HOUSE BILL NO. 249

INTRODUCED BY KITSELMAN

IN THE HOUSE

JANUARY 16,	1987	INTRODUCED	AND	REFERRED	ΤO	COMMITTEE
		ON BUSINESS	5 & 3	LABOR.		

- FEBRUARY 4, 1987 COMMITTEE RECOMMEND BILL DO PASS AS AMENDED. REPORT ADOPTED.
- FEBRUARY 5, 1987 PRINTING REPORT.
- FEBRUARY 6, 1987 SECOND READING, DO PASS.
- FEBRUARY 7, 1987 ENGROSSING REPORT.

THIRD READING, PASSED. AYES, 98; NOES, 1. ÷

TRANSMITTED TO SENATE.

INTRODUCED AND REFERRED TO COMMITTEE

ON LABOR & EMPLOYMENT RELATIONS.

- IN THE SENATE
- FEBRUARY 10, 1987
- MARCH 11, 1987 COMMITTEE RECOMMEND BILL BE CONCURRED IN. REPORT ADOPTED.
- MARCH 16, 1987 SECOND READING, CONCURRED IN.
- MARCH 18, 1987 THIRD READING, CONCURRED IN. AYES, 50; NOES, 0.

RETURNED TO HOUSE.

IN THE HOUSE

MARCH 18, 1987 RECEIVED FROM SENATE.

SENT TO ENROLLING.

LC 0468/01

LC 0468/01

House BILL NO. 249 2 3 A BILL FOR AN ACT ENTITLED: "AN ACT TO REQUIRE THE DIVISION 4 OF WORKERS' COMPENSATION TO CHARGE A MINIMUM FEE ON EACH 5 CONTRACT AND POLICY OF INSURANCE ISSUED UNDER COMPENSATION 6 7 PLAN NO. 3 SUFFICIENT TO COVER THE COST OF ADMINISTERING THE POLICY: AMENDING SECTION 39-71-2304, MCA; AND PROVIDING AN 8 9 APPLICABILITY DATE."

10

1

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA: 11 Section 1. Section 39-71-2304, MCA, is amended to 12 13 read:

"39-71-2304. Determination of rates and 14 classifications by division. (1) The division is hereby 15 given full power and authority to determine premium rates 16 and classifications as in its judgment and experience and as 17 a member of a rating organization as is otherwise provided 18 for in this chapter may be necessary or expedient, provided 19 that no change in the classification or rates prescribed 20 shall be effective until 30 days after the date of the order 21 making such change. 22

(2) The industrial insurance program shall be neither 23 more nor less than self-supporting. Employments affected by 24 the provisions hereof shall be divided by the division, as a 25

Montana Legislative Council

1 member of a rating organization, into classes, whose rates may be readjusted at such times as the division as a member 2 3 of such rating organization may actuarially determine. Separate accounts shall be kept of the amounts collected and 4 5 expended in each class for actuarially determining rates, but for payment of compensation and dividends, the 6 7 industrial insurance expendable trust fund shall be one and 8 indivisible.

(3) The division as a member of such 9 rating 10 organization shall determine the hazards of the different 11 classes of occupations or industries and fix the premiums 12 therefor at the lowest rate consistent with maintenance of 13 an actuarially sound industrial insurance fund and the 14 creation of actuarially sound surplus and reserves, and for 15 such purpose may adopt a system of schedule rating in such a 16 manner as to take account of the peculiar hazard of each 17 risk and shall utilize the experience and information 18 afforded to it as a member of such rating organization.

19 (4) In addition, compensation plan No. 3 shall use an 20 experience rating system for employers enrolled under it. 21 This system shall reward employers with a better than 22 average safety record, penalize employers with a worse than 23 average safety record, and may provide for premium volume 24 discount.

25 (5) The division in fixing rates shall provide for the

> -2- INTRODUCED BILL 48.249

LC 0468/01

expenses of administering the industrial insurance 1 expendable trust fund allowed by law, the disbursements on 2 account of injuries and deaths of employees in each class, З an actuarially sound catastrophe reserve, reserves 4 actuarially determined to meet anticipated and unexpected 5 6 losses, and such other reserves and surplus as may be 7 determined by the division as a member of such rating 8 organization. The amounts of such reserves and surplus shall 9 be as determined from time to time by the division to be 10 adequate but not excessive for the purposes intended.

(6) The division shall charge a minimum premium fee on
 each contract and policy of insurance sufficient to cover
 the cost of administering the contract or policy."

