## HOUSE BILL NO. 357

# INTRODUCED BY DONALDSON, MAEUREK, METCALF, ERNST

## IN THE HOUSE

Introduced and referred to

January 19, 1983

|                   | Committee on Judiciary.  |
|-------------------|--|
| February 8, 1983  | Committee recommend bill do pass as amended. Report adopted.               |
| Pebruary 9, 1983  | Bill printed and placed on members' desks.                                 |
| February 10, 1983 | Second reading, do pass.   |
| Pebruary 11, 1983 | Considered correctly engrossed.  |
| February 12, 1983 | Third reading, passed. Transmitted to Senate.                              |
| IN THE            | SENATE   |
| February 12, 1983 | Introduced and referred to Committee on Public Health, Welfare and Safety. |
| March 3, 1983     | Rereferred to Committee on Judiciary.                                      |
| March 24, 1983    | Committee recommend bill be concurred in as amended. Report adopted.       |
| March 26, 1983    | Second reading, concurred in.  |
| March 28, 1983    | Third reading, concurred in. Ayes, 47; Noes, 0.                            |

## IN THE HOUSE

| March 28, 1983 | Returned to House with amendments.                         |
|----------------|--|
| April 1, 1983  | Second reading, pass consideration.                        |
| April 4, 1983  | Second reading, amendments concurred in.                   |
| April 5, 1983  | Third reading, amendments concurred in. Ayes, 98; Noes, 0. |
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Reported correctly enrolled.

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1 House BILL NO. 357
2 INTRODUCED BY Jonalds on Maguel Mutcall
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A BILL FOR AN ACT ENTITLED: "AN ACT TO REVISE THE LAWS RELATING TO IMMUNIZATION AND INDEMNIFICATION OF GOVERNMENTAL EMPLOYEES; AMENDING SECTION 2-9-305. MCA; AND PRUVIDING AN EFFECTIVE DATE."

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

Section 1. Section 2-9-305, MCA+ is amended to read:

"2-9-305. Governmental entity to be joined as defendant -- immunization, defense, and indemnification of employees. (1) It is the purpose of this section to provide for the immunization, defense, and indemnification of public officers and employees civilly sued for their actions, other than-intentional-tort-or-felonious-acts, taken within the course and scope of their employment.

(2) In an any noncriminal action for damages brought against any employee of a state, county, city, town, or other governmental entity for a negligent act, error, or omission, including alleged violations of civil rights pursuant to 42 UaSaCa 1983, or other actionable conduct of the employee committed while acting within the course and scope of his the employee's office or employment, the governmental entity employer, except as provided in

subsection (6) shall:

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(a) be made a party defendant to the action; and
(b) defend the action on behalf of the employee and indemnify the employee.

(3) Recovery-against-a-governmental-entity--under--the provisions--of--perts--1--through--3--of--this-chapter-shall constitute-a-complete-bar--to--any--action--or--recovery--of damages--by--the--claimanty--by--reason--of-the-same-subject mottery-agoinst-the-employee-whose--negligence--or--wrongful ecty--errory--or--omission--or-other-actionable-conduct-qaye rise-to-the-claim-In-any-such-action-against-a-governmental entityy-the-employee-whose-conduct-qave--rise--to--the--suit shall--be--immune--from-suit-by-reasons-of-the-same-subject matter-if-the-governmental-entity-acknowledges-or--is--bound by--a-judicial-determination-that-the-conduct-upon-which-the claim-is-prought-prises-out-of-the-course-and-scope-of--such employees --- employmenty -- unless -- the -- claim-is-based-upon-an intentional-tort-or-felonious--act--of--the--employees Upon receiving service of a summons and complaint in a noncriminal action against him, the employee shall give written notice to his supervisor requesting that a defense to the action be provided by the governmental entity employer. Except as provided in subsection (6). the employer shall offer a defense to the action on behalf of the employee. The defense may consist of a defense provided

