

*Senate* BILL NO. 345  
 INTRODUCED BY Lowe, Nathan Nealy Lee Mehrens  
Shirrel Nelson

A BILL FOR AN ACT ENTITLED: "AN ACT TO ENCOURAGE COMPETITION AMONG WORKERS' COMPENSATION INSURERS BY AUTHORIZING COMPETITIVE RATING PURSUANT TO THE PROVISIONS OF TITLE 40, CHAPTER 36, R.C.M. 1947; AMENDING SECTIONS 40-3639, 40-5601, 40-5602, 40-5616, AND 40-5618, R.C.M. 1947; AND REPEALING SECTIONS 40-5607 THROUGH 40-5615, R.C.M. 1947."

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

Section 1. Section 40-3639, R.C.M. 1947, is amended to read as follows:

"40-3639. Scope of chapter. This chapter applies to all insurers and all kinds of insurance, except that nothing contained in this chapter shall apply to:

- (1) Life insurance.
- (2) Disability insurance.
- (3) Reinsurance, except joint reinsurance as provided in section 20 [40-3653] of this chapter.
- (4) Insurance against loss of or damage to aircraft, their hulls, accessories and equipment, or against liability, other than ~~workmen's~~ workers' compensation and employers' liability, arising out of the ownership,

maintenance or use of aircraft.  
 (5) Insurance of vessels or craft, their cargoes, marine builders' risks, marine protection and indemnity, or other risks commonly insured under marine, as distinguished from inland marine, insurance policies.

(6) Title insurance.  
~~(7) Workmen's compensation or employers' liability insurance written in connection with workmen's compensation."~~

Section 2. Section 40-5601, R.C.M. 1947, is amended to read as follows:

"40-5601. Declaration of policy — purpose of act. (1) It is declared that the public welfare is served by the making of premium rates for ~~workmen's~~ workers' compensation insurance coverage in concert, ~~and that the review by the state of the rates so made is necessary and desirable in the public interest.~~

(2) It is the purpose of this act:  
 (a) to authorize such rate-making in concert, and the operating of rating organizations thereto; and

(b) to establish the general bases and standards for the making of such rates;

~~(c) to provide for review by the state of such rate-making and the results thereof."~~

Section 3. Section 40-5602, R.C.M. 1947, is amended to

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1 A BILL FOR AN ACT ENTITLED: "AN ACT TO ENCOURAGE  
 2 COMPETITION AMONG WORKERS' COMPENSATION INSURERS BY  
 3 AUTHORIZING COMPETITIVE RATING PURSUANT TO THE PROVISIONS OF  
 4 TITLE 40, CHAPTER 36, R.C.M. 1947; AMENDING SECTIONS  
 5 40-3639, 40-5601, 40-5602, 40-5616, AND 40-5618, R.C.M.  
 6 1947; AND REPEALING SECTIONS 40-5607 THROUGH 40-5615, R.C.M.  
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 13 contained in this chapter shall apply to:

- 14 (1) Life insurance.
- 15 (2) Disability insurance.
- 16 (3) Reinsurance, except joint reinsurance as provided
- 17 in section 20 [40-3653] of this chapter.
- 18 (4) Insurance against loss of or damage to aircraft,
- 19 their hulls, accessories and equipment, or against
- 20 liability, other than ~~workmen's~~ workers' compensation and
- 21 employers' liability, arising out of the ownership,

1 maintenance or use of aircraft.  
 2 (5) Insurance of vessels or craft, their cargoes,  
 3 marine builders' risks, marine protection and indemnity, or  
 4 other risks commonly insured under marine, as distinguished  
 5 from inland marine, insurance policies.

6 (6) Title insurance.  
 7 ~~(7) Workmen's compensation or employers' liability~~  
 8 ~~insurance written in connection with workmen's~~  
 9 ~~compensation."~~

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 14 making of premium rates for ~~workmen's~~ workers' compensation  
 15 insurance coverage in concert, ~~and that the review by the~~  
 16 ~~state of the rates so made is necessary and desirable in the~~  
 17 ~~public interest.~~

- 18 (2) It is the purpose of this act:
- 19 (a) to authorize such rate-making in concert, and the
- 20 operating of rating organizations thereto; and
- 21 (b) to establish the general bases and standards for
- 22 the making of such rates;
- 23 ~~(c) to provide for review by the state of such~~  
 24 ~~rate-making and the results thereof."~~

