothy Reardon, J., denied claim on grounds that it lacked jurisdiction, and law office appealed. The Supreme Court, Morrison, J., held that: (1) Workers' Compensation Court had jurisdiction to hear action; (2) law office had judgment lien on proceeds of award; (3) law office was not entitled to award of attorney's fees for prosecuting action against Fund; and (4) law office was entitled to prejudgment interest.

Reversed and remanded.

Weber, J., filed dissenting opinion.

1. Workers' Compensation ⇨1086

Workers' compensation court had jurisdiction to hear law office's action against Compensation Insurance Fund arising after attorney for office successfully represented client in workers' compensation action but did not receive payment from client pursuant to contingency agreement. MCA 39-71-2905.

2. Workers' Compensation ⇨1985

Law office had judgment lien on proceeds of client's workers' compensation award where, although attorney for office negotiated settlement with Compensation

Insurance Fund prior to "commencement of an action" or "service of an answer containing a counterclaim" under judgment lien statute, attorney had filed retainer agreement with Division of Workers' Compensation. MCA 37-61-420.

3. Workers' Compensation ⇨1985

Attorneys who have filed their retainer agreement with Division of Workers' Compensation are protected by judgment lien for compensation; lien for compensation attaches upon filing of contingency fee agreement with Workers' Compensation Division. MCA 37-61-420, 39-71-743.

4. Workers' Compensation ⇨1981

Law office was not entitled to award of attorney's fees for prosecuting action against Compensation Insurance Fund in which law office had claimed that it was entitled to lien on proceeds of claimant's workers' compensation award where justiciable controversy as to whether trial court had jurisdiction over action existed.

5. Interest ⇨39(2)

In action by law office against Compensation Insurance Fund arising after attorney for office successfully represented client in workers' compensation action but did not receive payment from client pursuant to contingency agreement, law office was entitled to prejudgment interest running as of date state warrant was issued by Fund and sent directly to client.

6. Interest ⇨39(2)

Claim becomes "liquidated" for purpose of awarding prejudgment interest when both amount due and date on which it becomes due are fixed and certain.

See publication Words and Phrases for other judicial constructions and definitions.

7. Interest ⇨19(2)

Liquidated claims include indebtedness which is capable of ascertainment by reference to agreement or simple mathematical computation.

SENATE LABOR & EMPLOYMENT

EXHIBIT NO. 8 page 4 of 7

DATE Jan. 10, 1989

BILL NO. Public Forum



JAMES W. MURRY
EXECUTIVE SECRETARY

110 WEST 13TH STREET
P.O. BOX 1176
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SENATE LABOR & EMPLOYMENT

EXHIBIT NO. 9 10 18 6

DATE Jan 10, 1989

BILL NO Public Forum

TESTIMONY OF JIM MURRY ON WORKERS' COMPENSATION
BEFORE THE SENATE COMMITTEE ON LABOR AND EMPLOYMENT RELATIONS
JANUARY 10, 1989

Mr. Chairman, members of the committee, for the record my name is Jim Murry and I am executive secretary of the Montana State AFL-CIO.

Since we're not here today to testify about specific bills or proposals affecting workers compensation, I want to share with you some concerns of organized labor about workers compensation both in Montana and across the country.

Of course, our first concern is with the welfare of workers. Cuts enacted in the 1987 session forced workers to sacrifice many of their benefits and rights, an extra burden they did not want but which they're now carrying. Montana's employers were given an extra burden, too, in the form of the payroll surcharge.

I want to point out that studies have shown that Montana's workers, despite these sacrifices, have one of the highest education and literacy levels of any workforce in the country, and one of the very highest productivity levels of any state's workforce. Those factors, along with their dedication and strong work ethic, make Montana's workers absolutely the best.

We hope that before asking workers to sacrifice any more, the members of the Legislature will consider the effects further cuts might have on the morale and productivity of our workforce, in addition to whatever economic side-effects there would be.

We say that because our new governor has talked about making workers pay a portion of the workers compensation premium costs. While Governor Stephens campaigned against raising taxes, this new payroll deduction would clearly be a tax and could become a very costly one.

That worries us not only because it is a further erosion of take-home pay, which is already declining for some workers, but also because it is a significant reversal of one of candidate Stephens' biggest themes -- don't raise taxes.

When we talk about the welfare of workers, we also include the court systems that enforce the benefit laws, and we're concerned about suggestions that the Workers' Compensation Court be revised, limited, or even eliminated.

TESTIMONY OF JIM MURRY
SENATE LABOR AND EMPLOYMENT RELATIONS COMMITTEE
PAGE TWO, JANUARY 10, 1989

SENATE LABOR AND EMPLOYMENT RELATIONS COMMITTEE
EXHIBIT NO. 9 page 2 of 6
DATE 1-10-89
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We supported the creation of the special Workers' Compensation Court as an expedited procedure for handling cases and for relieving the burden on the state district courts. We think it's a helpful tool that eases the process while not denying workers their constitutionally guaranteed legal remedies.