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| directly by the employer. The employer shall notify th       |
|--|
| employee, within 15 days after receipt of notice, whether    |
| direct defense will be provided. If the employer refuses o   |
| is unable to provide a direct defense, the defendan          |
| employee may retain other counsel. Except as provided i      |
| subsection (6), the employer shall pay all expenses relation |
| to the retained defense and pay any judgment for damage      |
| antered in the action that may be otherwise payable unde     |
| this section.  |

governmental entity employee is a party defendant, the employee shall be indemnified by the governmental entity employer for any money judgments or legal expenses, including attorney fees either incurred by the employee or awarded to the claimant, or both, to which he the employee may be subject as a result of the suit unless the conduct upon which the claim is brought did not arise out of the course and scope of his employment or is an intentional tort or felonious—act—of—the—employee or falls within the exclusions provided in subsection (6).

(5) Recovery against a governmental entity under the provisions of parts 1 through 3 of this chapter constitutes a complete bar to any action or recovery of damages by the claimant, by reason of the same subject matter, against the employee whose negligence or wrongful act, error, or

| 1 | omission or other actionable conduct gave rise to the claim. |
|---|--|
| ? | In any such action against a governmental antity, the        |
| 3 | employee whose conduct gave rise to the suit is immune from  |
| 4 | civil suit by reasons of the same subject matter if the      |
| 5 | governmental entity acknowledges or is bound by a judicial   |
| 6 | determination that the conduct upon which the claim is       |
| 7 | brought arises out of the course and scope of the employee's |
| 8 | employment, unless the claim constitutes an exclusion        |
| 9 | provided in subsection 161.                                  |
|   |  |

(6) In a noncriminal action for damages in which a governmental entity employee is a party defendant, the employee may not be defended or indemnified by the employer for any money judgments or legal expenses, including attorney fees, to which the employee may be subject as a result of the suit if a judicial determination is made that:

(a) the conduct upon which the claim is based does not arise out of the course and scope of the employee's employment:

(b) the conduct of the employee constitutes a criminal

21 (c) the employee failed or refused to cooperate
22 reasonably in the defense of the case.
23 (7) If there is a dispute as to whether the exclusions

offense as defined in Title 45, chapters 4 through 7: or

25 concludes it should clarify its obligation to the employee

-3-

of subsection (6) apply and the governmental entity employer

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arising under this section by commencing a declaratory judgment action or other legal action, the employer is obligated to provide a defense or assume the cost of the defense of the employee until a final judgment is rendered in such action holding that the employer had no obligation to defend the employee.\*

NEW SECTION, Section 2. Effective date. This act is effective July 1, 1983.

-End-

#### STATE OF MONTANA

|  | RE | αu | <b>EST</b> | NO. |  |
|--|----|----|------------|-----|--|
|--|----|----|------------|-----|--|

## FISCAL NOTE

Form BD-15

197-83

| In compliance with a written request received  | is hereby submitted a Fiscal Note   |
|--|-------------------------------------|
| for House Bill 357 pursuant to Title 5, Chapter 4, Part 2 of the Monta                           | na Code Annotated (MCA).            |
| Background information used in developing this Fiscal Note is available from the Office of Budge | et and Program Planning, to members |
| of the Legislature upon request.   |                                     |

## DESCRIPTION OF PROPOSED LEGISLATION:

House Bill 357 provides for the defense of governmental employees involved in civil suits for damages as a result of actions while within their scope of employment.

## ASSUMPTIONS:

- 1) In the past five years, 142 civil rights cases have been filed against the officers of state government and a total of \$328,641 in judgments and settlements have been rendered against the defendants.
- 2) It is estimated that about 30 cases per year will be filed, and judgments plus legal expenses averaging \$5,000 per claim will be incurred.
- 3) These expenses can be absorbed by the self-insurance fund with no immediate increase in billings to agencies.

## FISCAL IMPACT:

Expenditures from the self-insurance fund will increase by about \$215,000 per year, with no immediate increase in billings to state agencies.

## LONG-RANGE IMPACTS:

Ultimately, billings to state agencies may have to be increased.