25 Section 3. Section 40-5602, R.C.M. 1947, is amended to

1 read as follows:

2 "40-5602. Applicability of act. This act together and  
 3 in conjunction with Title 40, chapter 36, applies to the  
 4 making of premium rates for ~~workmen's~~ workers' compensation  
 5 insurance issued under compensation plan Number 2 of the  
 6 ~~Workmen's Workers'~~ Workers' Compensation Act, sections 92-1001 to and  
 7 including 92-1012, and for ~~workmen's~~ workers' compensation  
 8 insurance issued under compensation plan Number 3 of the  
 9 ~~Workmen's Workers'~~ Workers' Compensation Act, sections 92-1101 to and  
 10 including 92-1123."

11 Section 4. Section 40-5616, R.C.M. 1947, is amended to  
 12 read as follows:

13 "40-5616. Membership in rating organization required.  
 14 Every insurer, including the ~~Montana state industrial~~  
 15 ~~accident board~~ division of workers' compensation, writing  
 16 ~~workmen's~~ workers' compensation insurance in this state,  
 17 shall be a member of a ~~workmen's~~ workers' compensation  
 18 rating organization. No insurer may, at the same time,  
 19 belong to more than one rating organization with respect to  
 20 such insurance."

21 Section 5. Section 40-5618, R.C.M. 1947, is amended to  
 22 read as follows:

23 "40-5618. ~~Industrial accident board~~ Division of  
 24 workers' compensation as member of committee on operation of  
 25 rating organization -- other members. In a rating

1 organization of which the ~~Montana industrial accident board~~  
 2 division of workers' compensation is a member, it shall be  
 3 entitled, without election, to membership on any committee  
 4 thereof established in connection with the operation of the  
 5 rating organization in this state. One member of each such  
 6 committee shall be chosen by the stock insurers and one by  
 7 the nonstock insurers. Such committee shall consist of  
 8 three (3) members as herein provided for."

9 Section 6. Repealer. Sections 40-5607, 40-5608,  
 10 40-5609, 40-5610, 40-5611, 40-5612, 40-5613, 40-5614, and  
 11 40-5615, R.C.M. 1947, are repealed.

-End-

STATE OF MONTANA

REQUEST NO. 475-77

FISCAL NOTE

Form BD-15

In compliance with a written request received February 10, 19 77, there is hereby submitted a Fiscal Note for Senate Bill 345 pursuant to Chapter 53, Laws of Montana, 1965 - Thirty-Ninth Legislative Assembly.

Background information used in developing this Fiscal Note is available from the Office of Budget and Program Planning, to members of the Legislature upon request.

DESCRIPTION OF PROPOSED LEGISLATION:

Encourages competition among Workers' Compensation insurers by authorizing competitive rating.

FISCAL IMPACT:

None. The proposed legislation will not affect workload or operating costs of the Division of Workers' Compensation.

*Richard L. Drayton*

BUDGET DIRECTOR

Office of Budget and Program Planning

Date: 2-18-77

Approved by Committee  
on Business and Industry

1                   SENATE BILL NO. 345  
2                   INTRODUCED BY LOWE, MATHERS,  
3                   LEE, MEHRENS, HIMSL, NELSON, HEALY  
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5    A BILL FOR AN ACT ENTITLED: "AN ACT TO ENCOURAGE  
6    COMPETITION AMONG WORKERS' COMPENSATION INSURERS BY  
7    AUTHORIZING COMPETITIVE RATING PURSUANT TO THE PROVISIONS OF  
8    TITLE 40, CHAPTER 36, R.C.M. 1947; AMENDING SECTIONS  
9    40-3639, 40-5601, 40-5602, 40-5616, AND 40-5618, R.C.M.  
10   1947; AND REPEALING SECTIONS 40-5607 THROUGH 40-5615, R.C.M.  
11   1947."  
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13   BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:  
14       Section 1. Section 40-3639, R.C.M. 1947, is amended to  
15   read as follows:  
16       "40-3639. Scope of chapter. This chapter applies to  
17   all insurers and all kinds of insurance, except that nothing  
18   contained in this chapter shall apply to:  
19       (1) Life insurance.  
20       (2) Disability insurance.  
21       (3) Reinsurance, except joint reinsurance as provided  
22   in section 20 [40-3653] of this chapter.  
23       (4) Insurance against loss of or damage to aircraft,  
24   their hulls, accessories and equipment, or against  
25   liability, other than ~~workmen's~~ workers' compensation and

