

IN THE SENATE

SENATE BILL NO. 1166

BY STATE AFFAIRS COMMITTEE

AN ACT

1 RELATING TO THE STATE INSURANCE FUND; TO PROVIDE LEGISLATIVE INTENT;
2 REPEALING SECTION 72-915, IDAHO CODE, RELATING TO DIVIDENDS;
3 DECLARING AN EMERGENCY AND PROVIDING A RETROACTIVE EFFECTIVE
4 DATE.
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6 Be It Enacted by the Legislature of the State of Idaho:

7 SECTION 1. LEGISLATIVE INTENT. (1) Historically, the State Insurance Fund has
8 exercised its discretion, pursuant to Section 72-915, Idaho Code, to determine the annual
9 amount of dividend, if any, a policyholder would receive.

10 (2) On March 5, 2009, the Idaho Supreme Court filed its opinion in *Farber v. Idaho*
11 *State Insurance Fund*, S. Ct. 35144, in which it interpreted Section 72-915, Idaho Code, and
12 ruled that the State Insurance Fund cannot exercise its discretion in determining how much of
13 a dividend to pay to each policyholder because the statute requires a pro rata distribution of
14 dividends to all policyholders. The result of the decision is to require that the State Insurance
15 Fund pay dividends on policies that are not financially profitable, thereby restricting the fund's
16 ability to reduce premiums and pay dividends to profitable policyholders.

17 (3) In its decision, the Supreme Court stated that, if it has become prudent to alter the
18 statutory language related to the requirements for distribution of dividends, the Legislature is
19 the appropriate venue for such change.

20 (4) It was the intent of the Legislature in passing House Bill No. 774, As Amended of
21 the Second Regular Session of the Fifty-fourth Idaho Legislature, effective on April 3, 1998,
22 that the State Insurance Fund should operate like an efficient insurance company, subject to
23 regulation under Title 41, Idaho Code, including the dividend provisions set forth in Chapter
24 28, Title 41, Idaho Code. The retroactive repeal of Section 72-915, Idaho Code, to April 3,
25 1998, will conform with that intent. Section 73-101, Idaho Code, permits such retroactive
26 repeal as long as it is "expressly so declared" in legislation.

27 (5) The retroactive repeal of Section 72-915, Idaho Code, will reconcile conflicts in the
28 existing laws governing the State Insurance Fund and will allow the fund, like other insurance
29 companies, to issue dividends pursuant to Chapter 28, Title 41, Idaho Code.

30 SECTION 2. That Section [72-915](#), Idaho Code, be, and the same is hereby repealed.

31 SECTION 3. An emergency existing therefor, which emergency is hereby declared to
32 exist, Section 1 of this act shall be in full force and effect on and after passage and approval,
33 and Section 2 of this act shall be in full force and effect retroactively to April 3, 1998.