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The Commissioners: John Morrison

March 26, 2007

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Montana fights for uninsured, seeks catastrophe fund and captives

The hallmarks of John Morrison's legacy as Montana State Auditor, the Commissioner of Insurance and Securities, is to help provide more affordable coverage. For instance, the state is one of the leading captive domiciles in the West and has made strides in making health insurance coverage more attractive to consumers.

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In a recent conversation with *Insurance Journal's* Andrea Ortega-Wells at a National Association of Insurance Commissioners meeting, Morrison shared the ongoing steps the state is taking to provide citizens with insurance, such as creating a fair plan and supporting a national catastrophe fund to provide affordable homeowners coverage.

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Montana is expecting a new commissioner in 2008, but don't expect the current regulator to be a lame duck. Morrison vowed to continue striving to improve insurance conditions through the remainder of his term.

Health insurance has been a big issue. Tell us about the Insure Montana program.

Morrison: In Montana, one in five people have no health insurance. It's a problem with many consequences. It's bad for [the uninsured's] health that they don't have coverage, and it's bad for everybody else's pocketbook, because when they do wind up getting care, the costs are shifted onto that narrowing slice of people that have private coverage.

I pulled together people in 2002 to approach the problem. We discovered that more than half of the uninsured in Montana work full-time for a business with fewer than 10 employees. We also found that most small businesses have a difficult time providing health insurance. So we targeted our efforts at that small business sector, and also on the Children's Health Insurance Program. We use tobacco tax revenue to assist small businesses in purchasing health insurance.

Insure Montana was a bill that passed in 2005. There are two parts. One part is tax credits for small businesses that already have health insurance but are in danger of losing it because of rising premiums. The other part is a state-chartered purchasing pool that allows small businesses to come together, so that instead of going to market with three or four lives, they go to market with thousands.

Those programs, together, now cover nearly 10,000 people: [including] small business employees, most of them in the lower income brackets and full time workers that are doing their part, but previously [were] unable to have health insurance or were on the verge of losing it. There are significant tax credits to help people keep their insurance, and a purchasing pool that has premium incentive payments and premium assistance payments to provide health insurance to people who've never had it before.

Do you believe Insure Montana is a good model for other states?

Morrison: It's an excellent model, because when we look around the country, what we find is that those 45 million uninsured people that we keep talking about have literally billions of dollars sitting in their pocket that they would like to contribute to the overall cost of delivering health care. Our challenge is not just to provide health coverage to them, but to allow them a mechanism to plug into the system at a level that they can afford.

Insure Montana is not the only way to do it. You can also allow people to buy into public programs, such as Medicare, Medicaid, Veteran's Administration, Children's Health Insurance and Federal Employees Health Benefits Program. Through the use of tax credits, purchasing pools and premium assistance payments, you can allow people to pay as much as they can afford. Premium sharing is an important tool in figuring out how to get everybody access to health insurance.

Do you have concerns with medical malpractice?

Morrison: The malpractice market in Montana is stable. It's not cheap, but we have provided affordable malpractice coverage through a variety of mechanisms. We have done quite a bit of tort reform in Montana. Frankly, that has a very small effect on premiums.

What has a bigger effect on premiums is captives. Hospitals, clinics and practice groups of doctors have formed captive insurance companies that are saving them something like 30 percent off the market. That makes a difference, in terms of the affordability of coverage. We have a \$250,000 cap on noneconomic damages in Montana. We also have other limitations. We have a short statute of limitations for minors. We have immunity for board members of nonprofits. We have a Good Samaritan law that imposes a gross negligence standard if the care rendered is on a Good Samaritan basis. Rates are still an issue, but what seems to make a difference is when they move to a captive form of coverage.

Is Montana hoping to grow its captive market?

Morrison: Montana is one of the leading captive domiciles, in the western United States. We have [about] 30 captives now. We may soon have 50 or more. We're bullish. We want Montana to be a leading domicile.

We were very fortunate a couple of years ago to hire Steve Matthews from the South Carolina Department of Insurance, and he's probably formed as many captives as anybody outside of Vermont. He brought expertise and contacts to our agency. We work in a cooperative way with the Montana Captive Insurance Association, and with the captive industry to grow the industry and help people realize that Montana is an attractive place to do business.

Some residents may have homeowners' issues. Tell us about that concern.

Morrison: In recent years, there's been an escalation of forest fire activity in Montana. We have a lot of forested lands, and our communities are growing rapidly in the western part of the state. People are increasingly moving closer to the forest, what they call the ~~update forest interface~~ ~~As to what happens, you see more the new destroyed at the GPRB by fire that's been a unit, you do a lot of~~ of homeowners coverage.