14 <u>NEW SECTION.</u> Section 2. Extension of authority. Any 15 existing authority of the division of workers' compensation 16 to make rules on the subject of the provisions of this act 17 is extended to the provisions of this act.

18 <u>NEW SECTION.</u> Section 3. Applicability. This act
19 applies to contracts and policies of insurance issued on or
20 after October 1, 1987.

-End-

- 3 -

STATE OF MONTANA - FISCAL NOTE

Form BD-15

In compliance with a written request, there is hereby submitted a Fiscal Note for HB249, as introduced.

DESCRIPTION OF PROPOSED LEGISLATION:

An act to require the Division of Workers' Compensation to charge a minimum fee on each contract and policy of insurance issued under Compensation Plan No. 3 sufficient to cover the cost of administering the policy; amending section 39-71-2304, MCA; and providing an applicability date.

ASSUMPTIONS:

- 1. The minimum fee would be charged to all policies on an annual basis, even if continuous coverage is maintained.
- 2. Rates for all polices would be reduced to adjust for the fee.
- 3. The cost of administering the policies does not include claims administrative costs.
- 4. Required changes to the computer system, along with forms modification, would be necessary. Estimate \$12,000 to include system analysis, computer programming and forms design.
- 5. Assume all policies currently paying no premium would cancel.
- 6. During FY85, 27,538 policies were in force all or part of the year. Of those 4,314 paid no premium.

For informational purposes, the State Fund currently requires a minimum deposit of \$25 and retains that deposit if the policy cancels before paying \$25 in premium. This bill could cause some employers to be uninsured.

ALTERNATIVE ASSUMPTION:

The minimum fee would be charged to only policies paying less than an amount sufficient to cover administrative costs.

FISCAL IMPACT:

Revenue:

None. Any fee collected as result of this bill would cause a reduction in rates since administrative costs are included in rate calculations.

DATE

DAVID L. HUNTER, BUDGET DIRECTOR Office of Budget and Program Planning

-23 DATE

LES KITSELMAN, PRIMARY SPONSOR

Fiscal Note for HB249 as introduced

50th Legislature

HB 0249/02

APPROVED BY COMM. ON BUSINESS AND LABOR

1	HOUSE BILL NO. 249
2	INTRODUCED BY KITSELMAN
3	
4	A BILL FOR AN ACT ENTITLED: "AN ACT TO REQUIRE THE DIVISION
5	OF WORKERS' COMPENSATION TO CHARGE A MINIMUM PBE ANNUAL
6	PREMIUM ON EACH CONTRACT AND POLICY OF INSURANCE ISSUED
7	UNDER COMPENSATION PLAN NO. 3 SUFFICIENT TO COVER THE COST
8	OF ADMINISTERING THE POLICY; AMENDING SECTION 39-71-2304,
9	MCA; AND PROVIDING AN EFFECTIVE DATE AND AN APPLICABILITY
10	DATE."
11	
12	BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:
13	Section 1. Section 39-71-2304, MCA, is amended to
14	read:
15	"39-71-2304. Determination of rates and
16	classifications by division. (1) The division is hereby
17	given full power and authority to determine premium rates
18	and classifications as in its judgment and experience and as
19	a member of a rating organization as is otherwise provided
20	for in this chapter may be necessary or expedient, provided
21	that no change in the classification or rates prescribed
22	shall be effective until 30 days after the date of the order
23	making such change.
	(a) the industrial incurance program shall be neither

24 (2) The industrial insurance program shall be neither
 25 more nor less than self-supporting. Employments affected by

Montana Legislative Council

HB 0249/02

1 the provisions hereof shall be divided by the division, as a member of a rating organization, into classes, whose rates 2 3 may be readjusted at such times as the division as a member of such rating organization may actuarially determine. 4 5 Separate accounts shall be kept of the amounts collected and expended in each class for actuarially determining rates, 6 but for payment of compensation and dividends, 7 the industrial insurance expendable trust fund shall be one and 8 indivisible. 9

10 (3) The division as a member of such rating organization shall determine the hazards of the different 11 classes of occupations or industries and fix the premiums 12 13 therefor at the lowest rate consistent with maintenance of an actuarially sound industrial insurance fund and the 14 creation of actuarially sound surplus and reserves, and for 15 such purpose may adopt a system of schedule rating in such a 16 manner as to take account of the peculiar hazard of each 17 18 risk and shall utilize the experience and information 19 afforded to it as a member of such rating organization.

