

2013 HOUSE INDUSTRY, BUSINESS AND LABOR

HB 1150

2013 HOUSE STANDING COMMITTEE MINUTES

House Industry, Business and Labor Committee
Peace Garden Room, State Capitol

HB 1150
January 16, 2013
Job 17287

Conference Committee

Kristi Hetzler

Explanation or reason for introduction of bill/resolution:

Relating to county mutual insurance companies

Minutes:

Testimony 4

Hearing opened.

Rep. David Monson from District 10, President of Family Mutual Insurance: We met with people from the Insurance Department last week. There is an unmet need for insurance out there that we have been filling and found out there is grey areas so Jennifer Clark at the Legislative Counsel did some cleanup to clear up the grey areas. Walked through changes within bill pg 2 (f), section 2, top of pg 3.

2:30 **Brenda Doll**, manager of Southwest Mutual Insurance Company: Supports BH 1150, See written testimony 1.

5:40 **Robert Grabey**: Supports HB 1150, Agrees with Brenda Doll, Opportunity for North Dakota insurance dollars to remain in North Dakota.

6:48 **John Bearman**, independent insurance agent in Minot: Supports HB 1150, See written testimony 2. This bill allows the eleven county mutual companies and the hundreds of independent agents who represent them across North Dakota, the opportunity to better serve the nearly eleven thousand policy holders currently insured across ND.

10:50 **Eugene Bossert**: Supports HB1150, Supplied attachments 3 and 4. GO FROM RECODING. Page 2, line 4. On pge 2, lines 19-22, that is an area which is currently a gray area. This will clarify and assist. On page 3 on the top, changing the percent. When fire district reports are being done, all of sudden we are putting more into the City of Bismarck Fire Dept when it should be going to Rural Fire. The 11,000 policy holders we have are 50% farmers, 50% home owners. We are seeing less farmers because in the past 30 days in Walsh County land sold for \$10,000 an acre and just last week it was \$12,000. It is hard to invest in land right now but easier to invest in a rental property in these small towns.

Representative M. Nelson: 14:52 On page 2, line 21, correction to clarify the four plex. Does this wording now limit a property owner to one rental property?

Bossert: Yes, the rental property that is no larger than a 4 residential rental unit so it would be.

Representative M. Nelson: So he could have 5 four plexes?

Bossert: Yes.

Representative Kasper: 16:00 What has been the historic reason for the limitation on county mutual?

Bossert:: 16:20 The wording was put in there because in the past we were not even allowed to write a home owners within the city limits, we were restricted to farm.

Steve Becker 17:18: A vast majority of our agents use this county mutual. This allows are agents to have more avenues to write policies for our policy holders. This bill brings in what is more current, this up to where the insurance industry is going.

Representative Vigesaa: 18:34 Minnesota?

Becker: I believe they cannot at this point.

Hearing closed.

Rep Kasper: Do Pass

Rep Kreun: Second

Yes: 15

No: 0

Absent: 0

Carried by: Rep Nelson

Date: 1-16-2013
 Roll Call Vote #: 1

**2013 HOUSE STANDING COMMITTEE
 ROLL CALL VOTES
 BILL/RESOLUTION NO. 1150**

House Industry, Business, and Labor Committee

Check here for Conference Committee

Legislative Council Amendment Number _____

Action Taken: Do Pass Do Not Pass Amended Adopt Amendment
 Rerefer to Appropriations Reconsider

Motion Made By Kasper Seconded By Kreun

Representatives	Yes	No	Representatives	Yes	No
Chairman George Keiser	✓		Rep. Bill Amerman	✓	
Vice Chairman Gary Sukut	✓		Rep. Joshua Boschee	✓	
Rep. Thomas Beadle	✓		Rep. Edmund Gruchalla	✓	
Rep. Rick Becker	✓		Rep. Marvin Nelson	✓	
Rep. Robert Frantvog	✓				
Rep. Nancy Johnson	✓				
Rep. Jim Kasper	✓				
Rep. Curtiss Kreun	✓				
Rep. Scott Louser	✓				
Rep. Dan Ruby	✓				
Rep. Don Vigasaa	✓				

Total Yes 15 No 0

Absent _____

Floor Assignment M. Nelson

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

REPORT OF STANDING COMMITTEE

HB 1150: Industry, Business and Labor Committee (Rep. Keiser, Chairman)
recommends **DO PASS** (15 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING).
HB 1150 was placed on the Eleventh order on the calendar.

