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MONTANA STATE FUND WORKERS' COMPENSATION PREMIUM ASSESSMENT

A Report Prepared for the

MSF/ Workers' Compensation Subcommittee

By

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May 20, 2008

Legislative Fiscal Division

www.leg.mt.gov/css/fiscal

INTRODUCTION

The Montana State Fund/ Workers' Compensation Subcommittee requested a report on the differences between the assessment of workers' compensation premiums for state agencies and those for private businesses. The purpose of this report is to provide information on the overall rating process used by Montana State Fund (MSF) and the differences when state agencies are assessed.

OVERALL PROCESS

The MSF premium rating process is used to determine the final amount of premium a Montana business will pay for their workers' compensation insurance during the year. The first component of the rate is the loss costs or the cost of providing indemnity and medical benefits to the injured worker. The National Council on Compensation Insurance (NCCI) develops advisory loss costs for workers' compensation in Montana. The costs also include NCCI's provision for the costs of administering and managing claims. The costs are issued by job classification also referred to as class code. The final premium rate established by MSF is based on changes to the loss costs, either increases or decreases for defined factors. The general formula for the rate is illustrated below:

- loss costs X loss cost multiplier = manual rate
- Manual rate X increased limits of employers liability
- X experience modification factor (if applicable)
- X construction credit factor (if applicable)
- X scheduled rating modifier
- - volume discounts
- + terrorism charge
- + expense constant

Further information on the various components and their effect on premiums for Montana employers is discussed below.

Rating Tiers

Private insurance companies providing workers' compensation insurance place employers into various insurance companies based on the experience and loss costs of the business applying for insurance. If a business has a high number of claims over the last three years the private insurer provides workers' compensation insurance in one of its companies that charges higher rates to offset the risk the insurer faces in providing the insurance.

Montana State Fund mimics the flexibility provided through the use of multiple companies through rating tiers. If a business has low experience in terms of numbers of workers' compensation accidents and the associated benefit claims they are placed into a rating tier with lower workers' compensation costs for premiums. As the experience relating to workers' compensation insurance costs increases the businesses are placed in higher rating tiers. Overall MSF uses 5 different rating tiers to determine the manual premium it will assess Montana employers. Tier 1 is used for the lowest risk employers and tier 5 is for the highest risk employers.

MSF uses NCCI experience modifiers to place employers into various rating tiers. The experience modifier is a percentage which increases or decreases based on the employers workers' compensation accident history over the previous 3 years. The lower the experience rating percentage the lower the rating tier the employer is placed in. If an employer has annual premiums greater than $5,000 they generally are experience rated by NCCI. Of the 32,931 policies written by MSF in FY 2007, 22,147 policies, or 67 percent, were not experienced rated by NCCI.

For those policies without an experience rating, the MSF board approves the tier ratings which determine the workers' compensation manual rates for the employers. For the 13,695 Montana employers with policies of less than $1,500 in annual premiums, employers are assessed at the two most expensive tiers, tiers 4 or 5. The businesses do not have the opportunity for lower premiums to be assessed through the rating tiers or through the lower experience modification factors. For 8,452 employers with annual premiums between $1,500 and $5,000 a year, premiums are based on tier 4 rates in the first year of the policy. The rating can stay at tier 4, move as far up as tier 2 or down to tier 5 based on the number of claims filed for the employer's workers and the costs of those claims paid by MSF.

The rating tier determines the loss cost multiplier applied to the loss costs. The loss cost multiplier includes production and general expenses, licenses and fees, profit and contingencies costs of MSF. The rating tiers for MSF based on the NCCI experience modifiers for FY 2008 and the corresponding loss cost multiplier are presented in Figure 1.

As noted above, the loss cost multiplier and the resulting premiums assessed employers increase or decrease based on the assigned rating tier.

