

MICROFILM DIVIDER

OMB/RECORDS MANAGEMENT DIVISION
SFN 2053 (2/85) 5M



ROLL NUMBER

DESCRIPTION

2171

2007 SENATE INDUSTRY, BUSINESS AND LABOR

SB 2171

2007 SENATE STANDING COMMITTEE MINUTES

Bill/Resolution No. SB 2171

Senate Industry, Business and Labor Committee

Check here for Conference Committee

Hearing Date: **January 24, 2007**

Recorder Job Number: **1812**

Committee Clerk Signature



Minutes:

Ben Tollefson – Minot - In Favor

Bill straightens out the issue.

Alan Henning – West McLean County Farmers Mutual Insurance Company - In Favor

TESTIMONY # 1 Testimony heard. Explanation.

Barry Townsend

S Andrist: What is a County Mutual?

A Henning: Country Mutuals have designated Territories. You can't by state statute write in more than 30 counties in ND. They have a limited territory of operation.

S Klein: Last session we adjusted something for the County Mutuals.

A Henning: Limitation from 20 counties to 30 counties

S Potter: We hear about increased competition in the insurance market. Why are we restricted anyway? What's the justification?

A Henning: They're smaller, they don't have the staff and agencies to cover all of ND.

S Potter: So the county mutuals are incapable?

A Henning: Not by any means. They have a smaller staff.

S Klein: So you have a tax advantage that some companies don't because you're a county mutual?

A Henning: We have a couple tax advantages [explains 9:08m]

Larry Renowski – ND Insurance – In Favor

Maybe got the picture, the code is 100 years old. We want to keep it in the counties and clean it up:

S Hacker: Who approves the territory?

L Renowski: Our office

S Potter: What are the tax advantages?

L Renowski: If you go back 100 years, it was for local people. It was relatively small, but it served it's purpose in the area. Policies are assessable policies.

S Klein: Property and Casualty?

L Renowski: Yes

S Potter: Does reserve require less?

L Renowski: Yes

S Potter: 2%?

L Renowski: 1 ¾ property and casualty.

S Behm: [observation]

S Wanzek: Talking about county mutual, What about Nodak insurance, is that a state....

L Renowski: No, this term is for state mutuals.

S Wanzek: So if they want to go outside the state they need to get approved.

L Renowski: Yes

Q? F? O? N?

HEARING CLOSED

DO PASS MOTION made by **S Wanzek**

SECOND by **S Behm**

VOTE DO PASS 6 – 0

CARRIER – S Behm

REPORT OF STANDING COMMITTEE (410)
January 24, 2007 3:02 p.m.

Module No: SR-16-1145
Carrier: Behm
Insert LC: . Title: .

REPORT OF STANDING COMMITTEE

SB 2171: Industry, Business and Labor Committee (Sen. Klein, Chairman) recommends DO PASS (6 YEAS, 0 NAYS, 1 ABSENT AND NOT VOTING). SB 2171 was placed on the Eleventh order on the calendar.

2007 HOUSE INDUSTRY, BUSINESS AND LABOR

SB 2171

2007 HOUSE STANDING COMMITTEE MINUTES

Bill/Resolution No. SB 2171

House Industry, Business and Labor Committee

Check here for Conference Committee

Hearing Date: 03-06-2007

Recorder Job Number: 4467

Committee Clerk Signature

John M Thomas

Minutes:

Chairman Keiser opened the hearing on SB 2171.

Eugene Bossert, Legislative Committee North Dakota Association of Farm Mutuals, spoke in support of the bill. See written testimony.

Rep. Amerman: When you changed it to companies approved territory, is that approved by the insurance commissioner, or who is that approved by?

Bossert: The territory needs to be approved first by the policy holder and then its submitted to the insurance department and they approve our territory of operation.

Rep. Keiser: What is a county mutual, how does it operate?

Bossert: The county mutuals are incorporated in such a way that they are an assessable company. They were originally founded by ten farmers who started it up and by the end of the year when they had the claims, they said we each have this much in the pot and deal this much out and put this much back in. To my knowledge, there has not been an assessment made on a county mutual since 1950's and that happened to be in Burleigh county and that company then closed it's doors and moved on and merged with other companies and that type of thing. The county mutual was held to a different standard than your Nodak's and your Farmers Unions.

Rep. Keiser: What is the difference in standards?

Bossert: Our surplus and our territory of operation are restricted. We can only operate in thirty counties. The surplus requirements are quite a bit different. I am not totally sure, I would defer maybe to Warren Maslowski from the department on that. Secondly, we can only sell property casualty for farm and home owner style policies. We are not allowed to sell auto or crop insurance. Our liability is one hundred percent reinsured. We don't sell life and health.

Brenda Doll, Manager of Southwest Mutual Insurance Company and NDAFMIC New Salem, spoke in support of the bill. See written testimony from Barry Townsend.

Rep. Amerman: If you wanted to expand or you bought out another one of these county mutuals, what kind of process do you have to go through again to get your territory changed?