Suggestions that we should back away from the Workers' Compensation Court, rely more on mediation and fall back on court appeals raise the possibility of a rising caseload for an already strapped judiciary. That would prolong benefit cases at a time when we're all trying to find ways to shorten them.

The second concern we have centers on the myth that workers compensation insurance premium rates are higher than those in other states, and sometimes have falsely been called the "highest in the nation." This is patently false, as evidenced by figures from the Division of Workers' Compensation, which has compared 29 insurance programs in 20 western states.

In May 1988, the Division ranked insurance funds on a scale of 1 to 29, with 1 as the highest rates. The survey showed Montana's state-run insurance program premiums ranking 17th out of 29. In an update to that survey less than a month ago, Montana's rank had improved to 18th. I would point out that Montana achieved this rank even before the effects of the 1987 reforms have truly been felt. The annual report of the Workers' Compensation Division sent to the governor a few weeks ago states that the "real effects of the statutory changes will not be finally known until they are in place from three to five years."

In addition, the survey showed that private workers compensation insurance programs often charge far higher premium rates. A comparison of Montana's state-run program with a privately run insurance program in Montana showed that the private fund had dramatically higher rates in some of the most active job sectors.

For example, our state fund ranked 22nd for residential carpenters and electricians premium rates, while the private fund ranked 3rd highest for both; the state fund ranked 21st for restaurant and bar workers, while the private fund ranked 1st; and our state fund ranked 23rd for clerical workers, while the private fund ranked 1st. I'm attaching a chart to show the comparisons.

I want to specifically point out the rates charged to those in the logging industry, which is credited with being at the root of much of the rate controversy. For loggers, the state's rate is ranked 10th; the private is ranked 2nd; for log-truck drivers, the state is ranked 25th, while the private is ranked 4th.

The actual rate charged loggers under the state plan is \$38.22 and for logging drivers, \$15.85. Under the private plan, the corresponding rates are \$67.91 and \$45.50. One is almost double and the other is almost triple what our much-maligned state plan charges.

TESTIMONY OF JIM MURRY
SENATE LABOR AND EMPLOYMENT RELATIONS COMMITTEE
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Clearly, Montana's state-run workers compensation insurance premiums are not the highest in the nation or even in the state. In fact, they're about mid-level.

Our third concern is with charges of mismanagement, indifference, waste, abuse and outright fraud. All of those charges have been leveled at the Workers' Compensation Division in recent years, some of them by us in the labor movement.

We testified in the 1987 Legislature about workers who reported long delays in handling their claims, about being put on hold for extreme periods when telephoning long-distance, about general indifference to their concerns, and about how those experiences often led them to hire attorneys to help them get the benefits to which they were legally entitled. We continue to hear complaints of a similar nature, in addition to inquiries related to the radical reforms enacted by the '87 session.

We hear complaints from the political corner, too.

In 1987, allegations of fraud were made by then-Speaker of the House Bob Marks. In 1988, candidate Stephens made reference to the need for wholesale reform in the Division in order to put it on a business-like footing. And this year, in your letter calling for these hearings, Mr. Chairman, you stated that there are "continuing problems, or at least unanswered questions" about workers compensation.

I think you're all probably on to something that should be investigated. Mr. Chairman, we in organized labor have historically maintained that one of the most pressing needs in the workers compensation controversy is for a complete review of the entire operation with an eye toward -- once and for all -- either proving or disproving the claims that there are instances of mismanagement or fraud. We in labor stand firmly against any misuse or abuse of the system.

We asked in 1987 that these claims be investigated before workers were called upon to sacrifice again, but it didn't happen. Now, two years later, we find ourselves again in the position of asking you to comprehensively review the entire operation before you ask Montana's workers to sacrifice again.

Our fourth and final specific concern is with safety. Organized labor in Montana and nationally has traditionally stressed safety as one of the key considerations of any workers compensation insurance program.

The reason is simple: As workers get injured on the job because of poor safety practices, premium costs go up and pressure is put on the system to reduce costs, usually at the expense of the worker. Our interest is self-serving: we want benefits maintained, but if we had our way, no worker would ever be made sick, get injured or get killed on the job. Thus, no worker would ever need these benefits.

TESTIMONY OF JIM MURRY
SENATE LABOR AND EMPLOYMENT RELATIONS COMMITTEE
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Montana's economy is ripe with professions that nationally rank among the highest for on-the-job deaths. The logging industry is far and away the most deadly work in America, which, incidentally has something to do with the high insurance rates. Other jobs with some of the nation's highest death rates are insulation workers, powerline and cable-line installers, firefighters, truck drivers, bulldozer operators, drillers, miners and millers.

In Montana we work at a bunch of dangerous jobs, and we do so with a very high rate of productivity and education, as I mentioned before. That's why I believe that innovative and aggressive safety programs would be accepted by our workers. They know it's dangerous work, they have the education necessary to digest safety lessons, and they don't want to be crippled or killed.