Figure 1
MSF Rating Tiers
FY 2008

Experience Modifer From	To	Tier	Loss Cost Multiplier
0.01	0.79	Tier 1	0.885
0.80	0.94	Tier 2	0.946
0.95	1.24	Tier 3	1.012
1.25	1.74	Tier 4	1.214
1.75 & above		Tier 5	1.619

Manual Premium

MSF's manual premium is determined for employers based on NCCI loss costs per $100 of payroll for each specific classification code and the tier the employer has been assigned. As discussed above, the tier rating determines the loss cost multiplier applied to the loss costs. While the loss costs per $100 of payroll are the same for each rating tier the loss cost multiplier increases or decreases the loss costs to reach the manual premium. Figure 2 outlines the associated manual premiums for a single employer with $1,000 of loss costs at each tier level.

Figure 2
Manual Rate
MSF Tier Rating - FY 2008

Tier	NCCI Loss Cost	Loss Cost Multiplier	Premium Rate	Variance From Tier 3
Tier 1	$1,000	0.885	$885.00	-12.50%
Tier 2	$1,000	0.946	$946.00	-6.50%
Tier 3	$1,000	1.012	$1,012.00	0.00%
Tier 4	$1,000	1.214	$1,214.00	20.00%
Tier 5	$1,000	1.619	$1,619.00	60.00%

Employers in the lower rating tiers pay less pure loss costs than those in the higher tiers. The variation from NCCI loss costs is one of the component included in the loss cost multiplier, the other components are 14.3 percent provision for loss adjustment expenses and 7.4 percent provision for general overhead expense. Employers in tiers 3, 4, and 5 are assessed higher premiums through the loss cost multipliers for higher pure loss costs are part of their premium rates.

Standard Premium

Once the manual premium has been established, MSF applies the experience modification factor to the manual premium. The manual premium with the experience modification factor applied is referred to as the standard premium. The experience modifier increases or decreases the premium costs depending on the workers' compensation experience of the employer over the last 3 years. For those employers in tier 1 the effect of the experience modifier is to decrease the costs of workers compensation insurance. Employers in tier 5 would have their premiums increased and pay higher loss costs for their premiums based on their experience modifier. Figure 3 shows the ranges of standard premiums assessed Montana employers after the effect of the experience modifier is considered.

Figure 3
Manual Rate
MSF Tier Rating - FY 2008

Tier	NCCI Loss Cost	Loss Cost Multiplier	Manual Rate	Experience Modifier Ranges To	From	Standard Premium Ranges To	From
Tier 1	$1,000	0.885	$885.00	0.01	0.79	$8.85	$699.15
Tier 2	$1,000	0.946	$946.00	0.80	0.94	$756.80	$889.24
Tier 3	$1,000	1.012	$1,012.00	0.95	1.24	$961.40	$1,254.88
Tier 4	$1,000	1.214	$1,214.00	1.25	1.74	$1,517.50	$2,112.36
Tier 5	$1,000	1.619	$1,619.00	1.75 & above		$2,833.25	& above

Scheduled Rate Modifier

MSF also applies a scheduled rate modifier to the standard premium to determine the final premium amount employers will pay in a given year. The scheduled rate modifier is used to take into account factors which may not show up in the experience modifier. According to MSF, the following general criteria are used to determine the amount of the scheduled rate modifier. The total percentage variation to the loss cost multiplier is also shown.

- Premises – plus or minus 20 percent
- Medical Facilities – plus or minus 15 percent
- Safety Devices – plus or minus 30 percent
- Employee Selection/Training – plus or minus 30 percent
- Management Cooperation – plus or minus 20 percent
- Safety Organization – plus or minus 30 percent
- Other Categories – plus or minus 75 percent

Private insurers have the latitude to increase or decrease the premiums by plus or minus 40 percent through the scheduled rate modifier. Any amount beyond the 40 percent must be approved by the State Auditor's Office. MSF is not limited by this requirement. If MSF applied maximums of the criteria outlined above, the premium amount could vary from -100 percent to plus 220 percent. For an employer in tier 1 with an experience rating of .79 and a standard premium of $50,000, the premium could decrease to the minimum premium of $380 or increase to $160,000 depending on the schedule rate modifier. This portion of the rate determination is considered to be more subjective and is based in part on the judgment of the MSF underwriters and their understanding of the business conditions for the employer they are rating.