Doll: We actually did go through a merger about ten years ago. The law allowed us to write twenty counties so in our merger; we did not have to add a request. The department becomes involved in the merger process so they are working with us each step of the way so we petitioned for the extra county in the merger process. You would have to petition the department if you were going to go over the thirty which our law allows now.

Rep. Keiser: Do you just serve farm operations?

Doll: No, we do farm and city. We serve in nineteen southwest counties in ND.

Rep. Keiser: So in New Salem you could insure a commercial office?

Doll: No, we don't write commercial.

Larry Maslowski, ND Insurance Department, spoke in support of the bill.

Maslowski: We are here in support of SB 2171. We worked jointly with the association in order to affect this change as is indicated there is some issues with one company. At this time, we felt that it was a reasonable thought process to allow companies to locate their home office

as they see fit where the demographics and cost of doing business and expenses and things work out for them and are beneficial for them and so we do support this change.

Rep. Thorpe: Is there any reason for why this committee would have to know what company that you mentioned that there is a reason for this bill?

Maslowski: I am not sure I understand.

Rep. Thorpe: I was just wondering if there was something pertinent that the committee should know about.

Rep. Keiser: I think he is referring to it was discovered in an audit that one had moved and it was according to statute illegal.

Maslowski: My understanding is that was true, but that office was maintained in a previous site to maintain that compliance.

Rep. Keiser: What are the standards for these groups? No more than thirty counties, be in homes on farms I assume?

Maslowski: Yes, again the restriction on the territories is one big thing. They can't write state-wide. Years ago, they couldn't even write in the communities and the legislature periodically over time has expanded their ability to follow their clients into the communities as they left farms and wanted to live in town so the legislature has made that kind of expansion as well. As far as the main difference I think between them and other feed and seed companies is the issue of assess ability. Because of that, they do have that ability at the end of the year to go back to their policy holders and recoup money that they haven't had that year. That changes your perspective on how much they must hold in reserve and so forth and I don't have the exact figures for you, but we don't require them to reserve the same amount of money that say Dakota Fire of Nodak Mutual would have to do. We do monitor them. The other part I would mention in terms of this bill, I don't remember I have been in the department for twenty years

and at that time when I started it must have been at twenty-six and now we are down to twelve. A lot of that has happened through mergers and combining and it's conceivable and even as we go forward and the way things are going in the state that more of that will take place because this will make it easier for them to determine their headquarters.

Rep. Johnson: How frequently does it happen where at the end of the year, they have to go back to the policy holders and ask for more dollars?

Maslowski: As Eugene mentioned, I have been here twenty years and it hasn't happened. So it was preceding me that last time they had to do that.

Rep. Keiser: But there is a shortfall, is that you?

Maslowski: I think it's going to be an assessment.

Bob Olson, Grinnell Mutual, spoke in support of the bill.

Olson: Grinnell Mutual is a reinsurance company and what that is, is we sell insurance to insurance companies and we reinsure all of the county mutuals in ND. The way it is set up is when we were working with these clients, we work together and we make sure that they are set up with a contract where they won't have to go back and assess it and I think it is almost a ninety-nine percent chance that they will never ever have to do that because of the way that the contracts are set up. We always work out a worst year scenario and we discourage them to risk a lot or a large sum of their surplus. So over the last years when mother nature has been very good to us in the insurance business they built up their surplus and they are all very financially sound and so as far as an assessment goes it is an assessable policy that they write, but because of their reinsurance contract, the chance is very slim that they will ever do it.

There was no opposition to the bill. The hearing was closed.

Rep. Johnson moved a DO PASS.

Rep. Thorpe seconded.

Rep. Amerman: Throughout my two sessions on IBL, I am beginning to think I am the only one that doesn't sell insurance.

Roll Call Vote: 14 yes 0 no 0 absent.

Carrier: Rep. Gruchalla

Date: 3-6-07
Roll Call Vote #: _____

2007 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. SB 2171

House Industry Business & Labor Committee

Check here for Conference Committee

Legislative Council Amendment Number _____

Action Taken Do Pass

Motion Made By Rep Johnson Seconded By Rep Thorpe

Representatives	Yes	No	Representatives	Yes	No
Chairman Keiser	X		Rep. Amerman	X	
Vice Chairman Johnson	X		Rep. Boe	X	
Rep. Clark	X		Rep. Gruchalla	X	
Rep. Dietrich	X		Rep. Thorpe	X	
Rep. Dosch	X		Rep. Zaiser	X	
Rep. Kasper	X				
Rep. Nottestad	X				
Rep. Ruby	X				
Rep. Vigesaa	X				

Total Yes 14 No 0

Absent 0

Floor Assignment Rep. Gruchalla

If the vote is on an amendment, briefly indicate intent:

REPORT OF STANDING COMMITTEE (410)
March 6, 2007 3:44 p.m.

Module No: HR-42-4578
Carrier: Gruchalla
Insert LC: . Title: .

REPORT OF STANDING COMMITTEE

SB 2171: Industry, Business and Labor Committee (Rep. Keiser, Chairman) recommends DO PASS (14 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING). SB 2171 was placed on the Fourteenth order on the calendar.

