

COMMISSIONER OF SECURITIES & INSURANCE

MONICA J. LINDEEN
COMMISSIONER



OFFICE OF THE MONTANA
STATE AUDITOR

February 12, 2014

The Honorable Lea Whitford
221 Ed Williams Rd
Cut Bank, MT 59427-9144

Re: State Fund Regulation

Dear Representative Whitford:

This is a follow-up to the Economic Affairs Interim Committee meeting that took place on January 28, 2014. You asked for a written summary of my comments to the committee regarding the office of the Commissioner of Securities and Insurance, Montana State Auditor's (CSI) comments relating to the possible regulation of Montana State Fund (MSF) as part of the HJR 25 study resolution. Please forgive me for the delay in getting this to you.

As a general matter, the CSI believes that the Legislature must decide whether MSF should be treated as a private insurance company. If the Legislature answers in the affirmative, then numerous decisions must be made with regard to how MSF should be regulated by the CSI. While there are numerous decisions that need to be made on a variety of different topics, at a minimum and in general, MSF would have to submit its rates and forms for review and possible approval by the CSI, and be subjected to market conduct and financial examinations.

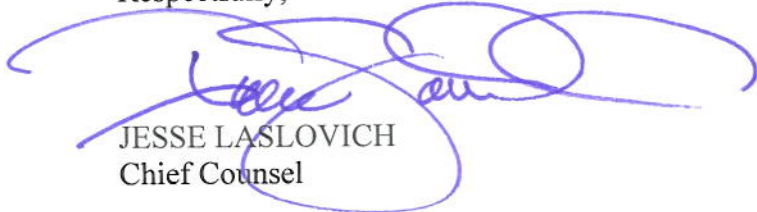
Consistent with the premise that MSF be treated like a private insurance company, the CSI believes that MSF should pay premium taxes and be subjected to punitive and exemplary damages as warranted. Further, the CSI believes that, like private insurers, MSF should make any fraud referrals to the CSI for possible action. MSF represented to the committee that it wanted to avoid duplicative regulation and to the extent the Legislature desires to treat MSF like a private insurance company, then the CSI shares in that goal. It would be an inefficient use of the CSI's resources to regulate MSF and not handle the fraud referrals from MSF, but continue to handle the fraud referrals for all private workers compensation carriers doing business in Montana.

There are many other facets to any kind of legislation, including but not limited to whether MSF will retain the guaranteed market, maintain its federal tax-exempt status, assume a new business name, continue to be an independent non-profit public corporation, and continue to utilize the state's services (ie., PERS, state health insurance, Department of Administration services, etc.). I simply note that these are additional items you and the committee must give consideration. As you know, there are certainly other items.

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I concluded my remarks to the committee by asking for the committee's guidance. As you know, this is a big decision to be made and much work must be done in order to have legislation ready for the 2015 Legislature. The CSI stands ready to assist in any way desired by you or the committee. Thank you for your continued service on behalf of the people of Montana.

Respectfully,

A handwritten signature in blue ink, appearing to read "Jesse Laslovich", is written over the typed name and title. The signature is fluid and cursive, with a large loop at the end.

JESSE LASLOVICH
Chief Counsel

cc: EAIC Members

JAL/sls

(Sent in-care of pmurdo@mt.gov via email.)