

SENATE BILL 29

Introduced by Williams, B.

6/28	Introduced
6/29	Referred to Labor & Employment Relations
6/30	Hearing Died in Committee

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*Stacy* BILL NO. 29  
*W. Hill*  
INTRODUCED BY \_\_\_\_\_

A BILL FOR AN ACT ENTITLED: "AN ACT TO REQUIRE ALL WORKERS' COMPENSATION PLAN NO. 2 INSURERS AND THE STATE FUND, COMPENSATION PLAN NO. 3, TO CHARGE A MINIMUM PREMIUM RATE OF 4 PERCENT PER \$100 OF COVERED PAYROLL; AMENDING SECTIONS 33-16-1004, 39-71-2311, AND 39-71-2316, MCA; AND PROVIDING AN EFFECTIVE DATE."

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

NEW SECTION. Section 1. Minimum premium rate. A compensation plan No. 2 insurer shall charge a minimum premium rate of at least 4% per \$100 of covered payroll.

NEW SECTION. Section 2. Minimum premium rate. The state fund shall charge a minimum premium rate of at least 4% per \$100 of covered payroll.

**Section 3.** Section 39-71-2311, MCA, is amended to read:

"39-71-2311. Intent and purpose of plan. It is the intent and purpose of the state fund to allow employers the option to insure their liability for workers' compensation and occupational disease coverage with a nonprofit, independent public corporation. The state fund is required to insure any employer in this state requesting coverage,

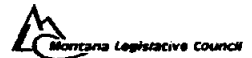
1 and it may not refuse coverage for an employer unless an  
2 assigned risk plan is established under 39-71-431 and is in  
3 effect. The state fund must be neither more nor less than  
4 self-supporting. Premium rates must be set at a level  
5 sufficient to fund the insurance program, including the  
6 costs of administration, benefits, and adequate reserves,  
7 subject to the minimum premium rate provided for in [section  
8 2]. For the purpose of keeping the state fund solvent, it  
9 must implement variable pricing levels within individual  
10 rate classifications to reward an employer with a good  
11 safety record and penalize an employer with a poor safety  
12 record, subject to the minimum premium rate provided for in  
13 [section 2]."

**Section 4.** Section 39-71-2316, MCA, is amended to read:

"39-71-2316. Powers of the state fund -- rulemaking. For the purposes of carrying out its functions, the state fund may:

(1) insure any employer for workers' compensation and occupational disease liability as the coverage is required by the laws of this state and, in connection with the coverage, provide employers' liability insurance. The state fund may charge a minimum yearly premium to cover its administrative costs for coverage of a small employer, subject to the minimum premium rate provided for in [section

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- 1 2].
- 2 (2) sue and be sued;
- 3 (3) adopt, amend, and repeal rules relating to the
- 4 conduct of its business;
- 5 (4) enter into contracts relating to the
- 6 administration of the state fund, including claims
- 7 management, servicing, and payment;
- 8 (5) collect and disburse money received;
- 9 (6) subject to the minimum premium rate provided for
- 10 in [section 2], adopt classifications and charge premiums
- 11 for the classifications so that the state fund will be
- 12 neither more nor less than self-supporting. The state fund
- 13 must belong to the national council on compensation
- 14 insurance and shall use the classifications of employment
- 15 adopted by the national council and corresponding rates as a
- 16 basis for setting its own rates.
- 17 (7) pay the amounts determined due under a policy of
- 18 insurance issued by the state fund;
- 19 (8) hire personnel;
- 20 (9) declare dividends if there is an excess of assets
- 21 over liabilities. However, dividends may not be paid until
- 22 the unfunded liability of the state fund is eliminated and
- 23 adequate actuarially determined reserves are determined.
- 24 (10) perform all functions and exercise all powers of a
- 25 domestic mutual insurer that are necessary, appropriate, or

1 convenient for the administration of the state fund."

2 **Section 5.** Section 33-16-1004, MCA, is amended to

3 read:

4 "33-16-1004. Rates -- considerations -- methods --

5 standards. All rates shall must be made in accordance with

6 the following provisions, subject to the minimum premium

7 rate provided for in [sections 1 and 2]:

8 (1) Due consideration shall must be given to past and

9 prospective loss experience within and outside this state,

10 to catastrophe hazards, if any, to a reasonable margin for

11 underwriting profit and contingencies, to dividends,

12 savings, or unabsorbed premium deposits allowed or returned

13 by insurers to their policyholders, members, or subscribers,

14 to past and prospective expenses both countrywide and those

15 specially applicable to this state, and to all other

16 relevant factors within and outside this state.

17 (2) The systems of expense provisions included in the

18 rates for use by an insurer or group of insurers may differ

19 from those of other insurers or groups of insurers to

20 reflect the requirements of the operating methods of any

21 insurer or group with respect to any kind of insurance or

22 with respect to any subdivision or combination thereof for

23 which subdivision or combination separate expense provisions

24 are applicable.

25 (3) Risks may be grouped by classifications for the

1 establishment of rates and minimum premiums. Classification  
2 rates may be modified to produce rates on individual risks  
3 in accordance with rating plans which establish standards  
4 for measuring variations in hazards or expense provisions,  
5 or both. Such standards may measure any difference among  
6 risks that can be demonstrated to have a probable effect  
7 upon losses or expenses.

8 (4) Rates shall may not be excessive, inadequate, or  
9 unfairly discriminatory.

10 (5) Except to the extent necessary to meet the  
11 provisions of subsections (1) through (3), uniformity among  
12 insurers in any matter within the scope of this section is  
13 neither required nor prohibited."

14 NEW SECTION. Section 6. Codification instruction. (1)  
15 [Section 1] is intended to be codified as an integral part  
16 of Title 39, chapter 71, part 22, and the provisions of  
17 Title 39, chapter 71, part 22, apply to [section 1].

18 (2) [Section 2] is intended to be codified as an  
19 integral part of Title 39, chapter 71, part 23, and the  
20 provisions of Title 39, chapter 71, part 23, apply to  
21 [section 2].

22 NEW SECTION. Section 7. Effective date. [This act] is  
23 effective July 1, 1989, and if passed and approved after  
24 that date, applies retroactively, within the meaning of  
25 1-2-109, to July 1, 1989.

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