

SB 52 INTRODUCED BY BROWN, R., MILES, HALLIGAN, ET AL.
ESTABLISH FLEX SYSTEM FOR REGULATION OF INSURANCE
PREMIUM RATES
BY REQUEST OF JOINT INTERIM SUBCOMMITTEE ON
LIABILITY ISSUES

1/06	INTRODUCED	
1/06	REFERRED TO JUDICIARY	
1/06	FISCAL NOTE REQUESTED	
1/08	SPONSORS ADDED	
1/13	FISCAL NOTE RECEIVED	
1/17	SPONSORS ADDED	
1/19	HEARING	
1/22	TABLED IN COMMITTEE	
2/20	TAKEN FROM COMMITTEE	29 20
2/23	STATEMENT OF INTENT ADOPTED	
2/23	2ND READING PASSED	25 23
2/25	3RD READING PASSED	30 20
	TRANSMITTED TO HOUSE	
3/03	REFERRED TO BUSINESS & LABOR	
3/16	HEARING	
3/17	TABLED IN COMMITTEE	

1 SENATE BILL NO. 52
 2 INTRODUCED BY B. BROWN
 3 BY REQUEST OF THE JOINT INTERIM
 4 SUBCOMMITTEE ON LIABILITY ISSUES

5
 6 A BILL FOR AN ACT ENTITLED: "AN ACT ESTABLISHING A FLEXIBLE
 7 SYSTEM FOR INSURANCE PREMIUM RATES; REQUIRING PRIOR APPROVAL
 8 OF CERTAIN RATES BY THE INSURANCE COMMISSIONER; PROVIDING
 9 CRITERIA FOR ESTABLISHING LIMITATIONS ON RATES; AND AMENDING
 10 SECTION 33-16-101, MCA."

11
 12 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

13 NEW SECTION. Section 1. Rate limitations. (1) The
 14 commissioner shall by rule establish annual limitations on
 15 rate level increases and decreases which may take effect
 16 with respect to any market for insurance without his prior
 17 approval. The rules must be designed to restore and promote
 18 stability in such markets.

19 (2) The commissioner may exempt a particular market
 20 from the limitations set forth in the rules upon a
 21 determination that in that market competition is sufficient
 22 to assure either that rates will not be excessive or that
 23 such market is conducted in a manner not resulting in
 24 inadequate rates and not destructive of competition or
 25 detrimental to the solvency of the insurers. The

1 commissioner shall withdraw or modify an exemption upon a
 2 determination that annual limitations are necessary to
 3 restore and promote stability in the market.

4 (3) The commissioner shall, whenever he finds it
 5 appropriate, hold a hearing, at which representatives of
 6 consumers and other interested parties may participate, for
 7 the purpose of determining whether an exemption or a
 8 withdrawal or modification of an exemption of any market is
 9 appropriate.

10 NEW SECTION. Section 2. Considerations in
 11 establishing or modifying limitations. Limitations
 12 established or modified pursuant to [section 1] may vary by
 13 market. In establishing or modifying such limitations, the
 14 commissioner shall consider:

- 15 (1) the extent and nature of competition;
- 16 (2) the size and significance of the coverage;
- 17 (3) the level and range of rates and rate changes
- 18 among insurers;
- 19 (4) investment and underwriting experience of insurers
- 20 in Montana;
- 21 (5) the range of insurance availability;
- 22 (6) the extent of consumer complaints to the
- 23 commissioner;
- 24 (7) the extent of denials and restrictions of
- 25 coverage;



-2- INTRODUCED BILL
 SB-52

- 1 (8) the volume of cancellations and nonrenewals;
 2 (9) changing conditions in the economic, judicial, and
 3 social environment; and
 4 (10) any other factor the commissioner finds necessary.

5 NEW SECTION. Section 3. When rate filings effective.
 6 In any market governed by a rule implementing [sections 1
 7 through 3] and not exempted by the commissioner pursuant to
 8 [section 1], filings that produce rate level changes within
 9 the limitations specified in such rule are effective without
 10 prior approval of the commissioner. Filings which produce
 11 rate level changes beyond such limitations are not effective
 12 until approved by the commissioner. Filings which produce
 13 rate level changes beyond such limitations may not be
 14 approved by the commissioner unless the commissioner
 15 determines after notice and hearing that the rates are fair,
 16 reasonable, and in the public interest.

17 Section 4. Section 33-16-101, MCA, is amended to read:
 18 "33-16-101. Purpose and--intent. †† The purpose of
 19 this chapter is to promote the public welfare by regulating
 20 insurance rates as herein provided to the end that they
 21 shall not be excessive, inadequate, or unfairly
 22 discriminatory, to authorize the existence and operation of
 23 qualified rating organizations and advisory organizations
 24 and require that specified rating services of such rating
 25 organizations be generally available to all admitted

1 insurers, and to authorize cooperation between insurers in
 2 ratemaking and other related matters.