FISCAL NOTE 7:FF/1

BUDGET DIRECTOR

Office of Budget and Program Planning

Date: \_ / - Z 6 - 8 3

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Approved by Committee on Judiciary

1 HOUSE BILL NO. 357
2 INTRODUCED BY DONALOSON,
3 MAZUREK, METCALE, ERNST

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A BILL FOR AN ACT ENTITLED: MAN ACT TO REVISE THE LAWS RELATING TO IMMUNIZATION AND INDEMNIFICATION OF GOVERNMENTAL EMPLOYEES: AMENDING SECTION 2-9-305, MCA; AND PROVIDING AN EFFECTIVE DATE.\*\*

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Section 1. Section 2-9-305, MCA; is amended to read:

"2-9-305. Governmental entity to be joined as

defendant -- immunization: defense: and indemnification of
employees. (1) It is the purpose of this section to provide
for the immunization: defense: and indemnification of public
officers and employees civilly sued for their actions: other
thon-intentional-tort-or-felonious-acts: taken within the
course and scope of their employment.

(2) In an any noncriminal action for damages brought against any employee of a state, county, city, town, or other governmental entity for a negligent act, error, or omission. including alleged violations of civil rights pursuant to 42 U.S.C. 1983: or other actionable conduct of the employee committed while acting within the course and scope of his the employee's office or employment, the

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| 1 | governmental entity employer <u>s except as provided in</u> |
|---|---|
| 2 | subsection_(6) shall±                                       |
| 3 | idlbe-made-a-party-defendant-to-the-action <u>t-and</u>     |

4 tb:\_defend\_the\_action\_on\_behalf\_of\_the\_employee\_and
5 indemnify\_the\_employee.

(3) Recovery-against-a-governmental-entity--under--the provisions--of--parts--1--through--3--of--this-chapter-shall constitute-a-complete-bar--to--any--action--or--recovery--of domages--by--the--claimanty--by--reason--of-the-same-subject motter;-agpinst-the-employee-whose--negligence--or--aronaful acty--errory--ar--amission--or-other-actionable-conduct-gaye rise-to-the-claims-in-any-such-action-against-a-governmental entityy-the-employee-whose-conduct-qave--rise--to--the--suit shall--be--immune--from--suit-by-reasons-of-the-same-subject matter-if-the-governmental-entity-acknowledges-or--is--bound by--a-judicial-determination-that-the-conduct-upon-which-the cloim-is-brought-arises-out-of-the-course-and-scope-of--such employees\*--employmenty--unless--the--claim-is-based-upon-an intentional-tort-or-felonious --act--of--the--employees Upon receiving \_\_service \_\_of \_\_a summons and complaint in \_a noncriminal action against bim. the employee shall give written\_notice\_to\_bis\_supervisor\_requesting\_that a defense to the action be provided by the governmental entity employer. Except as provided in subsection (6): the employer\_shall\_offer\_a\_defense\_to\_the\_action\_on\_behalf\_of

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1 the employee. The defense may consist of a defense provided 2 directly\_by\_the\_employer.\_\_Ihe\_employer\_shall\_notify\_the 3 employee. within 15 days after receipt of notice. whether a direct\_defense\_will\_be\_provided. If the\_employer\_refuses\_or 5 is unable to provide a direct defense, the defendant 6 employee\_may\_retain\_other\_counsel\_ Except\_as\_provided\_in 7 subsection\_(6): the employer shall pay all expenses relating to the retained defense and pay any judgment for damages 9 entered in the action that may be otherwise payable under 10 this\_section.