SECOND READING

1   employers' liability, arising out of the ownership,  
2   maintenance or use of aircraft.  
3       (5) Insurance of vessels or craft, their cargoes,  
4   marine builders' risks, marine protection and indemnity, or  
5   other risks commonly insured under marine, as distinguished  
6   from inland marine, insurance policies.  
7       (6) Title insurance.  
8       ~~(7) Workmen's compensation or employers' liability~~  
9   ~~insurance written in connection with workmen's~~  
10   ~~compensation."~~  
11       Section 2. Section 40-5601, R.C.M. 1947, is amended to  
12   read as follows:  
13       "40-5601. Declaration of policy -- purpose of act. (1)  
14   It is declared that the public welfare is served by the  
15   making of ADVISORY premium rates for ~~workmen's~~ workers'  
16   compensation insurance coverage in concert, ~~and that the~~  
17   ~~review by the state of the rates so made is necessary and~~  
18   ~~desirable in the public interest.~~  
19       (2) It is the purpose of this act:  
20       (a) to authorize such rate-making in concert, and the  
21   operation of rating organizations thereto; and  
22       (b) to establish the general bases and standards for  
23   the making of such rates;  
24       ~~(c) to provide for review by the state of such~~  
25   ~~rate-making and the results thereof."~~

1 Section 3. Section 40-5602, R.C.M. 1947, is amended to  
2 read as follows:

3 "40-5602. Applicability of act. This act ~~together and~~  
4 ~~in conjunction with Title 40, chapter 36,~~ applies to the  
5 making of premium rates for ~~workmen's~~ workers' compensation  
6 insurance issued under compensation plan Number 2 of the  
7 ~~Workmen's~~ Workers' Compensation Act, sections 92-1001 to and  
8 including 92-1012, ~~and for workmen's~~ workers' compensation  
9 ~~insurance--issued--under--compensation--plan--Number--3--of--the~~  
10 ~~Workmen's~~ Workers' Compensation Act, sections 92-1101 to and  
11 ~~including 92-1123."~~

12 Section 4. Section 40-5616, R.C.M. 1947, is amended to  
13 read as follows:

14 "40-5616. Membership in rating organization required.  
15 Every insurer, including the ~~Montana--state--industrial~~  
16 ~~accident-board~~ division of workers' compensation, writing  
17 ~~workmen's~~ workers' compensation insurance in this state,  
18 shall be a member of a ~~workmen's~~ workers' compensation  
19 rating organization. No insurer may, at the same time,  
20 belong to more than one rating organization with respect to  
21 such insurance."

22 Section 5. Section 40-5618, R.C.M. 1947, is amended to  
23 read as follows:

24 "40-5618. ~~Industrial--accident--board~~ Division of  
25 workers' compensation as member of committee on operation of

1 rating organization -- other members. In a rating  
2 organization of which the ~~Montana-industrial-accident-board~~  
3 division of workers' compensation is a member, it shall be  
4 entitled, without election, to membership on any committee  
5 thereof established in connection with the operation of the  
6 rating organization in this state. One member of each such  
7 committee shall be chosen by the stock insurers and one by  
8 the nonstock insurers. Such committee shall consist of  
9 three (3) members as herein provided for."

10 Section 6. Repealer. Sections 40-5607, 40-5608,  
11 40-5609, 40-5610, 40-5611, 40-5612, 40-5613, 40-5614, and  
12 40-5615, R.C.M. 1947, are repealed.