20 (4) In addition, compensation plan No. 3 shall use an
21 experience rating system for employers enrolled under it.
22 This system shall reward employers with a better than
23 average safety record, penalize employers with a worse than
24 average safety record, and may provide for premium volume
25 discount.

-2- HB 249 SECOND READING HB 0249/02

HB 249

1 (5) The division in fixing rates shall provide for the 2 expenses of administering the industrial insurance 3 expendable trust fund allowed by law, the disbursements on account of injuries and deaths of employees in each class, 4 5 an actuarially sound catastrophe reserve, reserves 6 actuarially determined to meet anticipated and unexpected losses, and such other reserves and surplus as may be 7 determined by the division as a member of such rating 8 organization. The amounts of such reserves and surplus shall 9 10 be as determined from time to time by the division to be adequate but not excessive for the purposes intended. 11

12 (6) The division shall charge a minimum ANNUAL premium
 13 fee on each contract and policy of insurance sufficient to
 14 cover the cost of administering the contract or policy."

15 <u>NEW SECTION.</u> Section 2. Extension of authority. Any existing authority of the division of workers' compensation to make rules on the subject of the provisions of this act is extended to the provisions of this act.

19NEW SECTION.Section 3.ApplicabilityEFFECTIVE DATE20-- APPLICABILITY.This act IS EFFECTIVE JULY 1, 1987, AND21applies to contracts and policies of insurance IN FORCE ON22JULY 1, 1987, OR issued on or after October JULY 1, 1987.

-End-

-- 3 --

1

2

3

4

5

6

HOUSE BILL NO. 249 1 INTRODUCED BY KITSELMAN 2 3 A BILL FOR AN ACT ENTITLED: "AN ACT TO REQUIRE THE DIVISION 4 OF WORKERS' COMPENSATION TO CHARGE A MINIMUM PBE ANNUAL 5 PREMIUM ON EACH CONTRACT AND POLICY OF INSURANCE ISSUED 6 UNDER COMPENSATION PLAN NO. 3 SUFFICIENT TO COVER THE COST 7 OF ADMINISTERING THE POLICY; AMENDING SECTION 39-71-2304, 8 MCA; AND PROVIDING AN EFFECTIVE DATE AND AN APPLICABILITY 9 DATE." 10

```
11
```

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

13 Section 1. Section 39-71-2304, MCA, is amended to 14 read:

"39-71-2304. Determination o£ rates and 15 classifications by division. (1) The division is hereby 16 given full power and authority to determine premium rates 17 and classifications as in its judgment and experience and as 18 a member of a rating organization as is otherwise provided 19 for in this chapter may be necessary or expedient, provided 20 that no change in the classification or rates prescribed 21 shall be effective until 30 days after the date of the order 22 making such change. 23

(2) "The industrial insurance program shall be neither
 more nor less than self-supporting. Employments affected by

Montana Legislative Counci

the provisions hereof shall be divided by the division, as a member of a rating organization, into classes, whose rates may be readjusted at such times as the division as a member of such rating organization may actuarially determine. Separate accounts shall be kept of the amounts collected and expended in each class for actuarially determining rates.

7 but for payment of compensation and dividends, the 8 industrial insurance expendable trust fund shall be one and 9 indivisible.

10 (3) The division as a member of such rating organization shall determine the hazards of the different 11 12 classes of occupations or industries and fix the premiums 13 therefor at the lowest rate consistent with maintenance of an actuarially sound industrial insurance fund and the 14 15 creation of actuarially sound surplus and reserves, and for 16 such purpose may adopt a system of schedule rating in such a 17 manner as to take account of the peculiar hazard of each 18 risk and shall utilize the experience and information 19 afforded to it as a member of such rating organization.

(4) In addition, compensation plan No. 3 shall use an
experience rating system for employers enrolled under it.
This system shall reward employers with a better than
average safety record, penalize employers with a worse than
average safety record, and may provide for premium volume
discount.

