



November 4, 2003

Senator Royal Johnson, Chairman
Senate Bill 304 Study Committee
2915 Illinois St.
Billings, MT 59102

Dear Senator Johnson and SB 304 Study Committee Members:

As I understand, on November 7, 2003 the Senate Bill 304 Study Committee will explore the topic of Assigned Risk Pools for the provision of workers' compensation insurance in Montana. The 1800 member Montana Building Industry Association (MBIA) strongly opposes the implementation of assigned risk pools. Since homebuilding in Montana is a 1.2 billion dollar industry we have a major stake in this issue. Montana homebuilders worked hard and were instrumental in bringing about work comp reform and restoring solvency to the state fund.

The MBIA is a strong proponent of the competitive three-way system for workers' compensation insurance that exists in Montana. A state fund offers employers a constant, locally controlled, reliable, and competitively priced source for workers' compensation insurance. An assigned risk pool would expose Montana businesses to a variety of unknown factors that would have the potential of destabilizing the workers compensation system.

The Montana State Fund and its agents establish close working relationships with the businesses they serve. This ongoing relationship results in hands-on loss control, claims management, safety awareness and claims reduction not available through assigned risk pools. Through the Montana State Fund both small employers and larger employers are able to participate in group plans that help hold down costs. As a result the Montana State Fund has worked with the building industry in Montana to create a safety culture and a safety record that exceeds that of the rest of the nation.

Our recent experience in the construction liability insurance market has taught us that insurance carriers can choose to exit our market for reasons not related to actuarial experience, market conditions or performance in Montana. An assigned risk pool has the very real potential to make Montana a less attractive market for private carriers, thus limiting options for Montana's businesses. We caution that competition among private insurance carriers could be hindered by an assigned risk pool.

If there were no Montana State Fund, businesses not insurable by a private company would only be able to obtain insurance through an assigned risk pool at higher premiums. An additional burden is put on businesses, since such pools typically require declination by a number of carriers before acceptance by an assigned risk pool.

We ask you to reject the notion of an assigned risk pool to replace a system that is serving Montana businesses well. Over the past ten years we have watched the Montana State Fund grow through exceptional management, professionalism and a strong business ethic. We encourage a great deal of caution in altering a system that has served Montana Businesses so well.

Sincerely,



Ray Mehrer
President

Cc: Kathy Gowen, Montana State Fund