

SENATE BILL NO. 374

INTRODUCED BY

HARP

BY REQUEST OF THE STATE FUND

A BILL FOR AN ACT ENTITLED: "AN ACT REVISING CERTAIN STATE FUND INSURANCE LAWS; AUTHORIZING THE STATE FUND TO REFUSE WORKERS' COMPENSATION COVERAGE TO AN EMPLOYER OR AN EMPLOYER'S PRINCIPALS WHO HAVE DEFAULTED ON A STATE FUND OBLIGATION; REPLACING THE MINIMUM YEARLY PREMIUM WITH A POLICY CHARGE; AUTHORIZING THE STATE FUND TO PROVIDE EMPLOYERS' LIABILITY INSURANCE AS PART OF THE REQUIRED COVERAGE; AUTHORIZING THE STATE FUND TO CONTRACT WITH PUBLIC OR PRIVATE ENTITIES TO SELL SERVICES AT NOT LESS THAN COST; MAKING IT OPTIONAL FOR THE STATE FUND TO BELONG TO A LICENSED RATING ORGANIZATION; PROHIBITING THE SALE OR DISTRIBUTION OF INFORMATION PROVIDED TO A WORKERS' COMPENSATION RATING ORGANIZATION; REQUIRING THE STATE FUND TO PROVIDE DATA TO A RATING ORGANIZATION TO WHICH IT IS NOT A MEMBER; REDUCING TO 20 DAYS THE TIME REQUIRED FOR NOTIFYING AN EMPLOYER OF THE CANCELLATION OF COVERAGE; AMENDING SECTIONS 39-71-2311, 39-71-2313, 39-71-2316, AND 39-71-2339, MCA; AND PROVIDING AN EFFECTIVE DATE."

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

Section 1. 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 an option to insure their liability for workers' compensation and occupational disease coverage with a mutual insurance the state fund. The state fund is required to insure any employer in this state requesting coverage, and it may not refuse coverage for an employer. The state fund must be neither more nor less than self-supporting. Premium rates must be set at least annually at a level sufficient to ensure the adequate funding of the insurance program, including the costs of administration, benefits, and adequate reserves, during and at the end of the period for which the rates will be in effect. In determining premium rates, the state fund shall make every effort to adequately predict future costs. When the costs of a factor influencing rates are unclear and difficult to predict, the state fund shall use a prediction

1 calculated to be more than likely to cover those costs rather than less than likely to cover those costs.  
 2 Unnecessary surpluses that are created by the imposition of premiums found to have been set higher than  
 3 necessary because of a high estimate of the cost of a factor or factors may be refunded by the declaration  
 4 of a dividend as provided in this part. For the purpose of keeping the state fund solvent, it ~~must~~ shall  
 5 implement variable pricing levels as provided in 39-71-2341."

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7 **Section 2.** Section 39-71-2313, MCA, is amended to read:

8 **"39-71-2313. State compensation insurance fund created -- obligation to insure.** (1) There is a  
 9 state compensation insurance fund known as the state fund that is a nonprofit, independent public  
 10 corporation established for the purpose of allowing an option for employers to insure their liability for  
 11 workers' compensation and occupational disease coverage under this chapter.

12 (2) The state fund is required to insure any employer in this state who requests coverage, and it  
 13 may not refuse to provide coverage unless an employer or the employer's principals have defaulted on a  
 14 state fund obligation."

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16 **Section 3.** Section 39-71-2316, MCA, is amended to read:

17 **"39-71-2316. Powers of the state fund.** For the purposes of carrying out its functions, the state  
 18 fund may:

19 (1) insure any employer for workers' compensation and occupational disease liability as the  
 20 coverage is required by the laws of this state and, as part of the coverage, provide employers' liability  
 21 insurance upon approval of the board. The state fund may ~~charge a minimum yearly premium to cover its~~  
 22 ~~administrative costs for coverage of a small employer, in addition to charging a premium, assess a policy~~  
 23 charge on each policy issued in order to cover its administrative costs.

24 (2) sue and be sued;

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

27 (4) through contracts with public or private entities, sell full or partial services that are provided  
 28 by and are available through the state fund, including but not limited to safety consultation services, the  
 29 collection of charges or premiums, the processing and payment of medical bills, and the adjustment or  
 30 settlement of claims. Services may not be priced below cost or subsidized by state fund policyholder

1 premiums.