I want to point out a few statistics about non-fatal accidents and workers in Montana.

According to the Workers' Compensation Division's annual report for Fiscal Year 1988, the highest rates of job-related accidents are in the service sector (26.8 percent) and the retail trade sector (17.9 percent). That's significant because these are also the lowest paid workers in Montana's economy. They're the ones most likely to be working part-time for minimum wage, with no fringe benefits. They are clearly the ones least able to afford the cost of a work-related accident or injury. They represent a clear target for aggressive safety programs.

The 1988 report also shows a 14.2 percent increase in the number of accidents reported in all fields and a 19.4 percent increase in lost-time injuries from 1987. Again, a clear indicator of the need for increased emphasis on worker safety.

We applaud Governor Stephens' position on worker safety and its proper role in workers compensation, as stated during his campaign. We look forward to working with his administration in making safety programs a very high priority.

We also applaud the incentives provided by way of reduced premiums for employers who conduct safety programs in order to cut job accidents. However, we note that the Division's statistics indicate only 14 firms were certified in the first year of the state's incentive program.

We believe that one of the best investments would be additional emphasis on aggressive, state-administered worker safety programs. We believe the state should take positive action and set up safety programs in which employers can take part to get their premiums reduced. We believe that such programs are a logical next step in the state's growing interest in using worker safety as an insurance management tool.

TESTIMONY OF JIM MURRY
SENATE LABOR AND EMPLOYMENT RELATIONS COMMITTEE
PAGE FIVE, JANUARY 10, 1989

SENATE LABOR AND EMPLOYMENT RELATIONS COMMITTEE
EXHIBIT NO. 9 pg 5-86
DATE 1-10-89
BILL NO. Public Forum

That clearly will mean spending more money on those programs. We note that the state's safety program costs in FY88 were \$856,000, compared with total Workers' Compensation program costs of almost \$9 million and benefit costs of almost \$91 million. If spending another \$1 million on worker safety programs can prevent untold millions in workers compensation payouts, it would be a wise investment for Montana's employers. It would also be a sound investment for Montana's workers, who hope their families never have to rely on workers compensation insurance or death benefits.

WORKERS' COMPENSATION -- Montana program vs. private program

The following chart compares Montana's state fund rankings with the Montana private fund rankings in the updated December 1988 survey by the Workers' Compensation Division.

Category	Mt.'s ranks	
	State	Private
Farm drivers	14	3
Cattle workers	22	7
Loggers	10	2
Log truck drivers	25	4
Plumbers	18	1
Electricians	22	3
Resid. carpenters	22	3
Commer. carpenters	12	1
Oil/gas drillers	10	3
Truckers	13	1
Retail clerks	24	6
Yards/bldg. mat.	16	3
Auto mainten.	17	2
Professionals	13	1
Clerical	23	1
Nursing home	7	1
Hospital profess.	21	10
School teachers	26	14
Hotel/motel	19	2
Restaurant/bar	21	1

Clearly, Montana's state fund premium rates are better than the Montana private insurance fund premium rates in the survey. In fact, in many of the categories in which the state fund ranks among the lowest, the private fund ranks among the highest. In the 7 categories in which the private fund's rates are the highest of all 29 surveyed, the Montana fund's average rank is only 15th.

SENATE LABOR & EMPLOYMENT
EXHIBIT NO. 10 pg 1 of 7
DATE January 10, 1989
BILL NO. Public Forum

MONTANA MOTOR CARRIERS ASSOCIATION, INC.

Statement on Worker's Compensation Before the Senate Committee
on Labor and Employment Relations
by Ben Havdahl, Executive Vice President

Mr. Chairman, members of the Committee, for the record my name is Ben Havdahl, and I'm the Executive Vice President of the Montana Motor Carriers Association. I appreciate this opportunity to submit this statement on behalf of MMCA relating to the Worker's Compensation situation in Montana and how it impacts the motor carriers.

MMCA has 325 carrier members and 125 supplier members, all of whom are employers and the carriers range in size from one truck operators to companies operating fleets of trucks of 400 or more. 97% of the Montana based carriers operate under ICC authority in several states, some in as many as 48 states. All are in severe competition with trucking companies in all states and the costs of doing business is a prime problem. The high cost of Montana's Worker's Compensation for a truck driver and mechanic for example is a prime cost of doing business.

At the hearing in Senate Bill 315 in the 1987 session, MMCA testified strongly in favor of that bill and all the bills that were passed, and some that were not passed dealing with Worker's Compensation all aimed at Worker's Compensation reform. We considered the reform action taken by last session to be a positive step. With Senate Bill 315 as the cornerstone, the Senate passed 7 reform bills and the House 16. Among them, they modified definitions of "injury", "accident", "wages", "benefits", "attorney fees", "reformed liberal interpretation of the law", "resolved disputes first through mediation" and provided for financial incentives for employers who institute formal safety programs.