2007 TESTIMONY

SB 2171



West McLean County Farmers Mutual Insurance Company

1809 S. BROADWAY, SUITE W • P.O. BOX 1177 • MINOT, ND 58702
PHONE 701-837-8179 • FAX 701-858-1702 • wmins@srt.com

We are required to be in McLean County even though most of our agents and policy holders are in Ward County.

Please consider these facts:

The law now says that only the original incorporators of the Company can make a change such as this. Since this Company started in 1907, all the original incorporators have passed away. This makes the law obsolete.

The Department of Insurance recommends updating the law.

45% of our business is from Ward County.
26% of our business is from McLean County.
12% of our business is from McHenry County.
10% of our business is from Mountrail County.

In Ward County, we have 7 agencies and 13 agents.
In McLean County we have 2 agencies and 4 agents.
We have more agents north of Minot than we do south of Minot.

We have moved the office from Garrison to Minot and it has been a very good move.
We just had the best year we have ever had.

We would like the law updated so we can be closer to more policyholders and offer them better service.

Alan Henning
Manager, Sec/Tr

CELEBRATING 100 YEARS

PRINCIPLE OFFICE: 5216 22ND ST. NW • RYDER, ND 58779

#1
FARMUTUAL
Insurance

2171

HOUSE OF REPRESENTATIVES
INDUSTRY BUSINESS AND LABOR COMMITTEE

Testimony by Eugene Bossert
Legislative committee North Dakota Association of Farm Mutuals
Past President of the Association
Manager, Secretary Treasurer of Dundee Mutual Insurance Company

On Behalf of Senate Bill 2171

INSURANCE AND SERVICE

THE 12 COUNTY MUTUAL INSURANCE COMPANIES THAT OPERATE IN
NORTH DAKOTA PRIDE THEMSELVES ON THE INSURANCE THEY SELL AND
THE SERVICE THEY ARE ABLE TO PROVIDE.

THE CURRENT LAW OF THE LATE 1800's REQUIRES:

“THE PRINCIPLE OFFICE OF THE COMPANY MUST BE LOCATED WITHIN
THE LIMITS OF THE COUNTY OR COUNTIES IN WHICH THE
INCORPORATORS RESIDE “

AT THIS TIME THE ORIGINAL INCORPORATORS OR DIRECTORS ARE OF
COURSE NO LONGER ALIVE SO THE CURRENT POLICYHOLDERS AND
DIRECTORS ARE THE DECISION MAKERS FOR THE COMPANIES.

THOSE DIRECTORS AND POLICYHOLDERS SHOULD BE ABLE TO
DETERMINE WHERE THE COMPANY HOME OFFICE SHOULD BE WITHIN
THERE TERRITORY OF OPERATION THAT WILL BEST SERVE THE
POLICYHOLDERS NEEDS.

WITH THE CHANGES IN POPULATION, AVAILABILITY OF EMPLOYEES
AND SUPPORT NEEDED FOR SUPPLIES AND EQUIPMENT,

THE COUNTY MUTUALS NEED TO BE ABLE TO LOCATE THERE
RESPECTIVE HOME OFFICES IN THE TERRITORY OF OPERATION
ALLOWING THEM TO CONTINUE TO PROVIDE THE SERVICE TO THE
POLICYHOLDERS THAT WILL MAKE THE MOST EFFICEINT USE OF THE
PREMIUM DOLLARS

MEMBERS OF THE COMMITTEE WE ASK FOR YOUR SUPPORT AND A DO
PASS VOTE ON SB 2171.

TO: INDUSTRY, BUSINESS & LABOR COMMITTEE

TESTIMONY BY: BARRY W. TOWNSEND, PFMM

EXECUTIVE DIRECTOR OF NORTH DAKOTA ASSOCIATION OF
FARM MUTUAL INSURANCE COMPANIES AND PAST
PRESIDENT OF SAME
CO-MANAGER OF NORTHEAST MUTUAL INSURANCE CO.
FEDERAL AFFAIRS COMMITTEE FOR NAMIC

ON BEHALF OF SENATE BILL 2171

MOST ALL OF THE COUNTY MUTUAL'S IN NORTH DAKOTA HAVE BEEN ON THE SCENE FOR 100 YEARS OR MORE. THE COMPANIES WERE ORIGINALLY STARTED BY A GROUP OF FARMERS IN THE AREA IN ORDER TO PROVIDE FIRE INSURANCE COVERAGE ON THEIR BUILDINGS. THE COMPANIES WRITE ONLY PROPERTY AND CASUALTY INSURANCE ON FARMS AND HOMEOWNERS IN CITIES IN THEIR RESPECTED TERRITORY. AS OF THIS DATE, THERE ARE 12 COUNTY MUTUAL INSURANCE COMPANIES IN NORTH DAKOTA.

SB2171 ALLOWS THE CHANGE FOR THE PRINCIPAL OFFICE TO BE LOCATED IN THE COMPANY'S APPROVED TERRITORY OF OPERATION INSTEAD OF THE COUNTY OF INCORPORATION.

MEMBERS OF THE COMMITTEE, PLEASE SUPPORT AND RECOMMEND A DO PASS ON SB2171.