2 ~~(4)~~(5) collect and disburse money received;

3 ~~(5)~~(6) adopt classifications and charge premiums for the classifications so that the state fund will

4 be neither more nor less than self-supporting. Premium rates for classifications may only be adopted and

5 changed using a process, a procedure, formulas, and factors set forth in rules adopted under Title 2,

6 chapter 4, parts 2 through 4. After ~~such~~ the rules have been adopted, the state fund need not follow the

7 rulemaking provisions of Title 2, chapter 4, when changing classifications and premium rates. The contested

8 case rights and provisions of Title 2, chapter 4, do not apply to an employer's classification or premium

9 rate. The state fund ~~must~~ may belong to ~~the national council on compensation insurance~~ a workers'

10 compensation rating organization and ~~shall~~ may use the classifications of employment adopted by ~~the~~

11 ~~national council~~ a workers' compensation rating organization and corresponding rates as a basis for setting

12 its own rates. A workers' compensation rating organization or other person may not, without first obtaining

13 the written permission of the employer or the state fund, use, sell, or distribute an employer's specific

14 payroll or loss information, including but not limited to experience modification factors. If the state fund is

15 not a member of a workers' compensation rating organization, the state fund shall, upon request of a rating

16 organization and pursuant to terms and conditions relating to the cost of providing the data and the

17 protection of individual privacy rights, report the data in a manner consistent with the rating organization's

18 uniform statistical plan and classification system, subject to deviations adopted by the board.

19 ~~(6)~~(7) pay the amounts determined due under a policy of insurance issued by the state fund;

20 ~~(7)~~(8) hire personnel;

21 ~~(8)~~(9) declare dividends if there is an excess of assets over liabilities. However, dividends may not

22 be paid until adequate actuarially determined reserves are set aside. If those reserves have been set aside,

23 money that can be declared as a dividend must be transferred to the account created by 39-71-2321 for

24 claims for injuries resulting from accidents that occurred before July 1, 1990, and used for the purposes

25 of that account. After all claims funded by that account have been paid, dividends may be declared and

26 paid to insureds.

27 ~~(9)~~(10) perform all functions and exercise all powers of a private insurance carrier that are

28 necessary, appropriate, or convenient for the administration of the state fund."

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30 **Section 4.** Section 39-71-2339, MCA, is amended to read:

1           **"39-71-2339. Cancellation of coverage -- ~~thirty~~ twenty days' notice required.** The state fund may  
2 cancel an employer's coverage under this part for failure to report payroll or pay the premiums due or for  
3 another cause provided in the insurance policy. Cancellation may take effect only by written notice to the  
4 named insured at least ~~30~~ 20 days prior to the date of cancellation or, in cases of nonreporting of payroll  
5 or nonpayment of a premium, by failure of the employer to submit payroll reports or pay a premium within  
6 ~~30~~ 20 days after the due date. The state fund shall notify the department of the names and effective dates  
7 of all policies canceled. However, the policy terminates on the effective date of a replacement or  
8 succeeding insurance policy issued to the insured. ~~Nothing in this~~ This section prevents does not prevent  
9 the state fund from canceling an insurance policy before a replacement policy is issued to the insured. After  
10 the cancellation date, the employer has the same status as an employer who is not enrolled under the  
11 Workers' Compensation Act unless a replacement or succeeding insurance policy has been issued."

12

13           NEW SECTION. Section 5. Effective date. [This act] is effective July 1, 1995.

14

-END-

STATE OF MONTANA - FISCAL NOTE

Fiscal Note for SB0374, as introduced

DESCRIPTION OF PROPOSED LEGISLATION:

An act revising State Fund insurance laws; authorizing the State Fund to refuse coverage for employers who have defaulted on a State Fund obligation; replacing minimum yearly premium with a policy charge to all policy holders; authorizing the State Fund to offer employer' liability insurance as part of coverage; authorizing the State Fund to sell services at not less than cost of providing the services; making it optional for the State Fund to belong to a rating organization; requiring the State Fund to provide data to a rating organization to which it is not a member; prohibiting the sale or distribution of information provided to a workers' compensation rating organization; reducing the number of days required to notify an employer of cancellation of coverage from 30 days to 20 days.