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- (4) In any noncriminal action for damages in which a governmental entity employee is a party defendant, the employee shall be indemnified by the governmental entity employer for any money judgments or legal expenses. including atterney fees either incurred by the employee or awarded to the claimant. or both, to which he the employee may be subject as a result of the suit unless the conduct upon which the claim is brought did not arise out of the course and scope of his employment or is an intentional tort or felonious provided in subsection (6).
- 22 (5)\_\_Becovery\_against\_a\_governmental\_entity\_under\_the
  23 provisions\_of\_parts\_1\_through\_3\_of\_this\_chapter\_constitutes
  24 a\_complete\_bar\_to\_any\_action\_or\_recovery\_of\_damages\_by\_the
  25 claimants\_by\_reason\_of\_the\_same\_subject\_matters\_against\_the

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|----|--|
| 2  | omission_or_other_actionable_conduct_gave_rise_to_the_claim= |
| 3  | In_any_such_action_against_a_governmental_entity.the         |
| 4  | employee_whose_conduct_gave_rise_to_the_suit_is_immune_from  |
| 5  | clyil_suit_by_reasons_of_the_sawe_subject_matter_if_the      |
| 6  | goveromental_entity_acknowledges_or_is_bound_bya_judicial    |
| 7  | determination_that_the_conduct_upon_which_the_claim_is       |
| 8  | brought_arises_out_of_the_course_and_scope_of_the_employee's |
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| 10 | proxided_in_subsection_{6}.                                  |
| 11 | (61 In a noncriminal action for damages in which a           |
| 12 | governmental entity employee is a party defendant, the       |
| 13 | employee _may_not_be_defended_or_indemnified_by_the_employer |
| 14 | for_any_money_judgments_or_legal_expensesincluding           |
| 15 | attornex_feesto_which_the_employee_may_be_subject_as_a       |
| 16 | result_of_the_suit_if_a_judicial_determination_is_made_that: |
| 17 | fal_the_conduct_upon_which_the_claim_is_based_does_not       |
| 18 | arise out of the course and scope of the amployee's          |
| 19 | employmenti  |
| 20 | (b) the conduct of the employee constitutes a criminal       |
| 21 | offense_as_defined_in_Title_45+_chapters_4_through_Ti or     |
| 22 | 1C1 THE EMPLOYEE COMPROMISED OR SETTLED THE CLAIM            |
| 23 | WITHOUT INE CONSENT OF THE GOVERNMENT ENTITY EMPLOYER: OR    |
| 24 | <u>fet(D) the employee failed or refused to cooperate</u>    |
| 25 | reasonably_in_the_defense_of_the_case.                       |

1 (1) If there is a dispute as to whether the exclusions 2 of subsection (6) apply and the governmental entity employer 3 concludes it should clarify its obligation to the employee 4 arising\_under\_this\_section\_by\_commencing\_a\_declaratory 5 judgment\_action\_or\_other\_legal\_action. the employer is 6 obligated to provide a defense or assume the cost of the 7 defense\_of\_the\_employee\_until\_a\_final\_judgment\_is\_rendered 8 in such action holding that the employer had no obligation 9 to\_defend\_the\_employee.\*\* NEW\_SECTION. Section 2. Effective date. This act is 10 11 effective July 1, 1983.

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| 1 | HOUSE BILL NO. 357       |
|---|--------------------------|
| 2 | INTRODUCED BY DONALDSON. |
| 3 | MAZUREK, METCALF, ERNST  |

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A BILL FOR AN ACT ENTITLED: "AN ACT TO REVISE THE LAWS RELATING TO IMMUNIZATION AND INDEMNIFICATION OF GOVERNMENTAL EMPLOYEES: AMENDING SECTION 2-9-305. MCA: AND PROVIDING AN EFFECTIVE DATE."

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| 7  | subsection_(6): the employer_shall pay all expenses relating |
| 8  | to_the_retained_defense_and_pay_any_judgment_for_damages     |
| 9  | entered in the action that may be otherwise payable under    |
| 10 | this_section.  |
|    |  |

(4) In any noncriminal action for-damages in which a governmental entity employee is a party defendant, the employee shall be indemnified by the governmental-entity employer for any money judgments or legal expenses, including attorney fees either incurred by the employee or awarded to the claimants or both, to which he the employee may be subject as a result of the suit unless the conduct upon which the claim is brought did not arise out of the course and scope of his employment or-is-an-intentional-tort or-fetonious-act-of-the-employee or falls within the exclusions provided in subsection (6)+