-End-

## 1 SENATE BILL NO. 345

2 INTRODUCED BY LOWE, MATHERS,

3 LEE, MCHRENS, HENSL, NELSON, HEALY

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5 A BILL FOR AN ACT ENTITLED: "AN ACT TO ENCOURAGE  
6 COMPETITION AMONG WORKERS' COMPENSATION INSURERS BY  
7 AUTHORIZING COMPETITIVE RATING PURSUANT TO THE PROVISIONS OF  
8 TITLE 40, CHAPTER 36, R.C.M. 1947; AMENDING SECTIONS  
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10 1947; AND REPEALING SECTIONS 40-5607 THROUGH 40-5615, R.C.M.  
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13 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:14 Section 1. Section 40-3639, R.C.M. 1947, is amended to  
15 read as follows:16 "40-3639. Scope of chapter. This chapter applies to  
17 all insurers and all kinds of insurance, except that nothing  
18 contained in this chapter shall apply to:

- 19 (1) Life insurance.  
20 (2) Disability insurance.  
21 (3) Reinsurance, except joint reinsurance as provided  
22 in section 20 [40-3653] of this chapter.  
23 (4) Insurance against loss of or damage to aircraft,  
24 their hulls, accessories and equipment, or against  
25 liability, other than workmen's workers' compensation and

1 employers' liability, arising out of the ownership,  
2 maintenance or use of aircraft.

3 (5) Insurance of vessels or craft, their cargoes,  
4 marine builders' risks, marine protection and indemnity, or  
5 other risks commonly insured under marine, as distinguished  
6 from inland marine, insurance policies.

7 (6) Title insurance.

8 ~~(7) Workmen's compensation or employers' liability~~  
9 ~~insurance written in connection with workmen's~~  
10 ~~compensation."~~

11 Section 2. Section 40-5601, R.C.M. 1947, is amended to  
12 read as follows:

13 "40-5601. Declaration of policy -- purpose of act. (1)  
14 It is declared that the public welfare is served by the  
15 making of ADVISORY premium rates for workmen's workers'  
16 compensation insurance coverage in concert, ~~and that the~~  
17 ~~review by the state of the rates so made is necessary and~~  
18 ~~desirable in the public interest.~~

19 (2) It is the purpose of this act:

20 (a) to authorize such rate-making in concert, and the  
21 operating or rating organizations thereto; and

22 (b) to establish the general bases and standards for  
23 the making of such rates;

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8 including 92-1012, ~~and for workmen's~~ workers' compensation  
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12 Section 4. Section 40-5616, R.C.M. 1947, is amended to  
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3 division of workers' compensation is a member, it shall be  
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5 thereof established in connection with the operation of the  
6 rating organization in this state. One member of each such  
7 committee shall be chosen by the stock insurers and one by  
8 the nonstock insurers. Such committee shall consist of  
9 three (3) members as herein provided for."

10 Section 6. Repealer. Sections 40-5607, 40-5608,  
11 40-5609, 40-5610, 40-5611, 40-5612, 40-5613, 40-5614, and  
12 40-5615, R.C.M. 1947, are repealed.

-End-



## COMMITTEE ON BUSINESS AND INDUSTRY AMENDMENTS TO SENATE BILL NO. 345

1. Amend title, line 9.

Following: "40-3639,"

Insert: "40-3643,"

2. Amend page 2.

Following: line 10

Insert: "Section 2. Section 40-3643, R.C.M. 1947, is amended to read as follows:

"40-3643. Use of rates, rating systems, underwriting rules and policy or bond forms of rating or advisory organizations - agreements to adhere thereto. Members and subscribers of rating or advisory organizations may use the rates, rating systems, underwriting rules or policy or bond forms of such organizations, either consistently or intermittently, but, except as provided in Sections ~~9, 12, 20 and 21~~ (40-3642, 40-3645, 40-3653, and 40-3654) and 40-5616, shall not agree with each other or rating organizations or others to adhere thereto. The fact that two or more admitted insurers, whether or not members or subscribers of a rating or advisory organization, use, either consistently or intermittently, the rates or rating systems made or adopted by a rating organization, or the underwriting rules or policy or bond forms prepared by a rating or advisory organization, shall not be sufficient in itself to support a finding that an agreement to so adhere exists, and may be used only for the purpose of supplementing or explaining direct evidence of the existence of any such agreement."

Renumber: all subsequent sections

3. Amend page 3, section 4, line 14.

Following: "required."

Insert: "(1)"

4. Amend page 3, section 4.

Following: line 21

Insert: "(2) A rating organization shall file with the insurance commissioner every manual of classifications and rules and every rating plan and advisory manual rates, including every modification of the foregoing. Every such filing shall state the effective date thereof. Any insurer writing pursuant to compensation plan number 2 shall adhere to the manual of rules and classifications and rating plans of the rating organization of which it is a member and may adopt by reference, in whole or in part, the advisory manual rates filed under this section. Nothing in this section, however, requires adherence by any insurer to any rates established or published by any rating organization."