ASSUMPTIONS:

1. Sections 1 and 2 of this bill are intended to codify into statute current State Fund practice. It applies only of employers and employers principals that have a currently unpaid obligation.
2. 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 FY94 premium income attributable to the minimum premium was \$873,850. In FY94, minimum premium was paid by 6,718 policy holders.
3. The policy charge would be paid by 100% of employers insured by the State Fund. The policy charge would be the minimum cost incurred by the State Fund in issuing, renewing, and servicing a policy. The cost does not include the costs related to claim administration.
4. Estimated FY95 administrative costs associated with policy charge is \$2,711,628. The current number of policies covered by the State Fund is 26,216. The policy charge for each policy is estimated at between \$95 to \$103.
5. The net revenue collected from the policy charge would be offset in revenue requirements in individual rate classification.
6. Estimated cost to information system changes is a one time cost of \$25,000.
7. The State Fund would offer employers' liability coverage in addition to workers' compensation, on approval by the board. It is assumed the expenses incurred would be offset by the revenue generated. Estimated cost of information systems would be a one time cost of between \$500,000 to \$1,000,000.
8. The estimated costs for policy amendments and form changes for a policy charge and/or issuing employers' liability coverage is \$13,795.
9. The State Fund would contract to sell services to public and private entities. It is assumed that sales of services would not be available until approximately late FY96. No estimates of revenue can be made until actual customers are under contract. Net Revenue after expenses generated from sales of services would be offset by adjustments to premium. Estimated costs for information services changes is \$200,000.
10. Estimated cost to report data to a rating organization to which the State Fund is not a member is \$10,000.
11. If the State Fund did not belong to a rating organization there would be savings estimated at \$450,000 in FY96 and \$495,000 in FY97. This savings would be offset by development costs of rating organization services within the State Fund.
12. The change in cancellation notice from 30 days to 20 days would result in reduced risk of incurring claims costs during the 10 days.

(continued)

Dave Lewis 2-17-95  
DAVE LEWIS, BUDGET DIRECTOR      DATE  
Office of Budget and Program Planning

John Harp 2-17-95  
JOHN HARP, PRIMARY SPONSOR      DATE

Fiscal Note for SB0374, as introduced

**SB 374**

FISCAL IMPACT:

The general effect of SB0374 would be to enhance the efficiency and effectiveness of State Fund operations. Specifically:

1. Replacement of the minimum annual premium with a policy charge would be revenue neutral with respect to total premium income.
2. Authorization to offer employer's liability insurance would create the potential for an additional line of business which, presumably, would be neither more nor less than self-supporting but would tend to spread fixed overhead expenses over a broader revenue base.
3. The sale of services to private or public entities at a profit would subsidize the State Fund's core businesses, resulting in downward pressure on premium rates.
4. State Fund flexibility in belonging to a rating organization or development of its own internal rating services would provide options in obtaining the most cost effective services.

APPROVED BY COM ON LABOR  
& EMPLOYMENT RELATIONS

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17 AND PROVIDING AN EFFECTIVE DATE."

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 16 **Section 3.** Section 39-71-2316, MCA, is amended to read:

17 "**39-71-2316. Powers of the state fund.** For the purposes of carrying out its functions, the state  
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 23 ~~a policy charge on each policy issued in order to cover its administrative costs~~ **CHARGE A MINIMUM**  
 24 **YEARLY PREMIUM TO COVER ITS ADMINISTRATIVE COSTS FOR COVERAGE OF A SMALL EMPLOYER.**

25 (2) sue and be sued;

26 (3) except as provided in section 21, Chapter 4, Special Laws of May 1990, enter into contracts  
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 11 a LICENSED workers' compensation rating ADVISORY organization OR A LICENSED WORKERS'  
 12 COMPENSATION RATING ORGANIZATION UNDER TITLE 33, CHAPTER 16, PART 4, and ~~shall~~ may use  
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16 the cancellation date, the employer has the same status as an employer who is not enrolled under the  
17 Workers' Compensation Act unless a replacement or succeeding insurance policy has been issued."

18  
19 NEW SECTION. SECTION 5. COORDINATION INSTRUCTION. IF [THIS ACT] IS PASSED AND  
20 APPROVED AND IF IT AMENDS 39-71-2316, THEN SENATE BILL NO. 21 IS VOID.

21  
22 NEW SECTION. Section 6. Effective date. [This act] is effective July 1, 1995.

23 -END-

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 13 named insured at least ~~30~~ 20 days prior to the date of cancellation or, in cases of nonreporting of payroll  
 14 or nonpayment of a premium, by failure of the employer to submit payroll reports or pay a premium within  
 15 ~~30~~ 20 days after the due date. The state fund shall notify the department of the names and effective dates  
 16 of all policies canceled. However, the policy terminates on the effective date of a replacement or  
 17 succeeding insurance policy issued to the insured. ~~Nothing in this~~ This section prevents ~~prevents~~ does not prevent  
 18 the state fund from canceling an insurance policy before a replacement policy is issued to the insured. After  
 19 the cancellation date, the employer has the same status as an employer who is not enrolled under the  
 20 Workers' Compensation Act unless a replacement or succeeding insurance policy has been issued."