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| 2   | omission or other actionable conduct gave rise to the claim. |
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| 4   | employee_whose_conduct_gave_rise_to_the_suit_is_immunefrom   |
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| 10  | provided_in_subsection_(61.                                  |
| 11  | (6) In a noncriminal action for damages in which a           |
| 12  | governmental entity employee is a party defendant, the       |
| L3  | employeemay_opt_be_defended_or_indemnified_by_the_employer   |
| l 4 | for any money judgments or legal expenses. including         |
| 15  | attorney_fees: to which the employee may be subject as a     |
| 16  | result of the suit if a judicial determination is made that: |
| 17  | (a) the conduct upon which the claim is based does not       |
| 18  | arise out of the course and scope of the employee's          |
| 19  | employmenti  |
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| 22  | (C) THE EMPLOYEE COMPROMISED OR SETTLED THE CLAIM            |
| 23  | WITHOUT THE CONSENT OF THE GOVERNMENT ENTITY EMPLOYER: OR    |

(ct(0) the employee failed or refused to cooperate

reasonably in the defense of the case.

(7) If there is a dispute as to whether the exclusions 1 2 of subsection (6) apply and the governmental entity employer 3 concludes it should clarify its obligation to the employee arising under this section by commencing a declaratory 5 judgment action or other legal action, the employer is 6 obligated to provide a defense or assume the cost of the 7 defense of the employee until a final judgment is rendered 8 in such action holding that the employer had no obligation 9 to\_defend\_the\_employee.\* NEW\_SECTION. Section 2. Effective date. This act is 10 11 effective July 1, 1983.

-End-

## SENATE STANDING COMMITTEE REPORT (Judiciary)

That House Bill No. 357 be amended as follows:

1. Page 2, line 24.
Following: "employer."

Insert: "If the employee is an elected state official or other employee having no supervisor, the employee shall give notice of the action to the legal officer or agency of the governmental entity defending the entity in legal actions of that type."

2. Page 3, line 17.
Following: "unless the"
Insert: "employee's"

3. Page 3, lines 18 and 19. Strike: "upon" on line 18 through "employment" on line 19

- 4. Page 3, line 20. Strike: "or"
- 5. Page 4, line 5. Strike: "civil suit" Insert: "liability"
- 6. Page 4, line 10. Following: "(6)"
  Insert: "(b) through (d)"
- 7. Page 4, line 17. Following: "based"
  Insert: "constitutes oppression, fraud, or malice, or for any other reason"
- 8. Page 5, line 1. Following: "If"
  Insert: "no judicial determination has been made applying the exclusions provided in subsection (6), the governmental entity employer may determine whether those exclusions apply. However, if"
- 9. Page 5, line 9. Following: "employee."

  Insert: "The governmental entity employer has no obligation to provide a defense to the employee in a declaratory judgment action or other legal action brought against the employee by the employer under this subsection."

HB 0357/03 48th Legislature

HOUSE BILL NO. 357 INTRODUCED BY DONALDSON, MAZUREK. METCALF. ERNST

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A BILL FOR AN ACT ENTITLED: "AN ACT TO REVISE THE LAWS RELATING TO IMMUNIZATION AND INDEMNIFICATION OF GOVERNMENTAL 7 EMPLOYEES: AMENDING SECTION 2-9-305. MCA: AND PROVIDING AN 8 EFFECTIVE DATE."

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HB 0357/03 HB 0357/03

1 NOTICE OF THE ACTION TO THE LEGAL OFFICER OR AGENCY OF THE 2 GOVERNMENTAL ENTITY DEFENDING THE ENTITY IN LEGAL ACTIONS OF 3 IHAI IYPE. Except as provided in subsection (6). the employer shall offer a defense to the action on behalf of 5 the employee. Ihe defense may consist of a defense provided 6 directly\_by\_the\_employer. The employer shall notify the 7 employee. within 15 days after receipt of notice, whether a 8 direct defense will be provided. If the employer refuses or 9 is upable to provide a direct defense, the defendant 10 employee may retain other counsels Except as provided in 11 subsection (6): the employer shall pay all expenses relating 12 to the retained defense and new any judgment for damages 13 entered in the action that may be otherwise payable under 14 this section.