3 ~~†2--it-is-the-express-intent-of-this-chapter-to-permit
 4 and--encourage--competition--between--insurers--on--a--sound
 5 financial--basis--and--nothing-in-this-chapter-is-intended-to
 6 give-the-commissioner-power-to--fix--and--determine--a--rate
 7 level-by-classification-or-otherwise--"~~

8 NEW SECTION. Section 5. Codification instruction.
 9 Sections 1 through 3 are intended to be codified as an
 10 integral part of Title 33, chapter 16, and the provisions of
 11 Title 33, chapter 16, apply to sections 1 through 3.

-End-

STATE OF MONTANA - FISCAL NOTE

Form BD-15

In compliance with a written request, there is hereby submitted a Fiscal Note for SB052, as introduced.

DESCRIPTION OF PROPOSED LEGISLATION:

An act establishing a flexible system for insurance premium rates; requiring prior approval of certain rates by the insurance commissioner; providing criteria for establishing limitations on rates; and amending section 33-16-101, MCA.

ASSUMPTIONS:

1. Eight additional FTE's for the Insurance Department.
2. Additional operating expenses associated with additional staff and one time expense for office equipment.
3. Funded by Insurance Regulatory Account.

FISCAL IMPACT:

	FY88			FY89		
	Current Law	Proposed Law	Difference	Current Law	Proposed Law	Difference
<u>Expenditures from the Insurance Regulatory Account:</u>	\$ 702,403	\$ 975,491	\$ 273,088**	\$ 691,191	\$ 954,583	\$ 263,392**
<u>Revenues:</u>	\$2,131,405*	\$2,131,405	\$ 0	\$2,799,002*	\$2,525,914	\$ 273,088

* Includes estimated beginning cash on hand.

** Revenue to the general fund will be decreased by \$273,088 in FY88 and \$263,392 in FY89.

EFFECT ON COUNTY OR OTHER LOCAL REVENUE OR EXPENDITURES:

N/A

LONG-RANGE EFFECTS OF PROPOSED LEGISLATION:

Additional staff would be retained in subsequent fiscal years to continue monitoring and updating insurance rates.

TECHNICAL OR MECHANICAL DEFECTS IN PROPOSED LEGISLATION OR CONFLICTS WITH EXISTING LEGISLATION:

N/A

David L. Hunter DATE 1/12/87
 DAVID L. HUNTER, BUDGET DIRECTOR
 Office of Budget and Program Planning

Bob Brown DATE 1/14/87
 BOB BROWN, PRIMARY SPONSOR
 Fiscal Note for SB052, as introduced.

SB 52

COMMITTEE
ON JUDICIARY
MOTION TO MOVE FROM
COMMITTEE TO 2ND READING

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23 commissioner;
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 22 discriminatory, to authorize the existence and operation of
 23 qualified rating organizations and advisory organizations
 24 and require that specified rating services of such rating
 25 organizations be generally available to all admitted

1 insurers, and to authorize cooperation between insurers in
 2 ratemaking and other related matters.

3 ~~(2) It is the express intent of this chapter to permit~~
 4 ~~and encourage competition between insurers on a sound~~
 5 ~~financial basis, and nothing in this chapter is intended to~~
 6 ~~give the commissioner power to fix and determine a rate~~
 7 ~~level by classification or otherwise."~~

8 NEW SECTION. Section 5. Codification instruction.
 9 Sections 1 through 3 are intended to be codified as an
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1 STATEMENT OF INTENT

1 the bill.

2 SENATE BILL 52

3

4 A statement of intent is required for this bill because
5 section 1 requires the commissioner of insurance of the
6 state of Montana (commissioner) to establish by rule annual
7 limitations on rate level increases and decreases that may
8 take effect without his prior approval. The legislature
9 intends that the rules, which the commissioner adopts to
10 implement this bill, be designed to restore and promote
11 stability in the specific insurance market that they are
12 meant to regulate.

13 The legislature further intends that the commissioner
14 adopt those rules in accordance with 33-1-313 that grant the
15 commissioner general rulemaking authority and that permit
16 the commissioner:

17 (1) to make only reasonable rules that do not extend,
18 modify, or conflict with any law of this state or with any
19 reasonable implication of those laws; and

20 (2) to make or amend those rules only after a hearing
21 of which notice has been given as required by 33-1-703. The
22 legislature intends that the commissioner, in adopting a
23 rule that establishes or modifies the annual rate level
24 increases and decreases that may take effect without his
25 prior approval, consider the factors listed in section 2 of

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