

HB 420 INTRODUCED BY WHALEN, ET AL.
INSURANCE REPORTING REQUIREMENTS

1/23 INTRODUCED
1/23 REFERRED TO BUSINESS & LABOR
1/24 FISCAL NOTE REQUESTED
1/29 FISCAL NOTE RECEIVED
2/12 HEARING
2/12 TABLED IN COMMITTEE

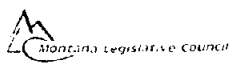
1 House BILL NO. 420
 2 INTRODUCED BY Richard Blaylock Michael Meyer
 3 John Vincent Richard Bishop
 4 A BILL FOR AN ACT ENTITLED: "AN ACT PROVIDING FOR THE
 5 DISCLOSURE OF LOSS AND EXPENSE EXPERIENCE BY PROPERTY AND
 6 CASUALTY INSURERS FOR PURPOSES OF DETERMINING THE
 7 APPROPRIATENESS OF RATES CHARGED BY SUCH INSURERS; PROVIDING
 8 A PENALTY; AND REPEALING SECTION 33-16-202, MCA."

9
10 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

11 Section 1. Financial disclosure reports required --
 12 rulemaking. The commissioner shall promulgate rules
 13 requiring each authorized insurer writing property or
 14 casualty insurance in Montana to record and report its loss
 15 and expense experience and other data the commissioner finds
 16 necessary to determine whether rates are fair and
 17 appropriate. The commissioner may designate one or more
 18 rating organizations or advisory organizations to gather and
 19 compile such experience and data. The commissioner shall
 20 require each authorized insurer writing property or casualty
 21 insurance in this state to submit an annual report, on a
 22 form furnished by the commissioner, showing its direct
 23 writings in this state and in the United States.

24 Section 2. Content of direct writings report. (1) The
 25 direct writings report required by [section 1] must include

1 but is not limited to the following specific types of
 2 insurance written by the insurer:
 3 (a) political subdivision liability insurance reported
 4 separately in the following categories:
 5 (i) municipalities;
 6 (ii) school districts; and
 7 (iii) authorities;
 8 (b) public official liability insurance;
 9 (c) dram shop or tavern owners liability insurance;
 10 (d) day-care center liability insurance;
 11 (e) errors and omissions liability insurance;
 12 (f) officers and directors liability insurance
 13 reported separately as follows:
 14 (i) nonprofit entities; and
 15 (ii) for-profit entities;
 16 (g) products liability insurance;
 17 (h) medical malpractice insurance;
 18 (i) attorney malpractice insurance;
 19 (j) architect and engineer malpractice insurance; and
 20 (k) motor vehicle insurance, reported separately for
 21 commercial and private passenger vehicles as follows:
 22 (i) motor vehicle liability insurance first-party
 23 benefits;
 24 (ii) motor vehicle bodily injury liability insurance;
 25 (iii) motor vehicle property liability insurance;



1 (iv) uninsured motorist insurance; and
 2 (v) underinsured motorist insurance.

3 (2) The direct writings report must include the
 4 following data, specific both to this state and to the
 5 United States, by the type of insurance for the previous
 6 year ending December 31:

7 (a) direct premiums written;
 8 (b) direct premiums earned;
 9 (c) net investment income, including net realized
 10 capital gains and losses, using appropriate estimates where
 11 necessary;

12 (d) data for each of the following categories used to
 13 develop the sum of incurred claims:

14 (i) dollar amount of claims closed with payment; plus
 15 (ii) reserves for reported claims at the end of the
 16 current year; minus
 17 (iii) reserves for reported claims at the end of the
 18 previous year; plus
 19 (iv) reserves for incurred but not reported claims at
 20 the end of the current year; minus
 21 (v) reserves for incurred but not reported claims at
 22 the end of the previous year; plus
 23 (vi) loss adjustment expenses for claims closed; plus
 24 (vii) reserves for loss adjustment expenses at the end
 25 of the current year; minus

1 (viii) reserves for loss adjustment expenses at the end
 2 of the previous year;

3 (e) actual incurred expenses allocated separately to
 4 loss adjustment, commissions, other acquisition costs,
 5 advertising, general office expenses, taxes, licenses, fees,
 6 and all other expenses;

7 (f) net underwriting gain or loss;
 8 (g) net operation gain or loss, including net
 9 investment income;

10 (h) the number and dollar amount of claims closed with
 11 payment by year incurred and the amount reserved for them;

12 (i) the number of claims closed without payment by
 13 year and the dollar amount reserved for those claims; and
 14 (j) any other information requested by the
 15 commissioner.