21

22 **NEW SECTION. SECTION 5. COORDINATION INSTRUCTION. IF [THIS ACT] IS PASSED AND**  
 23 **APPROVED AND IF IT AMENDS 39-71-2316, THEN SENATE BILL NO. 21 IS VOID.**

24

25 **NEW SECTION. Section 6. Effective date.** [This act] is effective July 1, 1995.

26

-END-

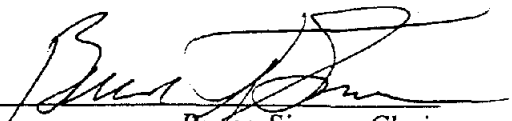


## HOUSE STANDING COMMITTEE REPORT

March 9, 1995

Page 1 of 2

Mr. Speaker: We, the committee on Business and Labor report that Senate Bill 374 (third reading copy -- blue) be concurred in as amended.

Signed:   
Bruce Simon, Chair

Carried by: Rep. Simon

And, that such amendments read:

1. Title, lines 8 and 9.

Following: "~~CHARGE,~~"

Strike: remainder of line 8 through "CHARGE" on line 9

Insert: "PROVIDING THE STATE FUND BOARD OF DIRECTORS WITH  
DISCRETION TO ASSESS A POLICY CHARGE, A MINIMUM PREMIUM, OR  
BOTH, IN LIEU OF A MINIMUM YEARLY PREMIUM"

2. Title, lines 10 and 11.

Following: "COVERAGE;"

Strike: remainder of line 10 through "COST;" on line 11

3. Page 2, line 5.

Strike: "it"

Following: "~~must~~"

Insert: "the state fund"

4. Page 2, line 6.

Following: "39-71-2341"

Insert: "and the board of directors may, in its discretion,  
assess a policy charge, a minimum premium, or both"

SB 374

Committee Vote:

Yes 16, No 2.

HOUSE

5. Page 2, line 22

Following: "board."

Strike: "The state fund may"

6. Page 2, lines 25 through 27.

Strike: ", " on line 25 through "COSTS." on line 27

7. Page 3, lines 1 through 5.

Strike: subsection (4) in its entirety

Re-number: subsequent subsections

8. Page 3, lines 17 and 18.

Following: "organization" on line 17

Strike: remainder of line 17 through "PART 4," on line 18

Insert: ", as provided in Title 33, chapter 16, part 10,"

-END-



## 1 SENATE BILL NO. 374

2 INTRODUCED BY HARP

3 BY REQUEST OF THE STATE FUND  
4

5 A BILL FOR AN ACT ENTITLED: "AN ACT REVISING CERTAIN STATE FUND INSURANCE LAWS;  
6 AUTHORIZING THE STATE FUND TO REFUSE WORKERS' COMPENSATION COVERAGE TO AN EMPLOYER  
7 OR AN EMPLOYER'S PRINCIPALS WHO HAVE DEFAULTED ON A STATE FUND OBLIGATION; ~~REPLACING~~  
8 ~~THE MINIMUM YEARLY PREMIUM WITH A POLICY CHARGE; REPLACING THE MINIMUM YEARLY~~  
9 ~~PREMIUM WITH A POLICY CHARGE~~ PROVIDING THE STATE FUND BOARD OF DIRECTORS WITH  
10 DISCRETION TO ASSESS A POLICY CHARGE, A MINIMUM PREMIUM, OR BOTH, IN LIEU OF A MINIMUM  
11 YEARLY PREMIUM; AUTHORIZING THE STATE FUND TO PROVIDE EMPLOYERS' LIABILITY INSURANCE  
12 AS PART OF THE REQUIRED COVERAGE; ~~AUTHORIZING THE STATE FUND TO CONTRACT WITH PUBLIC~~  
13 ~~OR PRIVATE ENTITIES TO SELL SERVICES AT NOT LESS THAN COST; MAKING IT OPTIONAL FOR~~  
14 REQUIRING THE STATE FUND TO BELONG TO A LICENSED ADVISORY OR RATING ORGANIZATION;  
15 PROHIBITING, WITH EXCEPTIONS, THE SALE OR DISTRIBUTION OF INFORMATION PROVIDED TO A  
16 WORKERS' COMPENSATION RATING ORGANIZATION; ~~REQUIRING THE STATE FUND TO PROVIDE DATA~~  
17 ~~TO A RATING ORGANIZATION TO WHICH IT IS NOT A MEMBER~~; REDUCING TO 20 DAYS THE TIME  
18 REQUIRED FOR NOTIFYING AN EMPLOYER OF THE CANCELLATION OF COVERAGE; AMENDING  
19 SECTIONS 39-71-2311, 39-71-2313, 39-71-2316, AND 39-71-2339, MCA; AND PROVIDING AN  
20 EFFECTIVE DATE."

