

1 House BILL NO. 344.

2 INTRODUCED BY Esler

3
4 A BILL FOR AN ACT ENTITLED: "AN ACT PROHIBITING THE STATE FUND FROM CHARGING A YEARLY
5 MINIMUM PREMIUM; AMENDING SECTION 39-71-2316, MCA; AND PROVIDING AN EFFECTIVE DATE."
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7 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:
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9 **Section 1.** Section 39-71-2316, MCA, is amended to read:

10 **"39-71-2316. Powers of the state fund.** For the purposes of carrying out its functions, the state
11 fund may:

12 (1) insure any employer for workers' compensation and occupational disease liability as the
13 coverage is required by the laws of this state. The state fund may not charge a minimum yearly premium
14 to cover its administrative costs for coverage of a small employer.

15 (2) sue and be sued;

16 (3) ~~except as provided in section 21, Chapter 4, Special Laws of May 1990,~~ enter into contracts
17 relating to the administration of the state fund, including claims management, servicing, and payment;

18 (4) collect and disburse money received;

19 (5) adopt classifications and charge premiums for the classifications so that the state fund will be
20 neither more nor less than self-supporting. Premium rates for classifications may only be adopted and
21 changed using a process, a procedure, formulas, and factors set forth in rules adopted under Title 2,
22 chapter 4, parts 2 through 4. After ~~such~~ the rules have been adopted, the state fund need not follow the
23 rulemaking provisions of Title 2, chapter 4, when changing classifications and premium rates. The
24 contested case rights and provisions of Title 2, chapter 4, do not apply to an employer's classification or
25 premium rate. The state fund ~~must~~ is required to belong to the national council on compensation insurance
26 and shall use the classifications of employment adopted by the national council and corresponding rates
27 as a basis for setting its own rates.

28 (6) pay the amounts determined due under a policy of insurance issued by the state fund;

29 (7) hire personnel;

30 (8) declare dividends if there is an excess of assets over liabilities. However, dividends may not

1 be paid until adequate actuarially determined reserves are set aside. If those reserves have been set aside,
2 money that can be declared as a dividend must be transferred to the account created by 39-71-2321 for
3 claims for injuries resulting from accidents that occurred before July 1, 1990, and used for the purposes
4 of that account. After all claims funded by that account have been paid, dividends may be declared and
5 paid to insureds.

6 (9) perform all functions and exercise all powers of a private insurance carrier that are necessary,
7 appropriate, or convenient for the administration of the state fund."

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9 NEW SECTION. **Section 2. Effective date.** [This act] is effective July 1, 1995.

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-END-

STATE OF MONTANA - FISCAL NOTE

Fiscal Note for HB0344, as introduced

DESCRIPTION OF PROPOSED LEGISLATION:

A bill prohibiting the State Fund from charging a yearly minimum premium.

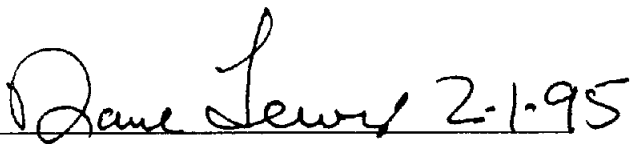
ASSUMPTIONS:

1. The "minimum premium" established by the State Fund board of directors is currently set at \$194.00 for the policy year from July 1, 1994, to June 30, 1995. The minimum premium is intended to cover the average administrative costs of issuing a policy for one year for small employers. The minimum premium does not include costs associated with claims administration.
2. Approximately 20% of total policies or 6,718 employers insured by the State Fund pay the minimum premium amount. This accounts for approximately 0.7% of total premium revenue collected by the State Fund. The FY94 premium income revenues attributable to the minimum premium were \$873,850.
3. The State Fund will not experience reduced wage loss and medical cost liabilities nor reduced administrative costs by eliminating the minimum premium.
4. The State Fund is required by statute to charge premiums for classifications so that the State Fund will be neither more nor less than self supporting. Any premium income not collected by means of a minimum premium would require offsetting increases to all rate classifications.

FISCAL IMPACT:

Revenues:

There would be no change to aggregate premium revenue assessed to State Fund insured employers. Revenue associated with the minimum premium would be redistributed to other employers in the form of adjustments to all rate classifications.


DAVE LEWIS, BUDGET DIRECTOR DATE
Office of Budget and Program Planning


MARGE FISHER, PRIMARY SPONSOR DATE

Fiscal Note for HB0344, as introduced

HB 344