Total Estimated Premium

Once the premium is calculated with the scheduled rate modifier, volume discounts are applied. Annual premiums must be greater than $12,000 for volume discounts to take effect. On annual premium between $12,000 and $150,000 a discount of 5 percent is used. Between $150,001 and $750,000 a volume discount of 7 percent is applied, and for annual premiums above $750,001 the volume discount is 9 percent. A terrorism charge of $.02 per $100 of payroll is then applied. The terrorism charge began after September 11, 2001 and will be used should significant acts of terrorism again injure or kill large numbers of workers. It is a federal program that requires mandatory participation by insurance carriers in order to receive the protection of the program should a terrorist event occur.

If the business is a construction company a separate adjustment is calculated for the construction credit, which is applied before the scheduled rate modifier is determined. Businesses can also elect to participate in the employer's liability insurance or the medical deductible program. Employer's liability insurance provides coverage for the legal obligation of an employer to pay damages to employees because of injury by accident or disease above the basic limits provided by MSF policies. The Medical Deductible Program provides a premium discount as the employer elects to pay a portion of the medical cost or deductible of each workers' compensation claim filed each year.

Larger accounts and groups can elect to participate in the Retrospective Rating Program. A retrospective rated account has an agreed upon minimum and maximum premium that the employer will pay based on loss experience. Through this program businesses share the exposure to loss with MSF. If the overall loss experience for the year is favorable a portion of the premium is returned to the business. If the loss experience is not favorable additional premium is paid to MSF for the additional costs associated with the losses.

State Agency Premium Assessments

The legislature requires state agencies to use MSF as their insurance carrier for workers' compensation insurance. 39-71-403, MCA requires state agencies to pay the premiums when required by MSF, whether or not the agency included the expense in the budget, or whether the agency was appropriated funds for these costs. In FY 2008 the total estimated premium for state agencies is $18.2 million.

Loss Costs

MSF does not use NCCI classification codes and associated NCCI loss costs for state agencies. MSF has developed loss costs for state agencies based on the state agencies workers' compensation experience and created specific classification codes for the payroll associated with state workers. These classification codes are unique to state agencies.

NCCI loss costs are the costs of workers' compensation claims for indemnity and medical costs spread across all payrolls of Montana employers included in the class codes and the total premium paid for these class codes. One possible effect of only using state agency experience is that it shrinks the pool that losses are spread across which may increase the loss costs to the state. For example, the loss cost per $100 of payroll for NCCI class code 8810, Clerical Office Employee is $0.79. The loss cost per $100 of payroll for MSF class code 8811, State Clerical Office Employee, is $1.82 per $100 of payroll, a difference of $1.03 per $100 of payroll or 230.4 percent greater than the NCCI loss costs for other clerical workers working in Montana. If the State of Montana used the NCCI class code and loss costs per $100 of payroll the state agency loss experience could potentially be worse than the average loss costs assigned to the job classification code with the agency's experience rating increasing the premium costs. If the state agency loss experience was better than the average for the class code, experience modifier could decrease the premium costs.

Figure 4 shows the various class codes used by MSF to assess state agencies workers' compensation premiums in FY 2008, the associated payroll for each class code, the associated loss costs as determined by MSF, and the costs per $100 of payroll for each tier.