21  
22 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:  
2324 **Section 1.** Section 39-71-2311, MCA, is amended to read:

25 **"39-71-2311. Intent and purpose of plan.** It is the intent and purpose of the state fund to allow  
26 employers ~~the an~~ option to insure their liability for workers' compensation and occupational disease  
27 coverage with ~~a mutual insurance~~ the state fund. ~~The state fund is required to insure any employer in this~~  
28 ~~state requesting coverage, and it may not refuse coverage for an employer.~~ The state fund must be neither  
29 more nor less than self-supporting. Premium rates must be set at least annually at a level sufficient to  
30 ensure the adequate funding of the insurance program, including the costs of administration, benefits, and

1 adequate reserves, during and at the end of the period for which the rates will be in effect. In determining  
 2 premium rates, the state fund shall make every effort to adequately predict future costs. When the costs  
 3 of a factor influencing rates are unclear and difficult to predict, the state fund shall use a prediction  
 4 calculated to be more than likely to cover those costs rather than less than likely to cover those costs.  
 5 Unnecessary surpluses that are created by the imposition of premiums found to have been set higher than  
 6 necessary because of a high estimate of the cost of a factor or factors may be refunded by the declaration  
 7 of a dividend as provided in this part. For the purpose of keeping the state fund solvent, ~~it must~~ THE STATE  
 8 FUND shall implement variable pricing levels as provided in 39-71-2341 AND THE BOARD OF DIRECTORS  
 9 MAY, IN ITS DISCRETION, ASSESS A POLICY CHARGE, A MINIMUM PREMIUM, OR BOTH."

10

11 **Section 2.** Section 39-71-2313, MCA, is amended to read:

12 "**39-71-2313. State compensation insurance fund created -- obligation to insure.** (1) There is a  
 13 state compensation insurance fund known as the state fund that is a nonprofit, independent public  
 14 corporation established for the purpose of allowing an option for employers to insure their liability for  
 15 workers' compensation and occupational disease coverage under this chapter.

16 (2) The state fund is required to insure any employer in this state who requests coverage, and it  
 17 may not refuse to provide coverage unless an employer or the employer's principals have defaulted on a  
 18 state fund obligation AND THE DEFAULT REMAINS UNSATISFIED."

19

20 **Section 3.** Section 39-71-2316, MCA, is amended to read:

21 "**39-71-2316. Powers of the state fund.** For the purposes of carrying out its functions, the state  
 22 fund may:

23 (1) insure any employer for workers' compensation and occupational disease liability as the  
 24 coverage is required by the laws of this state and, as part of the coverage, provide RELATED employers'  
 25 liability insurance upon approval of the board. ~~The state fund may charge a minimum yearly premium to~~  
 26 ~~cover its administrative costs for coverage of a small employer, in addition to charging a premium, assess~~  
 27 ~~a policy charge on each policy issued in order to cover its administrative costs~~ CHARGE A MINIMUM  
 28 YEARLY PREMIUM TO COVER ITS ADMINISTRATIVE COSTS FOR COVERAGE OF A SMALL EMPLOYER,  
 29 IN ADDITION TO CHARGING A PREMIUM, ASSESS A POLICY CHARGE ON EACH POLICY ISSUED IN  
 30 ORDER TO COVER ITS ADMINISTRATIVE COSTS.