16 (3) For the first year in which the insurer is
 17 required to file a direct writings report, the data required
 18 by subsections (2)(a) through (2)(g) must include the
 19 previous calendar year and each of the preceding 4 calendar
 20 years.

21 Section 3. Duty of commissioner. It is the duty of the
 22 commissioner to annually compile and review all reports
 23 submitted by insurers under [sections 1 and 2] to determine
 24 the appropriateness of premium rates for property and
 25 casualty insurance in this state. The commissioner's

1 findings and the filed reports must be provided to the
 2 appropriate committees of the legislature and made available
 3 to any interested insured party or citizen. If the
 4 commissioner finds at any time that any rate is no longer
 5 fair or appropriate, he shall issue an order withdrawing his
 6 approval for the rate. The order must specify reasons for
 7 withdrawal of approval and must be furnished to each
 8 affected insurer and rating organization. The order is
 9 effective 30 days from its issuance unless the affected
 10 insurer meets the burden of showing that such rate is in
 11 fact fair and appropriate.

12 Section 4. Filing prerequisite to doing business. Each
 13 insurance company shall file all of the information required
 14 under [sections 1 and 2] with the commissioner as a
 15 prerequisite to obtaining permission to write coverage, to
 16 continue to do business, or to increase or decrease rates
 17 charged for insurance coverage.

18 Section 5. Penalty. An insurer who fails to comply
 19 with the terms of [sections 1, 2, and 4] shall pay a civil
 20 penalty of \$10,000 and thereafter a fine of \$200 daily until
 21 [sections 1, 2, and 4] are complied with. Imposition of a
 22 penalty under this section precludes any other monetary
 23 penalty that may be imposed under this title.

24 Section 6. Repealer. Section 33-16-202, MCA, is
 25 repealed.

1 Section 7. Extension of authority. Any existing
 2 authority of the commissioner of insurance to make rules on
 3 the subject of the provisions of this act is extended to the
 4 provisions of this act.

5 Section 8. Codification instruction. Sections 1
 6 through 5 are intended to be codified as an integral part of
 7 Title 33, chapter 16, and the provisions of Title 33,
 8 chapter 16, apply to sections 1 through 5.

-End-

STATE OF MONTANA - FISCAL NOTE

Form BD-15

In compliance with a written request, there is hereby submitted a Fiscal Note for HB420, as introduced.

DESCRIPTION OF PROPOSED LEGISLATION:

An act to provide for the disclosure of Loss and Expense Experience by Property and Casualty Insurers for determining the appropriateness of rates charged; and providing a penalty.

ASSUMPTIONS:

1. 11 additional FTE's in the Insurance Department.
2. Funded with the Insurance Regulatory Account.
4. No one fails to comply. No \$10,000 penalty or \$200 daily fine imposed for non-compliance.

FISCAL IMPACT:

	FY88			FY89		
	<u>Current Law</u>	<u>Proposed Law</u>	<u>Difference</u>	<u>Current Law</u>	<u>Proposed Law</u>	<u>Difference</u>
<u>Expenditures from the Insurance Regulatory Account:</u>						
Personal Services	\$ 505,696	\$ 811,368	\$ 305,672	\$ 505,112	\$ 809,678	\$ 304,566
Operating Expenses	192,651	280,911	88,260	185,791	274,051	88,260
Equipment	4,056	16,406	12,350	288	288	0
TOTAL	\$ 702,403	\$ 1,108,685	\$ 406,282*	\$ 691,191	\$ 1,084,017	\$ 392,826*
<u>Revenues:</u>	\$ 2,131,405**	\$ 2,131,405	\$ 0	\$ 2,799,002**	\$ 2,392,720	\$ 406,282

* Revenue to general fund will be decreased by \$406,282 in FY88 and \$392,826 in FY89.

**Includes estimated beginning cash on hand.

David L. Hunter DATE 1/29/89

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

I disagree DATE _____
TIMOTHY WHALEN, PRIMARY SPONSOR

Fiscal Note for HB420, as introduced.