-2-

нв 249 Third reading

HB 0249/02

1 (5) The division in fixing rates shall provide for the 2 expenses of administering the industrial insurance expendable trust fund allowed by law, the disbursements on 3 account of injuries and deaths of employees in each class, 4 actuarially sound catastrophe reserve, reserves 5 an actuarially determined to meet anticipated and unexpected 6 losses, and such other reserves and surplus as may be 7 8 determined by the division as a member of such rating organization. The amounts of such reserves and surplus shall 9 be as determined from time to time by the division to be 10 adequate but not excessive for the purposes intended. 11

(6) The division shall charge a minimum ANNUAL premium 12 fee on each contract and policy of insurance sufficient to 13 14 cover the cost of administering the contract or policy." 15 NEW SECTION. Section 2. Extension of authority. Any existing authority of the division of workers' compensation 16 17 to make rules on the subject of the provisions of this act is extended to the provisions of this act. 18 19 NEW SECTION. Section 3. Applicability EFFECTIVE DATE

<u>-- APPLICABILITY</u>. This act <u>IS EFFECTIVE JULY 1, 1987, AND</u>
 applies to contracts and policies of insurance <u>IN FORCE ON</u>
 <u>JULY 1, 1987, OR</u> issued on or after October <u>JULY</u> 1, 1987.

-End-

-3-

HB 249

22

25

HB 0249/02

HOUSE BILL NO. 249 1 INTRODUCED BY KITSELMAN 2 3 A BILL FOR AN ACT ENTITLED: "AN ACT TO REQUIRE THE DIVISION 4 OF WORKERS' COMPENSATION TO CHARGE A MINIMUM PBB ANNUAL 5 PREMIUM ON EACH CONTRACT AND POLICY OF INSURANCE ISSUED 6 UNDER COMPENSATION PLAN NO. 3 SUFFICIENT TO COVER THE COST 7 OF ADMINISTERING THE POLICY; AMENDING SECTION 39-71-2304, A MCA; AND PROVIDING AN EFFECTIVE DATE AND AN APPLICABILITY 9 DATE." 10 11 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA: 12 Section 1. Section 39-71-2304, MCA, is amended to 13 14 read: "39-71-2304. Determination o£ rates and 15 classifications by division. (1) The division is hereby 16 given full power and authority to determine premium rates 17 and classifications as in its judgment and experience and as 18 a member of a rating organization as is otherwise provided 19 for in this chapter may be necessary or expedient, provided 20 that no change in the classification or rates prescribed 21

making such change. 23 (2) The industrial insurance program shall be neither 24 more nor less than self-supporting. Employments affected by

shall be effective until 30 days after the date of the order

Nontana Legislative Council

the provisions hereof shall be divided by the division, as a 1 2 member of a rating organization, into classes, whose rates may be readjusted at such times as the division as a member 3 of such rating organization may actuarially determine. 4 Separate accounts shall be kept of the amounts collected and 5 expended in each class for actuarially determining rates, б 7 but for payment of compensation and dividends, the B industrial insurance expendable trust fund shall be one and 9 indivisible.

10 (3) The division as a member of such rating organization shall determine the hazards of the different 11 12 classes of occupations or industries and fix the premiums therefor at the lowest rate consistent with maintenance of 13 an actuarially sound industrial insurance fund and the 14 creation of actuarially sound surplus and reserves, and for 15 such purpose may adopt a system of schedule rating in such a 16 manner as to take account of the peculiar hazard of each 17 risk and shall utilize the experience and information 18 19 afforded to it as a member of such rating organization.

(4) In addition, compensation plan No. 3 shall use an 20 21 experience rating system for employers enrolled under it. This system shall reward employers with a better than 22 23 average safety record, penalize employers with a worse than average safety record, and may provide for premium volume 24 25 discount.

- 2 -

HB 249

REFERENCE BILL

HB 0249/02

1 (5) The division in fixing rates shall provide for the 2 expenses of administering the industrial insurance 3 expendable trust fund allowed by law, the disbursements on account of injuries and deaths of employees in each class, 4 an actuarially sound catastrophe reserve, reserves 5 6 actuarially determined to meet anticipated and unexpected 7 losses, and such other reserves and surplus as may be 8 determined by the division as a member of such rating organization. The amounts of such reserves and surplus shall 9 10 be as determined from time to time by the division to be 11 adequate but not excessive for the purposes intended.

.

12 (6) The division shall charge a minimum ANNUAL premium 13 fee on each contract and policy of insurance sufficient to 14 cover the cost of administering the contract or policy."

NEW SECTION. Section 2. Extension of authority. Any
existing authority of the division of workers' compensation
to make rules on the subject of the provisions of this act
is extended to the provisions of this act.

 NEW SECTION.
 Section 3.
 Applicability
 EFFECTIVE DATE

 20
 -- APPLICABILITY.
 This act IS EFFECTIVE JULY 1, 1987, AND

 21
 applies to contracts and policies of insurance IN FORCE ON

 22
 JULY 1, 1987, OR issued on or after October JULY 1, 1987.

-3-