WORKER'S COMPENSATION/MMCA

Page 2

And lastly, the legislature funded the unfunded liability by enacting a three tenths of one percent tax on all employers.

Basically the reforms adopted in 1987 changed the manner in which benefits would be paid rather than changing the benefits themselves.

Because many motor carrier employers now feel they must see the costs savings begin to reflect themselves in premium reductions, perhaps it's now time for the Legislature to take a hard look at the benefits and compare them with lower cost states. Also since several surrounding states reflect lower cost premiums attributed to their benefit structure and the fact that all employers are required to participate in the State Worker's Compensation fund in those states, the so-called monopoly states, perhaps it's time to take a look at that kind of structure. Admittedly, such a move should be undertaken with political caution, however, all options should be explored.

Many motor carriers in Montana are "mobile" employers and when they look around at our surrounding states' rates for Worker's Compensation particularly truckmen rates, they begin to make overtures in their direction, that is they begin thinking in terms of reemploying drivers in those states or even moving to those states in order to cut high costs of doing business. For many carriers that is not a practical move, however, for others that operate all over the country in truckload irregular route operations, they do not have to locate in Montana they can be anywhere and we have seen evidence of this happening over the past years.

WORKER'S COMPENSATION/MMCA

Page 3

MMCA membership was polled when the 1987 rate was increased by 25% from 11.86 to 14.80 per \$100 of wages. Some 51% of the carriers responding indicated that they would consider plans to move operations out of Montana. (A copy of that survey response is attached to this statement).

In February, 1987, when MMCA testified in SB315, the truckmen rate which had increased by 50% two years before, experienced another 25% rate hike January 1, 1987, making it \$14.80 per \$100 of wages. The Worker's Compensation premium cost in Montana for a truck driver earning \$30,000 per year was \$4,440 per year. In North Dakota, the cost for that same driver earning the same wage was \$389 per year. In Utah, the cost was \$2,076. In Wyoming, the cost was \$1,140. In Washington, the cost was \$1,920. In June of 1988, some of these state rates nudged upward slightly, the most notable was North Dakota's which increased from \$389 to \$434 per year. On July 1, 1988, Montana's rate for a truckman went up another 12% to \$16.59 per \$100 plus 30 cents per \$100 to \$16.89 costing \$5,067 per year. For example, a large carrier now based in Montana with 400 drivers, Worker's Compensation costs are \$2,026,800 per year. He can move to North Dakota and the cost for the same number of drivers is an incredible \$173,600 per year. That's a savings of \$1,853,200 per year. Why? North Dakota and the other states mentioned are so-called monopoly states and that all employers are required to participate in the State Worker's Compensation Fund in those states. It's been mentioned that workers receive fewer benefits in those states, however, the benefit level must be doing their job in a satisfactory manner. Why do Montana benefits have to be so much more liberal that they threaten our program?

WORKER'S COMPENSATION

Page 4

Where a trucking company has a net profit in the 1.5% to 2% range, additional operating costs such as high Worker's Compensation costs in Montana and low costs in surrounding states can be a determining factor as to whether or not the trucking company can stay in business along side competition from truckers in neighboring states or be forced to move to one of these states.

Motor Carriers Worker's Compensation costs are the largest single expense items which are specifically tied to being domiciled in Montana that is affecting their ability to stay in business here. This is due to their inability to compete in such a labor intensive market, where their competitor based in a neighboring state enjoys an additional profit margin of 5 to 8.5% based on savings in Worker's Compensation costs alone.

Legislation passed in 1987, as mentioned, provided for financial incentives for employers who institute formal safety programs. MMCA is currently implementing a program along these lines for members. Motor Carriers are required to have a safety program and comply with extensive safety regulations now set down on the Federal Bureau of Motor Carrier Safety and the State of Montana. One major problem is that all truck drivers are thrown into a single class under Worker's Compensation. There is very little incentive for a given employer to spend the effort and money to implement an effective safety program and then continue to watch his Worker's Compensation costs climb. MMCA recommends that further programs be implemented to more effectively reward motor carriers whom have effective cost savings safety programs.

WORKER'S COMPENSATION/MMCA

Page 5

We would like to see the implementation of a Retrospective Rating Plan in the State Compensation Insurance Fund. This program could save a number of employers with effective safety programs considerable money in Worker's Compensation premium costs.

Washington State has such a program. Motor carriers in that state participating in Washington's retrospective rating program have realized substantial rebates due to effective safety programs. For example in 1984, some 59 carriers enrolled in the Retro Plan realized a rebate of \$230,000. The plan has grown to over 100 trucking companies in that state. We recommend that Montana explore this possibility.

We further recommend that the problem of interstate and international double coverage requirement be resolved. Motor carriers operating into Canadian Provinces for example are being required to pay full Worker's Compensation premiums in those provinces as well as in Montana. British Columbia, Manitoba and Saskatchewan all require full payment for premiums there by Montana carriers. They refuse to recognize that premiums are fully paid for Worker's Compensation in Montana. Yet, Montana does not make the same requirement of Canadian truckers coming into Montana.

