

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 FEE ON EACH
6 CONTRACT AND POLICY OF INSURANCE ISSUED UNDER COMPENSATION
7 PLAN NO. 3 SUFFICIENT TO COVER THE COST OF ADMINISTERING THE
8 POLICY; AMENDING SECTION 39-71-2304, MCA; AND PROVIDING AN
9 APPLICABILITY 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 read:

14 "39-71-2304. Determination of 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
24 more nor less than self-supporting. Employments affected by
25 the provisions hereof shall be divided by the division, as a

1 member of a rating organization, into classes, whose rates
2 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,
6 but for payment of compensation and dividends, the
7 industrial insurance expendable trust fund shall be one and
8 indivisible.

9 (3) The division as a member of such 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



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1 expenses of administering the industrial insurance
2 expendable trust fund allowed by law, the disbursements on
3 account of injuries and deaths of employees in each class,
4 an actuarially sound catastrophe reserve, reserves
5 actuarially determined to meet anticipated and unexpected
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.

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

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

-End-

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 policies 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.

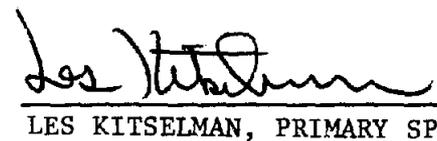
FISCAL IMPACT:

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 1/22/87

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

 DATE 1-23-87

LES KITSELMAN, PRIMARY SPONSOR

Fiscal Note for HB249, as introduced

HB-249

APPROVED BY COMM. ON
BUSINESS AND LABOR

HOUSE BILL NO. 249
INTRODUCED BY KITSELMAN

A BILL FOR AN ACT ENTITLED: "AN ACT TO REQUIRE THE DIVISION OF WORKERS' COMPENSATION TO CHARGE A MINIMUM PBB ANNUAL PREMIUM 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 EFFECTIVE DATE AND AN APPLICABILITY DATE."

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

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

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

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

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



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
4 account of injuries and deaths of employees in each class,
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11 adequate but not excessive for the purposes intended.

12 (6) The division shall charge a minimum ANNUAL premium
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18 is extended to the provisions of this act.

19 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.

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