Figure 4
MSF State Agency Payroll, Loss Costs, Tier Ratings

	State Agency Payroll	Loss Cost	Tier 1	Tier 2	Tier 3	Tier 4	Tier 5
			0.885	0.946	1.012	1.214	1.619
7424 State Aircraft Opertion NOC: Flying Crew	$872,126	6.40	5.66	6.05	6.47	7.77	10.36
7721 State Penal Institution: All Other Employees	32,267,539	5.00	4.43	4.73	5.06	6.07	8.10
7722 State Highway Patrol Officers	12,887,050	4.35	3.85	4.12	4.40	5.28	7.04
8743 Municipal: Professional Or Administrative	0	1.24	1.10	1.17	1.25	1.51	2.01
8744 State, Hosp, Penal: Prof Or Adm	207,914,504	1.44	1.27	1.36	1.46	1.75	2.33
8811 State: Clerical Office Employees	83,368,208	1.82	1.61	1.72	1.84	2.21	2.95
8834 State Hospital: All Other Employees & Drivers	30,274,722	14.01	12.40	13.25	14.18	17.01	22.68
8868 College/Sch/Church: Prof & Cl	3,153,274	0.87	0.77	..82	0.88	1.06	1.41
9101 CLG/SCH/Church:All Other	1,185,555	6.75	5.97	6.38	6.83	8.19	10.93
9411 State Highway Dept: Admin Or Non-Professional	50,351,848	2.07	1.83	1.96	2.09	2.51	3.35
9412 State: Administrative Or Non-Professional	49,349,762	1.84	1.63	1.74	1.86	2.23	2.98
9421 State Highway Dept: All Others & Drivers	30,648,281	11.11	9.83	10.51	11.24	13.49	17.99
9422 State: All Other Employees Noc & Drivers	11,852,028	8.25	7.30	7.80	8.35	10.02	13.36
9424 Municpal: Relief Workers	0	7.16	6.34	6.77	7.25	8.69	11.59
9427 Community Service Workers	$162,608	7.16	6.34	6.77	7.25	8.69	11.59

As Figure 4 shows total estimated payroll for state clerical office employees is $83.4 million in FY 2008, and the standard premium on this payroll is $1.7 million. MSF states that NCCI has identified which of their class codes are most closely related to the state agency class codes. If state agencies were assigned these crosswalk codes, the loss costs would be approximately 5 percent higher than the loss-costs for current MSF agency class codes.

During the May 2008 MSF Board meeting the board approved increases and decreases to various state agency class code loss costs. The adopted loss costs are presented in Figure 5.

Figure 5
Loss - Cost Modifications
Approved May 2, 2008

	MSF FY 2008 Loss - cost	MSF FY 2009 Loss-Cost	Loss-Cost Change
7424 State Aircraft Opertion NOC: Flying Crew	6.40	6.24	-2.50%
7721 State Penal Institution: All Other Employees	5.00	5.01	0.20%
7722 State Highway Patrol Officers	4.35	4.18	-3.91%
8743 Municipal: Professional Or Administrative	1.24	1.19	-4.03%
8744 State, Hosp, Penal: Prof Or Adm	1.44	1.37	-4.86%
8811 State: Clerical Office Employees	1.82	1.88	3.30%
8834 State Hospital: All Other Employees & Drivers	14.01	14.86	6.07%
9411 State Highway Dept: Admin Or Non-Professional	2.07	2.10	1.45%
9412 State: Adminstrative Or Non-Professional	1.84	2.26	22.83%
9421 State Highway Dept: All Others & Drivers	11.11	11.34	2.07%
9422 State: All Other Employees Noc & Drivers	8.25	9.49	15.03%
9424 Municpal: Relief Workers	7.16	7.22	0.84%
9427 Community Service Workers	7.16	7.22	0.84%

As can be seen by referring to figure 4, the payroll for class code 9412 is $49,349,762. The loss costs associated with this class code will increase by 22.83 percent before any adjustments for tier ratings, experience modifiers or scheduled rate modifiers.

Rating Tiers

State agencies with annual premiums above $5,000 have experience modification factors determined by NCCI. While none of the state agencies have annual premiums below $1,500, several have annual premiums below $5,000 and as a result have their tier ratings determined by MSF based on their loss experiences rather than through the NCCI experience rating process. Figure 6 presents the state agencies, their rating tier levels, experience ratings, scheduled rate modifiers, and the resulting estimated premiums for FY 2008.