We should establish extraterritorial reciprocity agreements with those provinces or disallow employers from there to operate without a fully paid Montana insurance policy.

SENATE LABOR & EMPLOYMENT

EXHIBIT NO. 10pg 6 of 7

DATE 1-18-07


BILL NO. Public Forum

WORKER'S COMPENSATION

Page 6

Mr. Chairman, MMCA again appreciates this opportunity to appear here today. We would like to go on record with this committee in support of further reforms in Montana's Worker's Compensation program that will lead to lower premiums. MMCA is pledged to support this effort. With many of our members, it's a matter of economic survival. Thank you.

MONTANA MOTOR CARRIERS ASSOCIATION INC.



January 5, 1987

STATE LABOR & EMPLOYMENT

LETTER NO. 10 pg 7 of 7

DATE 1-10-89

B.G. HAVDAHL, EXECUTIVE VICE PRESIDENT
501 NORTH SANDERS
P.O. BOX 1714, HELENA, MONTANA 59624
TELEPHONE: AREA CODE 406 442-6600

TO : MMCA Executive Committee

FROM: B. G. HAVDAHL, Executive Vice President

RE : Responses to Workers' Compensation Rate Increase Survey

The MMCA membership was polled on December 8, 1986, asking for reaction to the 25% Workers' Compensation rate increase for truckmen from \$11.86 to \$14.80 per \$100 of wages.

The following is a recap of the poll and an estimation of power units involved by the respective carriers:

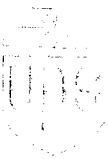
- 1) Number of carriers responding.....55
- 2) Total estimated power units involved.....2379
- 3) Number of carriers indicating plans to move out of Montana or move drivers under the employ of an out-of-state corporation.....29 (52%)
 - A) Number of power units involved (3).....1338 (56%)
- 4) Number of carriers indicating no plans to move.....24 (43%)
 - A) Number of power units involved (4).....347 (14%)
- 5) One carrier with 325 power units does not pay or require independent contractors to be insured and another carrier with 369 power units implied the possible consideration of moving for a total of 694 power units.
- 6) Number of suppliers responding.....6
- 7) Number of suppliers indicating their plans to relocate outside of Montana.....3

BGH:ap

MEMBER



REPRESENTING THE TRUCKING INDUSTRY IN MONTANA



United Parcel Service

UNEMPLOYMENT & EMPLOYMENT
EXHIBIT NO. 11
DATE 1-10-89
BILL NO. Public
Forum 1062

January 6, 1989

TO: Tom Hardeman
FR: Bill Bundy - Montana District
RE: Legislative Hearing on Workmens Compensation

Tom, here is briefly the statement we would like to make to the Montana legislature. I have also attached some information concerning the tax.

House Bill No. 984 is intended to solve the deficit at the State Workers' Compensation Insurance Fund.

This tax requires employers, who pay for their own insurance protection, to also subsidize the insurance consumer who purchases workers' compensation insurance from the State of Montana.

We do not feel it is fair to be taxed the .3% of our payroll to do this. Currently we have paid in excess of \$68,000.00 and do not see any benefits we will receive for those payments.

Gary R. Hollandsworth

Gary R. Hollandsworth
District Personnel Manager

Montana District
1002 10th Street W.
Billings, MT 59102
Phone: (406) 255-1656



United Parcel Service

19,580

Mont.—Summaries of Legislation—1987 Tax Legislation

84 8-87

limitations is not applicable if the owner or operator of a facility purposely or knowingly files a false or fraudulent return with intent to evade the tax. The owner or operator must maintain books and records showing the accommodation charges collected, and have them available for inspection by the Department, for five years.

A penalty of 2% of the tax that should have been collected and remitted to the Department of Revenue is imposed against an owner or operator who fails to file a required report or fails to make payment of the tax to the Department. The Department, on a showing of good cause, may waive the penalty. Interest on any deficiency determination or delinquency accrues at the rate of 1% per month or part thereof from the delinquency date until paid. Proceeds of the tax, after collecting and disbursing costs are reimbursed to the Department of Revenue, are to be used to promote tourism and also to promote Montana as a location for the production of motion pictures and television commercials.

Approved April 24, 1987; applicable to taxable transactions on or after July 1, 1987.

* .05 Workers' Compensation Payroll Tax Imposed on Employers to Fund Liabilities of State Compensation Insurance Fund.—Ch. 664 (H.B. 884) adds four new sections to the law to impose a workers' compensation payroll tax on employers in an amount equal to 0.3% of an employer's payroll in the preceding calendar quarter for all employment covered by the Workers' Compensation Act. The new tax is due and payable following the end of each calendar quarter, commencing with the calendar quarter ending September 30, 1987. The tax must be paid to, and collected by, the state Department of Labor and Industry, and that Department will prepare appropriate returns to be filed by employers. Taxes not paid when due bear interest at the rate of 1% per month, and the employer must also pay a 10% penalty on the delinquent tax. The provisions of the coal severance tax law regarding deficiency assessments, credits for overpayments, statute of limitations, penalties, and department rulemaking authority also apply to the new workers' compensation payroll tax.