AS AMENDED

BE CONCURRED IN

1 SENATE BILL NO. 345

2 INTRODUCED BY LOWE, MATHERS,

3 LEE, MEHRENS, HIMSL, NELSON, HEALY

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25 liability, other than ~~workmen's~~ workers' compensation and

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11 SECTION 2. SECTION 40-3643, R.C.M. 1947, IS AMENDED TO  
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15 organizations--agreements to adhere thereto. Members and  
16 subscribers of rating or advisory organizations may use the  
17 rates, rating systems, underwriting rules or policy or bond  
18 forms of such organizations, either consistently or  
19 intermittently, but, except as provided in ~~sections 9-12-20~~  
20 ~~and 21-[40-3642, 40-3645, 40-3653, and 40-3654]~~ and 40-5616,  
21 shall not agree with each other or rating organizations or  
22 others to adhere thereto. The fact that two or more admitted  
23 insurers, whether or not members or subscribers of a rating  
24 or advisory organization, use, either consistently or  
25 intermittently, the rates or rating systems made or adopted

REFERENCE BILL

1 by a rating organization, or the underwriting rules or  
 2 policy or bond forms prepared by a rating or advisory  
 3 organization, shall not be sufficient in itself to support a  
 4 finding that an agreement to so adhere exists, and may be  
 5 used only for the purpose of supplementing or explaining  
 6 direct evidence of the existence of any such agreement."

7 Section 3. Section 40-5601, R.C.M. 1947, is amended to  
 8 read as follows:

9 "40-5601. Declaration of policy -- purpose of act. (1)  
 10 It is declared that the public welfare is served by the  
 11 making of ADVISORY premium rates for workmen's workers'  
 12 compensation insurance coverage in concert, ~~and that the~~  
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8 Section 5. Section 40-5616, R.C.M. 1947, is amended to  
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 11 ~~(1) Every insurer, including the Montana state industrial~~  
 12 ~~accident board division of workers' compensation,~~ writing  
 13 workmen's workers' compensation insurance in this state,  
 14 shall be a member of a workmen's workers' compensation  
 15 rating organization. No insurer may, at the same time,  
 16 belong to more than one rating organization with respect to  
 17 such insurance.

18 (2) A RATING ORGANIZATION SHALL FILE WITH THE  
 19 INSURANCE COMMISSIONER EVERY MANUAL OF CLASSIFICATIONS AND  
 20 RULES AND EVERY RATING PLAN AND ADVISORY MANUAL RATES,  
 21 INCLUDING EVERY MODIFICATION OF THE FOREGOING, EVERY SUCH  
 22 FILING SHALL STATE THE EFFECTIVE DATE THEREOF, ANY INSURER  
 23 WRITING PURSUANT TO COMPENSATION PLAN NUMBER 2 SHALL ADHERE  
 24 TO THE MANUAL RULES AND CLASSIFICATIONS AND RATING PLANS OF  
 25 THE RATING ORGANIZATION OF WHICH IT IS A MEMBER AND MAY

1 ADOPT BY REFERENCE, IN WHOLE OR IN PART, THE ADVISORY MANUAL  
2 RATES FILED UNDER THIS SECTION. NOTHING IN THIS SECTION,  
3 HOWEVER, REQUIRES ADHERENCE BY ANY INSURER TO ANY RATES  
4 ESTABLISHED OR PUBLISHED BY ANY RATING ORGANIZATION."

5 Section 3. Section 40-5618, R.C.M. 1947, is amended to  
6 read as follows:

7 "40-5618. ~~Industrial--accident--board~~ Division of  
8 workers' compensation as member of committee on operation of  
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11 division of workers' compensation is a member, it shall be  
12 entitled, without election, to membership on any committee  
13 thereof established in connection with the operation of the  
14 rating organization in this state. One member of each such  
15 committee shall be chosen by the stock insurers and one by  
16 the nonstock insurers. Such committee shall consist of  
17 three (3) members as herein provided for."

18 Section 7. Repealer. Sections 40-5607, 40-5608,  
19 40-5609, 40-5610, 40-5611, 40-5612, 40-5613, 40-5614, and  
20 40-5615, R.C.M. 1947, are repealed.

-End-