Figure 6
State Agencies
2008 Tier Rating and Experience Modifiers

State Agency Description	Tier Rating	Experience Modifier	Scheduled Rate Modifier	FY 2008 Estimated Premium
Legislative Branch	2	0.87	0.90	$79,341
Montana Consumer Council*	2	N/A	0.95	$5,009
Judiciary	2	0.91	0.95	$232,012
Secretary of State	2	0.83	1.00	$26,197
Commissioner of Political Practices*	2	N/A	0.95	$2,225
Governor's Office	4	1.56	1.20	$119,212
State Auditor's Office	2	0.83	0.95	$33,281
Office of Public Instruction	3	0.96	1.30	$133,903
Board of Crime Control*	2	0.90	0.95	$8,570
Justice	3	0.99	1.00	$824,514
Public Service Commission	2	0.83	0.95	$22,633
Board of Public Education*	2	N/A	0.95	$3,212
School for the Deaf and Blind	2	0.89	1.25	$60,049
Montana Arts Council*	2	N/A	0.95	$5,309
Montana Library Commission	2	0.92	0.95	$18,638
Montana Historical Society	2	0.82	0.90	$32,227
Fish,Wildlife, and Parks	3	0.96	1.00	$605,617
Environmental Quality	1	0.71	1.05	$175,134
Transportation	3	1.03	1.05	$4,939,455
Livestock	3	1.04	1.15	$99,615
Natural Resources and Conservation	2	0.82	1.00	$639,335
Revenue	3	0.97	1.25	$432,597
Administration	2	0.92	0.95	$288,567
Office of Public Defender	3	N/A	0.95	$80,692
Montana State Fund	3	1.00	1.10	$284,373
Public Employee Retirement	2	0.85	0.95	$17,667
Teachers Retirement	2	0.91	0.95	$8,842
Consensus Council*	3	N/A	0.95	$1,542
Agriculture	3	1.03	1.07	$73,517
Corrections	3	0.99	1.10	$1,872,671
Commerce	3	0.99	1.00	$129,713
Labor and Industry	4	1.38	1.00	$772,213
Military Affairs	2	0.82	1.25	$223,228
DPHHS	3	0.97	1.14	$5,498,169
PHHS Volunteers	3	0.97	0.95	$394
DPHHS FAIM	3	0.97	1.52	$66,851
MA State Declared Emergency	2	0.82	0.95	$380

* No claims over the last 4 years

As shown in Figure 6, the smaller agencies are placed in Tier 2, with the exception of the Consensus Council. The state agencies with premiums of less than $5,000 are not assigned an experience modification factor, effectively assigning them an experience rating factor of 1.00. Without the experience rating modification used for tier 2, these agencies pay more per $100 of payroll for workers' compensation premiums than other agencies with premiums over $8,500 in the same tier.

Loss Cost Multiplier

MSF assesses the loss cost multiplier to each tier for each class code. State agency class codes for FY 2008 have the same loss cost multiplier as private businesses in Montana. Included in the loss costs multiplier is a component for underwriting offsets. Included as part of the calculation are the commissions paid to independent insurance agents which work with MSF. Independent insurance agents assist private businesses in negotiations with MSF on workers' compensation insurance. In FY 2008 the budgeted amount for commissions included in the underwriting expenses was $16.3 million and included an estimate of commissions paid at 8 percent of the premium assessed. State agencies do not work with insurance agents and it would appear are paying for services they do not receive through the assessment of the loss cost multiplier.

State of Montana as a Single Employer

One final difference between how private businesses are assessed workers' compensation insurance as compared to state agencies is that while the state of Montana is a single employer, each state agency within the state is assessed separately, and private businesses are assessed as a single employer. It has not been determined what the cost implications of changing this portion of the methodology would be, however, Health Care Benefits Division staff at the Department of Administration indicated they believe overall savings could be realized. It should be noted that while the overall costs to taxpayers for workers' compensation insurance costs may decrease, the effect on individual agencies budgets will vary. Increases may occur for those agencies in the lower tiers and with low experience ratings if the state's overall experience rating and tier rating is determined.

In addition, the effect of reducing the state of Montana's premium revenues may result in higher costs to other Montana businesses to mitigate the overall reduction to MSF's revenues. Statute refers to state agencies insuring with MSF. If the legislature determines changing to a single employer is in the best interests of the taxpayers, legislation amending 39-71-403, MCA would be needed.