The purpose of the new tax, according to the new law, is to fund unfunded liability that, on the basis of current liabilities and actuarial analysis, presently exists in the State Compensation Insurance Fund and is projected to increase. The burden of this unfunded liability, states the new law, should not be borne solely by those employers who have insured with the state fund, because the availability of insurance to all employers through the state fund has benefited all employers who have workers' compensation coverage. Therefore, said the legislature, all employers who have employees covered by the workers' compensation laws should share in the cost of the unfunded liability and are subjected to the new workers' compensation payroll tax.

The new tax is to terminate on June 30, 1991.

Approved and effective May 22, 1987.

[§ 287-035] ALCOHOLIC BEVERAGES

.01 Approval of Health and Environmental Sciences Department No Longer Required to Cater Special Event.—Ch. 34 (H.B. 194) amends Sec. 16-4-204 MCA to eliminate the requirement that a licensee submit a written statement of approval of the premises to be catered when the licensee applies for approval to sell alcoholic beverages at a special event under the catering endorsement to the licensee's all-beverages liquor license. Any all-beverages licensee is, on the approval of the liquor division, entitled to a catering endorsement to the licensee's all-beverages license, allowing the licensee to cater and sell alcoholic beverages for consumption on the premises to persons attending special events on premises not otherwise licensed for the sale of alcoholic beverages. The written application for a catering endorsement must still, as under prior law, be accompanied by an annual fee of \$250. Further, a written application for each event the licensee intends to cater must still be filed with the Department of Revenue at least three days prior to the event, accompanied by written approval of the event's sponsor and an additional \$35 fee.

Under prior law, the licensee had to submit with the application for each event the licensee intended to cater a written statement of approval of the premises where the event was to be held, issued by the State Department of Health and Environmental Sciences and the local law enforcement agency having jurisdiction over such premises. Under the amended law, a licensee must still submit with each application for an event a written statement of approval of the premises where the catered event is to be held issued by the local law enforcement agency having jurisdiction over such premises. However, the licensee need not obtain the approval of the Department of Health and Environmental Sciences.

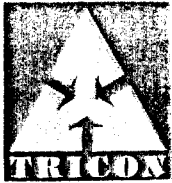
Approved February 20, 1987; effective October 1, 1987. To be reflected at Comp. § 35-809

.02 Tax Formerly Imposed on Imported Beer Also Imposed on Beer Manufactured in Montana.—Ch. 172 (H.B. 717) amends Secs. 16-1-406 and 16-1-408 MCA to impose the same tax, \$4.30 per barrel, on both imported beer and beer manufactured in Montana. Prior law imposed a tax of \$3 per barrel of 31 gallons and a second tax of \$1.30 per barrel on beer manufactured outside the state but sold in Montana, but only the \$1.30 per barrel tax was imposed on beer brewed in Montana and sold in the state. Under the

¶ 287-035

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1-10-89



Tricon Timber, Inc.
 P.O. Box 517
 Afton, Wyoming 83110

Telephone: 307-886-3807
 Telefax: 307-886-3813

JANUARY 5, 1989

EXPENSE STATISTICS FOR A MARRIED EMPLOYEE CLAIMING TWO
 DEPENDANTS MAKING \$8.00 AN HOUR WITH A 160 HOUR MONTH.

EMPLOYEE EXPENSES	MONTANA RATES	MONTANA TOTALS	WYOMING RATES	WYOMING TOTALS
GROSS	160X8.00	1,280.00	160X8.00	1,280.00
FICA	7.51%	96.13	7.51%	96.13
FWT		304.00		304.00
SWT		50.88		N/A
NET		828.99		879.87
DIFFERENCE:	\$50.88 MORE TO WYOMING EMPLOYEE.			

EMPLOYER EXPENSES	MONTANA RATES	MONTANA TOTALS	WYOMING RATES	WYOMING TOTALS
FICA	7.51%	96.13	7.51%	96.13
W/C	28.18%	360.70	2.05%	26.24
FUTA	.8 %	10.24	.8 %	10.24
SUTA	3.1 %	39.68	2.72%	34.82
TOTAL		506.75		167.43
DIFFERENCE:	\$339.32 LESS EXPENSE IN WYOMING.			

BENEFITS	MONTANA	WYOMING
MEDICAL IN.	213.23 PER MONTH	213.23 PER MONTH
HOLIDAYS (8)	NONE	512.00 PER YEAR
VACATIONS	NONE	320.00 PER YEAR



Public Forum
1-10-89

SUMMARY

A Wyoming employee under the stated conditions would receive \$50.88 per month than the Montana employee due to the Montana state tax.

