



Property Casualty Insurers  
Association of America

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## PCI TALKING POINTS

### MONTANA ECONOMIC AFFAIRS INTERIM COMMITTEE MEETING

SEPTEMBER 6, 2018

#### 1. PCI supports competitive private insurance markets.

The mission of PCI is to promote and protect the viability of a competitive private insurance market for the benefit of consumers and insurers. PCI believes that the public and business communities are best served by private enterprise competing in a free market. PCI strongly supports open competition with a level playing field for all.

SJR 27 provides the Committee with the opportunity to recommend changes that would transform the Montana workers compensation system into a free market with a level playing field that would promote competition and innovation that benefit Montana businesses and injured workers. Unfortunately, the draft recommendations maintain and strengthen the competitive advantages of the Montana State Fund and continue to discourage private insurers from entering or expanding their presence in the Montana workers compensation market.

#### 2. PCI supports government (public) insurance programs to provide a residual market where the private competitive market does not serve consumers' coverage needs.

There is no evidence that the private competitive market cannot or will not serve the needs of Montana employers for workers compensation insurance coverage. In recent years, Arizona, Nevada, Michigan, and West Virginia fully privatized their state funds and moved the residual market from the fund to an assigned risk/reinsurance pool model with no adverse impact on small employers or high-risk industries.

Most Montana policyholders, like other states, are small accounts of less than \$5,000 in premiums. Montana is not unique in this regard. What is problematic is the degree to which Montana discourages insurers from coming into the state and actively compete for that business. The federal income tax and state premium tax advantages Montana State Fund receives, together with the unnecessary in-state claims office requirement, creates an unlevel competitive marketplace that hurts taxpayers and consumers.

The Committee is correct in stating that the best way to lower workers compensation costs is by preventing accidents. Small and mid-sized insurers who specialize in small accounts or high-risk industries should be allowed to bring their national expertise in driving down claims frequency and policyholder experience modifiers to the Montana marketplace without any competitive disadvantages. The competitive advantages received by Montana State Fund creates a substantial barrier to these insurers to enter the Montana market or develop capacity to expand its writings within the state.

#### 3. Recommendations

Montana should follow the lead of other states (including Arizona, Maryland, Michigan, Nevada, Utah, and West Virginia) and pass legislation for the complete privatization of the Montana State Fund over the next few years in order to open competition within the state and level the playing field for all. Repeal of the unnecessary in-state claims office requirement would further open the Montana market to competition.