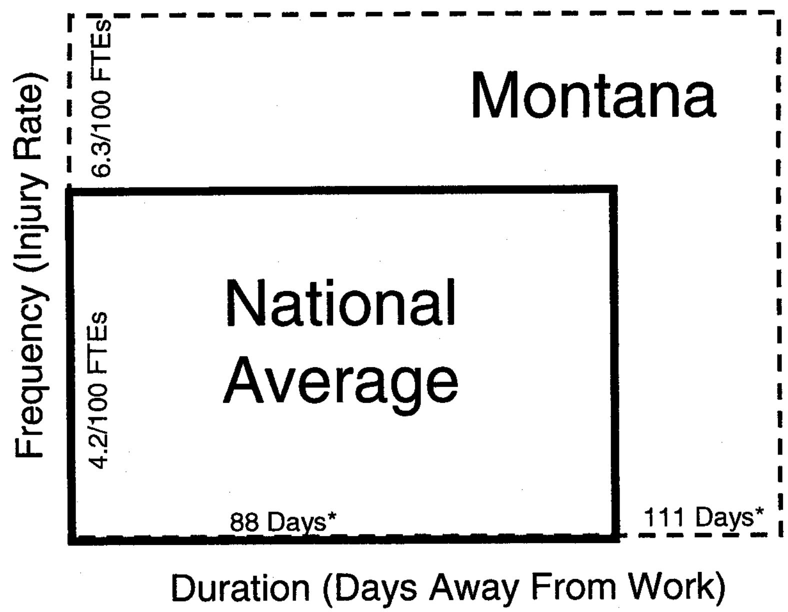
Summary

While the general process for assessing state agencies and private employers is not significantly different some differences do exist. They include:

- Specific state agency class codes and associated loss costs
- State agency class codes which do not allow for cost comparisons with private business entities
- Higher loss costs for state agency clerical workers than those determined by NCCI for private businesses in Montana
- Assessments to individual state agencies rather than the state of Montana as the overall employer

In addition, the MSF loss costs included underwriting expenses for agent commissions even through state agencies do not use the services of independent insurance agents.

Why high premiums?



***Using 2008 NCCI State Advisory Forum Report**

- Injure more people
- Off work longer
- Higher medical costs
- Must collect higher premium per $100 payroll to cover significantly more people
- Lower wage base that premium is applied to

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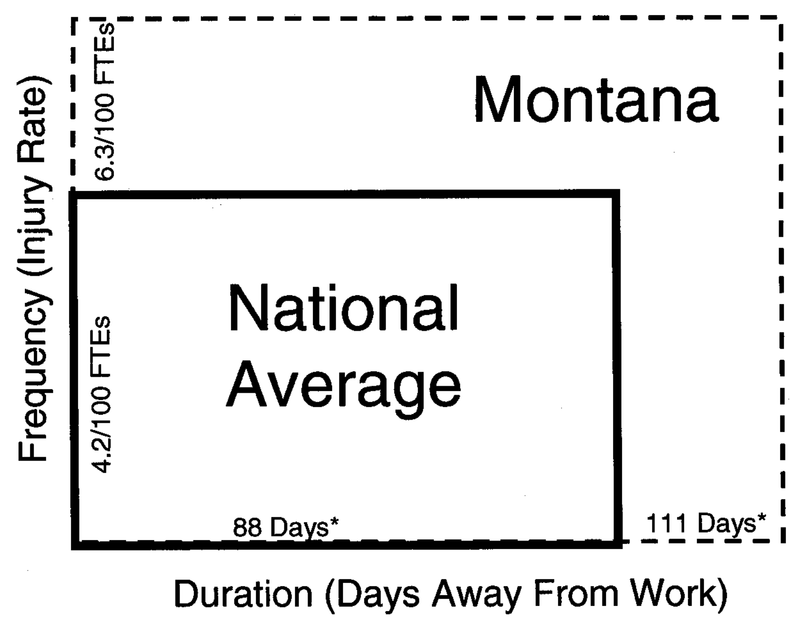

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SENATE BILL NO. 192

INTRODUCED BY R. ZINKE

Gray Bill

A BILL FOR AN ACT ENTITLED: "AN ACT PROVIDING SMALL BUSINESSES WITH AN OPPORTUNITY FOR WORKERS' COMPENSATION RELIEF BY ALLOWING POOLED RISK SAFETY GROUPS IN WORKERS' COMPENSATION PLAN NO. 3; PROVIDING AN OPPORTUNITY FOR RETURN PREMIUM BASED ON REDUCED LOSSES TO EMPLOYERS THAT IMPLEMENT CERTAIN SAFETY AND RETURN-TO-WORK PROVISIONS; AMENDING SECTION 39-71-2311, MCA; AND PROVIDING AN EFFECTIVE DATE AND AN APPLICABILITY DATE."