Workmans compensation and SUTA in Montana would cost the Montana company \$339.32 more per month for employee expense than in the state of Wyoming. Eight paid holidays and one weeks vacation costs the Wyoming employer approximately \$812.00 per year, not counting fringe. If the workmans compensation in Montana were reduced to Wyoming levels, the \$4071.84 for Montana workmans compensation for one year, on the same employee, would pay for holidays and vacations for 5 Montana employees.

The cost for workmans compensation and SUTA in Montana for a 40 employee operation is \$162,873.60 more than the same number of employees in Wyoming.

Workers' Comp

Dale H. Malquist
P.O. Box 861
Lincoln, MT 59639

January 18, 1989

Senate Labor Committee
Workmans' Compensation
State Capitol Building
Helena, MT 59620

Dear Sirs:

At your hearing on January 10, 1989, I gave testimony on several subjects concerning the Workmans' Compensation here in Montana. Not being an experienced speaker, I fear I did not adequately present the information I intended. I would like to submit this written testimony which is a clarification of my oral testimony.

I spoke about representation of injured workers being absolutely necessary to the injured worker. An injured worker is thrust into an adversary situation that he knows nothing about. Generally, the only place to get information as to his rights and obligations are from an attorney. An injured worker, generally naive in the system, lacks the knowledge to represent himself against the insurance carriers, whether they be the state fund or a private carrier. There can be no doubt the insurance carriers and adjustors are experts in dealing with claims nor can there be any doubt as to who's welfare would come first, after all they are in business to compete. I have personal knowledge of injured workers who are not being compensated for everything they should be just because they do not have the knowledge and no one on the their adversary side is going to provide them with that knowledge. To legislate attorneys out of the workmans' comp system is an atrocity to the working people of the State of Montana and possibly unconstitutional as well.

I also gave testimony about the benefits in the State of Montana as compared to other states. I have no knowledge as to employer rates other than that I gleaned at the hearing, however, I do have much information as to benefits. The following information has been taken from publications of U.S. Department of Labor, Employment Standards Administration, Office of State Liason and Legislative Analysis, Division of State Workers' Compensation Programs, Washington, D.C. and the Michigan Injured Workers', Inc. 20600 Eureka Rd.-Suite 314, Taylor, Michigan 48180. As I testified, only 3 or 4 states have lower PPD (permanent partial disability) benefits and PPD benefits are the benefits the majority of workers receive as future wage compensation. These benefits are limited to 500 weeks at a maximum of \$149.00 per week with the total benefit being about \$74,500. in the most extreme cases. A worker with a permanent partial disability is unlikely to return to his former occupation and he and his family has only a much lower standard of living to look forward to for

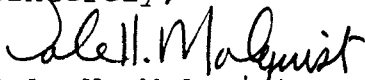
has only a much lower standard of living to look forward to for the rest of his working days. This carries over into retirement as, generally, the worker is out of his retirement programs too. Montana was compared to the surrounding states and even there Montana benefits are the lowest. Interestingly enough, another low rate Montana has is the number of of claims per one thousand, 8% as compared to 10.5% in the surrounding states. Apparently we have less people getting hurt and we are paying them less when they do. The other Northwestern states have much the same types of industry and their maximum PPD rates are as follows; Washington, \$90,000 maximum for an uscheduled injury payable at \$1,670.45 plur 8% per annum interest. Idaho, \$172.70 weekly up to 500 weeks. Wyoming, \$230.94 weekly with no maximum for an unscheduled injury. Oregon, \$370.96 weekly.

From the same source, it is apparent that Montana workers who suffer a total permanent disability (TPD) also fare worse than the average. Eighteen states have lower TPD benefits and a significant number of those are Southern states which one would assume have a lower cost of living than we do.

While a worker is injured and unable to return to work, he receives total temporary disability payments (TTD). There are sixteen states that have a lower TTD rates and some of those provide for dependants.

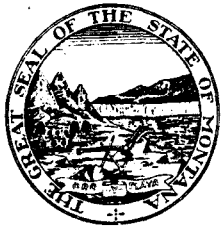
While one may be sympathetic to the business community's complaints about rates, it is apparent that the injured workers in Montana have a legitimate complaint also. High rates, low benefits, in the state fund it may be bureaucratic incomptetency causing the deficit, however, in the private insurance sector, where the rates must be somewhat comparable, where is all the money going?

Sincerely,



Dale H. Malquist

cc: Mike Sherwood, Montana Trial Lawyers Association lobbyist.
Jim Murray, Montana State AFL/CIO



46 North Last Chance Gulch
P.O. Box 537
Helena, MT 59624-0537
(406) 444-7794

Workers' Compensation Court

TIMOTHY W. REARDON
JUDGE

January 12, 1989

Senator Gary Aklestad
Chairman, Senate Labor Committee
Room 413/415
State Capitol Building
Helena, MT 59601

Dear Senator Aklestad:

Bob Jensen, Administrator of the Employment Relations Division, Department of Labor and Industry asked me to provide you and the Senate Labor Committee with statistics applicable to Workers' Compensation Court appeals to the Supreme Court. Attached is a breakdown of those numbers from FY 86 through the first half of FY 89.