1 (2) sue and be sued;

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

4 ~~(4) through contracts with public or private entities, sell full or partial services that are provided  
5 by and are available through the state fund, including but not limited to safety consultation services, the  
6 collection of charges or premiums, the processing and payment of medical bills, and the adjustment or  
7 settlement of claims. Services may not be priced below cost or subsidized by state fund policyholder  
8 premiums.~~

9 ~~(4)(5)(4)~~ collect and disburse money received;

10 ~~(5)(6)(5)~~ adopt classifications and charge premiums for the classifications so that the state fund  
11 will be neither more nor less than self-supporting. Premium rates for classifications may only be adopted  
12 and changed using a process, a procedure, formulas, and factors set forth in rules adopted under Title 2,  
13 chapter 4, parts 2 through 4. After ~~such~~ the rules have been adopted, the state fund need not follow the  
14 rulemaking provisions of Title 2, chapter 4, when changing classifications and premium rates. The contested  
15 case rights and provisions of Title 2, chapter 4, do not apply to an employer's classification or premium  
16 rate. The state fund ~~must~~ may IS REQUIRED TO belong to ~~the national council on compensation insurance~~  
17 a LICENSED workers' compensation rating ADVISORY organization OR A LICENSED WORKERS'  
18 COMPENSATION RATING ORGANIZATION UNDER TITLE 33, CHAPTER 16, PART 4, and ~~shall~~ may use  
19 the classifications of employment adopted by ~~the national council~~ a THE DESIGNATED workers'  
20 compensation rating ADVISORY organization OR A LICENSED WORKERS' COMPENSATION RATING  
21 ORGANIZATION UNDER TITLE 33, CHAPTER 16, PART 4, AS PROVIDED IN TITLE 33, CHAPTER 16,  
22 PART 10, and corresponding rates as a basis for setting its own rates. A EXCEPT AS PROVIDED IN TITLE  
23 33, CHAPTER 16, PART 10, A workers' compensation rating ADVISORY organization OR A LICENSED  
24 WORKERS' COMPENSATION RATING ORGANIZATION UNDER TITLE 33, CHAPTER 16, PART 4, or other  
25 ~~person may not, without first obtaining the written permission of the employer or the state fund, use, sell,~~  
26 ~~or distribute an employer's specific payroll or loss information, including but not limited to experience~~  
27 ~~modification factors. If the state fund is not a member of a workers' compensation rating organization, the~~  
28 ~~state fund shall, upon request of a rating organization and pursuant to terms and conditions relating to the~~  
29 ~~cost of providing the data and the protection of individual privacy rights, report the data in a manner~~  
30 ~~consistent with the rating organization's uniform statistical plan and classification system, subject to~~

1 ~~deviations adopted by the board.~~

2 ~~(6)(7)(6)~~ pay the amounts determined due under a policy of insurance issued by the state fund;

3 ~~(7)(8)(7)~~ hire personnel;

4 ~~(8)(9)(8)~~ declare dividends if there is an excess of assets over liabilities. However, dividends may  
5 not be paid until adequate actuarially determined reserves are set aside. If those reserves have been set  
6 aside, money that can be declared as a dividend must be transferred to the account created by 39-71-2321  
7 for claims for injuries resulting from accidents that occurred before July 1, 1990, and used for the purposes  
8 of that account. After all claims funded by that account have been paid, dividends may be declared and  
9 paid to insureds.

10 ~~(9)(10)(9)~~ perform all functions and exercise all powers of a private insurance carrier that are  
11 necessary, appropriate, or convenient for the administration of the state fund."

12

13 **Section 4.** Section 39-71-2339, MCA, is amended to read:

14 **"39-71-2339. Cancellation of coverage -- thirty twenty days' notice required.** The state fund may  
15 cancel an employer's coverage under this part for failure to report payroll or pay the premiums due or for  
16 another cause provided in the insurance policy. Cancellation may take effect only by written notice to the  
17 named insured at least ~~30~~ 20 days prior to the date of cancellation or, in cases of nonreporting of payroll  
18 or nonpayment of a premium, by failure of the employer to submit payroll reports or pay a premium within  
19 ~~30~~ 20 days after the due date. The state fund shall notify the department of the names and effective dates  
20 of all policies canceled. However, the policy terminates on the effective date of a replacement or  
21 succeeding insurance policy issued to the insured. ~~Nothing in this~~ This section prevents does not prevent  
22 the state fund from canceling an insurance policy before a replacement policy is issued to the insured. After  
23 the cancellation date, the employer has the same status as an employer who is not enrolled under the  
24 Workers' Compensation Act unless a replacement or succeeding insurance policy has been issued."

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26 **NEW SECTION. SECTION 5. COORDINATION INSTRUCTION. IF [THIS ACT] IS PASSED AND**  
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29 **NEW SECTION. Section 6. Effective date.** [This act] is effective July 1, 1995.

30

-END-