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(4) In any noncriminal action for-demages in which a governmental entity employee is a party defendant, the employee shall be indemnified by the governmental-entity employer for any money judgments or legal expenses, including attorney fees either incurred by the employee or awarded to the claimants or both, to which he the employee may be subject as a result of the suit unless the EMPLOYEE'S conduct upon-which-the-claim-is-brought-did-not-arise-out-of the-course-and-scope-of-his-employment or-is-an-intentional tort-or-felonious-act-of-the-employee or falls within the exclusions provided in subsection (6).

1 (5) Recovery against a governmental entity under the proxisions of parts 1 through 3 of this chapter constitutes 3 a\_complete\_bar to any action or recovery of damages by the 4 claimants by reason of the same subject matters against the 5 employee \_\_whose negligence or wrongful acts errors or 6 owission or other actionable conduct gave rise to the claim. 7 In any such action against a governmental entity, the employee whose conduct gave rise to the suit is immune from civil-swit LIABILITY by reasons of the same subject matter 10 if the governmental entity acknowledges or is bound by a 11 judicial determination that the conduct upon which the claim is brought arises out of the course and scope of the 13 employee's employment, unless the claim constitutes an exclusion provided in (B) THROUGH (D) OF subsection (6). 14 15 (6) In a noncriminal action for--damages in which a 16 governmental entity employee is a party defendants the 17 employee may not be defended or indempified by the employer for any money judgments or legal expenses. including 16 19 attorney fees to which the employee may be subject as a 20 result of the suit if a judicial determination is made that: 21 (a) the conduct upon which the claim is based 22 CONSTITUTES OPPRESSION. FRAUD. OR MALICE. OR FOR ANY OTHER REASON does not arise out of the course and scope of the 23 employee's employment: 24

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(b) the conduct of the employee constitutes a criminal

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| 1  | offense as defined in Title 45. chapters 4 through 7: er     |
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| 2  | (C) THE EMPLOYEE COMPROMISED OR SETTLED THE CLAIM            |
| 3  | WITHOUT THE CONSENT OF THE GOVERNMENT ENTITY EMPLOYER: OR    |
| 4  | fct(D)_tbe_employee_failed_or_refused_to_cooperate           |
| 5  | reasonably in the defense of the case.                       |
| 6  | 111 If NO JUDICIAL DETERMINATION HAS BEEN MADE               |
| 7  | APPLYING THE EXCLUSIONS PROVIDED IN SUBSECTION (6). THE      |
| 8  | GOVERNMENTAL ENTITY_EMPLOYER MAY DETERMINE WHETHER THOSE     |
| 9  | EXCLUSIONS APPLY: HOWEVER: IE there is a dispute as to       |
| 10 | whether the exclusions of subsection (6) apply and the       |
| 11 | governmental_entity_employer_concludes_it_should_clarify_its |
| 12 | obligation to the employee arising under this section by     |
| 13 | commencing_a_declaratoryjudgment_action_orother_legal        |
| 14 | action: the employer is obligated to provide a defense or    |
| 15 | assume the cost of the defense of the employee until a final |
| 16 | judgment_is_rendered_in_such_action_bolding_that_the         |
| 17 | employer had no obligation to defend the employee. THE       |
| 18 | GOVERNMENTAL ENTITY EMPLOYER HAS NO OBLIGATION TO PROVIDE A  |
| 19 | DEFENSE_IO_THE_EMPLOYEE_IN_A_DECLARATORY_JUDGMENT_ACITON_OR  |
| 20 | OTHER LEGAL ACTION BROUGHT AGAINST THE EMPLOYEE BY THE       |
| 21 | EMPLOYER_UNDER_THIS_SUBSECTION.*                             |
| 22 | <u>YEW_SECTION</u> ▲ Section 2. Effective date. This act is  |
| 23 | effective July 1, 1983.                                      |

-End-

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