OK We ~~also~~ are one of the most seismically active states. Although we have not had a major earthquake in about 70 years, we could. So there are earthquake issues as well.

Montana does have some affordability issues with homeowners, and that's one reason I'm asking the legislature in 2007 to adopt a fair plan that will create a high-risk pool for homeowners coverage, so that people who are having a difficult time accessing coverage will be able to find this alternative.

How is this fair plan bill structured?

Morrison: It's like a high-risk health insurance pool. People who are covered by the fair plan will pay a premium that will make up most of the cost of operating the plan, to the extent that there's a shortage. It's made up for by assessments on companies that are writing coverage, based on the market share.

What's been the industry response?

Morrison: It's too early to tell. Many in the industry recognize that it's good to have a high-risk pool that shares risk, rather than having people who are unable to get homeowners insurance in large numbers. The real estate development market is in favor of this kind of plan because as people want to build homes in these new neighborhoods, if they can't get coverage, it makes it more difficult to get bank financing, which makes it more difficult to put together deals to build homes.

Plenty of people, consumers and businesses are strongly in favor of a fair plan. We intend to build that coalition, give it a voice, and hopefully mobilize it to pass this fair plan bill.

Would the creation of a national catastrophe plan be a solution for all states?

Morrison: A national catastrophe plan would be a good idea, just like the Terrorism Risk Insurance Act has been an important presence in the market. There are certain kinds of losses that are so widespread and so severe that the industry is really not capable of absorbing them, at least on a regular basis. Every study that you see about the frequency and severity of catastrophic losses shows increases from weather-related incidents, whether it's earthquakes, hurricanes, floods or fires. These things are increasing in frequency and severity.

This is not just an issue in America; it's an issue all over the world. There's no question that pooling that risk in some way as a backstop to the private market is necessary, because if this trend continues, the private industry can't absorb these losses indefinitely.

You have had some affiliations with the NAIC group that visited China. Can you talk a little bit about that?

Morrison: Three years ago, Tom Gallagher, the commissioner in Florida at that time, Mike Pickens, who is commissioner in Arkansas and president of NAIC, and I went to Beijing to initiate a relationship with the Chinese Insurance Regulatory Commission. NAIC has worked very hard, as has CIRC, to cultivate that relationship. The meeting that was just held in Beijing was an enormous success because of China's commitment to this developing industry over there.

CIRC regulators are cabinet posts appointed directly by Hu Jintao and Wen Jiabao. They work with the leaders of China in a very direct way.

The leader of the U.S. delegation was received for an hour, one-on-one, by Wen Jiabao, the Premier of China. So they have a very strong commitment to the development of this industry and to the relationship that they have with U.S. regulators and U.S. industry. The NAIC has done an excellent job in cultivating that relationship, and it's one that I expect to continue to develop in the future.

Some states don't have term limits for commissioners. Is that a good idea?

Morrison: Term limits serve a purpose in the sense that they encourage more citizens to become involved in leadership positions in government. They discourage the leadership positions from being dominated by a few people over entire lifetimes. But it's also important to have expertise. It took a couple of years for me to figure out how to do this job, and it'll take the next commissioner a little while as well.

I'm term limited after this term, so I will not run in 2008. I'm very pleased with what we've been able to accomplish in our office on health care and a whole number of other areas as well. I look forward to wrapping it up well in the next couple of years and then going on to do something else.

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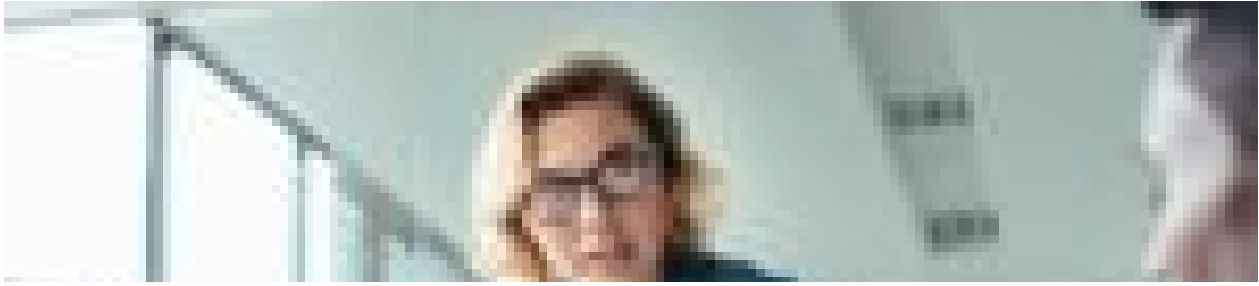
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