

Amendments to House Bill No. 604
Reference Copy

SENATE FREE CONFERENCE
COMMITTEE
Exhibit No. 6
Date 4-27-11
Bill No. HB 604

For the Senate Free Conference Committee

Prepared by Pat Murdo
April 27, 2011 (4:54pm)

1. Title, page 1, line 4.

Following: "TRANSFERS"

Insert: "AND AN APPROPRIATION"

2. Title, page 1, line 11.

Strike: "THE GENERAL FUND AND"

Insert: "WITHIN"

3. Title, page 1, line 12.

Following: "39-71-2323,"

Insert: "39-71-2330,"

4. Page 2, lines 10 through 12.

Strike: subsection (1) in its entirety

5. Page 2, line 13.

Strike: "BY AUGUST 12, 2012"

Insert: "on an as-needed basis"

Strike: "FROM ITS SURPLUS"

6. Page 2, line 14.

Following: "AMOUNT"

Strike: "OF THE OUTSTANDING LIABILITY"

7. Page 2, line 16.

Strike: "PAID BETWEEN FISCAL YEAR 1999 AND FISCAL YEAR"

Insert: "accrued prior to May 9,"

8. Page 2, line 18.

Strike: "AS OF JUNE 30, 2012,"

Following: "GREATER THAN"

Insert: "that amount necessary to meet"

9. Page 2, lines 20 through 21.

Strike: the first "THE" on line 20

Insert: "Using an analysis of the most recent financial statement reported by the state fund as of June 30 of the even-

numbered year of the biennium and the most recent report of the state fund's independent actuary, the"

Following: "DETERMINE THE" on line 20

Strike: "OUTSTANDING" on line 20 through "LIABILITY OF" on line 21

Insert: "amount to be transferred to"

10. Page 2, line 21.

Following: "ACCOUNT"

Strike: "AS REPORTED IN THE FINANCIAL STATEMENTS AS OF JUNE 30, 2012,"

Insert: "that is considered necessary to meet obligations of the old state fund account through the next biennium"

11. Page 2, line 22.

Following: "TRANSFERRED"

Insert: "over the course of the next biennium"

12. Page 2.

Following: line 22

Insert: "(3) For as long as the amount in subsection (2) (a) (i) or (2) (a) (ii) or a combination of both is sufficient to meet the obligations of the old state fund account, the state fund shall, in each biennium, transfer to the old state fund account an amount considered necessary to meet the obligations of the old state fund account, as provided in this section. The state fund shall notify the legislative fiscal analyst when the state fund determines the combination of funds listed in subsection (2) (a) (i) or (2) (a) (ii) is expected to be insufficient in the next biennium to meet the obligations of the old state fund account in that biennium."

Renumber: subsequent subsection

13. Page 5, line 12.

Strike: ", and does"

Insert: ". The transfer may"

14. Page 5.

Following: line 13

Insert: "(3) For the purposes of this section, the term "obligations of the state fund" includes the obligation to meet the old state fund account liability by a fund transfer, but only to the extent provided for in [section 3]."

15. Page 6, lines 10 through 11.

Strike: "excess" on line 10 through "board" on line 11

Insert: "transfer provisions of [section 3] have been met"

16. Page 6.

Following: line 14

Insert: "Section 10. Section 39-71-2330, MCA, is amended to read:

"39-71-2330. Rate setting -- surplus -- multiple rating tiers. (1) (a) The board has the authority to establish the rates to be charged by the state fund for insurance. The board shall engage the services of an independent actuary who is a member in good standing with the American academy of actuaries to develop and recommend actuarially sound rates.

(b) Rates must be set at amounts sufficient, when invested, to carry the estimated cost of all claims to maturity, to meet the reasonable expenses of conducting the business of the state fund, and to amass and maintain an excess of surplus over the amount produced by the national association of insurance commissioners' risk-based capital requirements for a casualty insurer. For the purposes of this subsection (1)(b), investment income based on rates prior to May 9, 2003, is subject to use to meet the obligations of 39-71-2320(3).

(2) (a) Because surplus is desirable in the insurance business, the board shall annually determine the level of surplus that must be maintained by the state fund pursuant to this section, but shall by July 1, 2013, maintain the greater of:

(i) a minimum surplus of 25% of annual earned premium; or

(ii) a reserve-to-surplus ratio of 2.5 to 1.

(b) The state fund shall use the amount of the surplus above the risk-based capital requirements to secure the state fund against various risks inherent in or affecting the business of insurance and not accounted for or only partially measured by the risk-based capital requirements.

(c) For the purposes of this subsection (2) and subject to the limits provided for in [section 3], the legislature has determined that the old state fund account liability is a risk for which surplus funds may be used if those funds do not include premiums paid for claims on injuries that occur on or after July 1, 1990.

(3) The board may implement multiple rating tiers for classifications that take into consideration losses, premium size, and other factors relevant in placing an employer within a rating tier."

{Internal References to 39-71-2330:

39-71-2311 a 39-71-2323 a 39-71-2323a 39-71-2352 a}"

Renumber: subsequent sections

17. Page 14, line 4.

Insert: "NEW SECTION. Section 20. Appropriation. (1) There is appropriated from the general fund for fiscal years 2011, 2012, and 2013 to the department of administration \$13 million on passage and approval on a one-time-only basis for the following purposes:

(a) to the old state fund account for liabilities occurring

prior to July 1, 2011, up to \$2 million from the general fund;

(b) to the old state fund account for unfunded liabilities up to \$11 million, if necessary, unless the 2.5-to-1 reserve-to-surplus ratio in the new fund account is achieved at which time the provisions of [section 3] apply.

(2) If the funds appropriated are not needed for the purposes specified in subsection (1), the department of administration may apply any remainder to personal services contractual obligations after notification to the legislative finance committee."

Renumber: subsequent sections

18. Page 14.

Following: line 12

Insert: "NEW SECTION. **Section 20. Saving clause.** (1) [This act] does not affect rights and duties that matured, penalties that were incurred, or proceedings that were begun before [the effective date of this act].

(2) The provisions of [sections 3 through 11] do not affect premiums earned on contracts entered into on or after May 9, 2003."

Renumber: subsequent sections

19. Page 14, line 19.

Strike: "12"

Insert: "13"

- END -