WHEREAS, Workers' Compensation Plan No. 3, an insurer for all businesses in Montana, is a nonprofit, independent, public corporation that nevertheless is a creation of the state; and

WHEREAS, more than 90% of businesses in Montana have fewer than 20 employees and more than 80% of businesses in Montana have fewer than 10 employees, with many if not most of these small businesses obtaining workers' compensation insurance from the State Fund because not all private insurers write for small businesses; and

WHEREAS, Montana's workers' compensation rates among all insurers are the second highest in the nation and the current economic crisis has the potential to hit all employers hard, but especially small businesses that may have fewer lifelines for survival than larger businesses; and

WHEREAS, the opportunity to pool risk in a group that has made a commitment to safety yields the potential to benefit small businesses by reducing losses and possibly generating return on premiums.

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

NEW SECTION. **Section 1. Workplace safety program.** An employer that is not eligible for the tier with the lowest-rated premium for workers' compensation purposes is eligible to join a state fund pooled risk safety group, as provided in [section 2], if the employer:

(a) adopts and maintains a written, comprehensive workplace safety program that has been in place for more than 1 year and that meets the criteria established by rule implementing Title 39, chapter 71, part 15;

(b) adopts transitional and return-to-work programs;

(c) has at least 3 years of experience without losses;

(d) uses available safety consultation services or programs offered by the department or the state fund. Safety consultation may be provided to individual employers or to groups. The department and the state fund shall notify each employer in a group, as provided in [section 2], regarding the availability of safety and return-to-work resources.

(e) complies with the terms and conditions of the state fund pooled risk safety group as provided in [section 2].

(2) The state fund, in coordination with the department, shall develop guidelines for and maintain a workplace safety program and a transitional and return-to-work program.

<u>NEW SECTION.</u> **Section 2. Pooled risk safety group.**

(1) The state fund may establish one or more groups of individual policies in a pooled risk safety group to promote safety as a way to reduce losses among members of the pooled risk safety group.

(2) Each member of a pooled risk safety group must be eligible as provided in [section 1] and must have an individual workers' compensation plan No. 3 policy. An individual policy may be included in only one group.

(3) The state fund shall annually establish the terms and conditions of the plan that defines the requirements for a pooled risk safety group. The plan must include the criteria to be eligible for an aggregate return of premium and a method for the apportioning of return premium among the members of the group.

(4) The aggregate record of the individual members of the pooled risk safety group is the basis for determining if the members of the pooled risk safety group qualify for a return of premiums.

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

"39-71-2311. Intent and purpose of plan -- expense constant defined. (1) It is the intent and purpose of the state fund to allow employers an option to insure their liability for workers' compensation and occupational disease coverage with the state fund. 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 calculated to be more than likely to cover those costs rather than less than likely to cover those costs. <u>The prediction must take into account the goal of pooling risk and may not place an undue burden on employers that are not eligible for the tier with the lowest-rated premium for workers' compensation purposes.</u>

(2) Unnecessary surpluses that are created by the imposition of premiums found to have been set higher than necessary because of a high estimate of the cost of a factor or factors may be refunded by the declaration of a dividend as provided in this part. For the purpose of keeping the state fund solvent, the board of directors may implement multiple rating tiers as provided in 39-71-2330 and may assess an expense constant, a minimum premium, or both.

3) As used in this section, "expense constant" means a premium charge applied to each workers' compensation policy to pay expenses related to issuing, servicing, maintaining, recording, and auditing the policy."

NEW SECTION. **Section 4. Codification instruction.** [Sections 1 and 2] are intended to be codified as an integral part of Title 39, chapter 71, part 23, and the provisions of Title 39, chapter 71, part 23, apply to [sections 1 and 2].

NEW SECTION. **Section 5. Effective date -- applicability.** [This act] is effective July 1, 2009 and applies to groups formed on or after July 1, 2010.

- END -

Legislative
Services
Division