Since the Court hears cases for all three insurance plans, the number of appeals is not broken down by plan. I can obtain that breakdown number if you wish, but it will take some time because the cases will have to be researched by hand. Please feel free to contact me and I will obtain those numbers if you wish.

I have included the appeal results from FY 86 and FY 87. We have not yet completed FY 88 results but can also provide that if you wish.

I have also included the numbers which show the requests or petitions for hearing for the same years. Of interest is the high number in FY 87 and the low number in FY 88. The reason for that disparity is the enactment of the 1987 reform effective July 1, 1987. Out of the 927 petitions in FY 87, approximately 300 plus were filed in June in an effort to avoid being required to go through mediation.

The relatively low number of petitions in FY 88 is because I ruled that all cases, regardless of date of injury, had to go through mediation before filing a petition with the Court. In November, 1988, the Supreme Court reversed my decision and held that only those cases where the injury occurred after July 1, 1987 were required to go through mediation. That is the reason

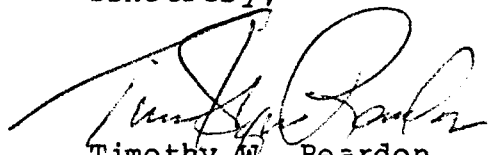
1-10-89

Senator Aklestad
Chairman, Senate Labor Committee
Page Two
January 12, 1989

that the first half of this fiscal year shows an increase in petitions filed. Of the 240 filed, 120 were filed in November and December.

I trust this information is useful. Please contact my office if you would like further information.

Sincerely,



Timothy W. Reardon
Judge

TWR/mr

Attachment

1-10-89

SUPREME COURT APPELLATE STATISTICS FROM
WORKERS' COMPENSATION COURT DECISIONS

	<u>Appeals</u>	<u>Affirmed</u>	<u>Reversed</u>	<u>Remanded</u>
FY 86	39	34 (87%)	4	1
FY 87	56	40 (72%)	10	5
FY 88	36	Not yet compiled.		
FY 89	27			

STATISTICS ON PETITIONS FILED WITH
THE WORKERS' COMPENSATION COURT

Petitions

FY 86	571	(7% appealed)
FY 87	927	(6% appealed)
FY 88	192	(19% appealed)
FY 89 (6 months)	240	(11% appealed)

LABOR COMMITTEE

VISITORS' REGISTER

51st LEGISLATIVE SESSION

DATE: 1/10/88

LEAVE PREPARED STATEMENTS WITH SECRETARY! PLEASE!!!

PRINT: NAME	REPRESENTING	Check One	
		Support	Oppos
Ronald Garbarino	AFL-CIO		
JAN ANDERSON			
Ben Parn	DWC		
Ch. W. ...	MPC		
W. Stuck	SCIF		
John ...	DWC - SCIF		
W.H. Malquist	SELF		
Mike Rice	Transystems, Inc		
Jim Murphy	DWC		
James M. Donald	Norco Products		
Don Everett	Attorney		
Michael Sherwood	MTLA		
Chris Steier	Save Montana Jobs -		
Ray Conger	IIAM		
Marilyn Pimpston	Rural Economic Dev.		
Lorna Frank	Farm Bureau		
Richard Vinson	SAVE MONT. JOBS		
John Cochran	SAVE MONTANA JOBS		
Ed Eby	EBI/ORION		
JIM HENDRICKSON	SAVE MONTANA JOBS		

LABOR COMMITTEE
VISITORS' REGISTER
51st LEGISLATIVE SESSION

DATE: January 10, 1989

LEAVE PREPARED STATEMENTS WITH SECRETARY! PLEASE!!!

PRINT: NAME	REPRESENTING	Check One	
		Support	Oppose
JACK ALTMAN			
Shirley McCaul			
James W. Murray	Mont. State AFL-CIO		
James Ryan	Self		
(John) Anderson			
JIM SCHMIDT	Self		
Robert Smedberg	Self		
Bob Walker	MT sent		
Jim Smith	MAR/MARF		
JIM TUTWILER	MT CHAMBER COM		
Michael Anstalter	Crossed Rehabilitation		
Brook Lust	self		
Bob Jensen	Dept. of Labor		
R.V. Jensen	D FSCME		
Dennis Johnson	State Bar		
George Wood	MT Self Insurance Assoc.		
W. A. Neal	JOHN R. DAILY, Inc.		
Ben Huddell	MT Motor Carriers ASSN		
Bob Wurtke	Western States IWS		
Frank Dillon	Log Truckers Assoc.		
Kay Foster	Billings Chamber of Commerce		