2013 SENATE INDUSTRY, BUSINESS AND LABOR

HB 1150

2013 SENATE STANDING COMMITTEE MINUTES

Senate Industry, Business and Labor Committee
Roosevelt Park Room, State Capitol

HB 1150
March 11, 2013
Job Number 19658

Conference Committee

Committee Clerk Signature



Explanation or reason for introduction of bill/resolution:

Relating to county mutual insurance companies

Minutes:

Testimony Attached

Chairman Klein: Opened the hearing.

Representative Monson: Introduced the bill, Written Testimony Attached (1).

Barry Townsend, Secretary-Treasurer of the North Dakota Association of Farm Mutual Insurance Companies: Written Testimony Attached (2).

Senator Laffen: Asked if he would describe a mutual.

Barry Townsend: Said that they are companies that are formed with a specific writing territory. All the mutual insurance companies in North Dakota are well over a hundred years old. They started out with three counties and expanded to five and now they are maxed at thirty.

Senator Laffen: Asked if they were the same thirty for everybody.

Barry Townsend: Said no you have to apply for one so you are within a certain territory.

Senator Laffen: Asked why they exist.

Barry Townsend: Said they are not state wide companies and they are formed under the statute in North Dakota.

Chairman Klein: Commented that they treat mutuals differently than a national corporation.

Barry Townsend: Said exactly and that the mutual in North Dakota has to fill out a red book each year and the statewide companies use what they call a yellow book, which is in more detail.

Discussion and questions (8:35-15:03)

Brenda L. Doll, Secretary-Manager of Southwest Mutual Insurance Company in New Salem, ND: Written Testimony Attached (3). (15:10-17:45)

Chairman Klein: Stated that there is a concern with the 25 percent going to 35 percent, is it so they don't become over insured?

Brenda Doll: Said that when they approached the legislature and had it approved to write in cities over ten thousand, that was injected with the department to safeguard that you are not going too concentrated in any of those large cities. That is why they put the percentage limitation in there. As we all know rural properties are becoming larger and fewer and people are moving to the cities and that is why we have asked to have a slight increase in that percentage. (18:01-19:00)

John Bearman, Independent Insurance Agent in Minot, ND: Written Testimony Attached (4). (19:19-22:50)

Senator Murphy: Asked if anyone would be speaking in opposition and if so, why so?

John Bearman: Said he would be shocked if someone was in opposition to this. (23:10-23:30)

Steve Becker, Executive Director of Professional Insurance Agents of North Dakota: In support of the bill.

Ronald E. Gunsch, President of the Southwest Mutual at New Salem, ND: In support of the bill.

Robert Gaebe, Southwest Mutual Insurance Company, New Salem, ND: In support of the bill. Stated that the way some of the companies have been growing is by merging but that the base is running out. The farmers are not near as common as they use to be and we need to broaden our base of customers.

Eugene Bossert, Secretary / Treasurer / Manager of Dundee Mutual Insurance Company and President North Dakota Association of County Mutuals: Written Testimony (5). (29:45-34:25)

Senator Laffen: Asked why the state of North Dakota, if you're reinsured puts any restrictions on the mutuals?

Ed Moody, North Dakota Insurance Department: Said the restrictions are because of the favorable treatment the county mutuals get in terms of the surplus that they are allowed to have, it is very minimal compared to a traditional insurance company. The filing requirements in terms of the amount of information that have to present are much less onerous than if they were a traditional insurance company. In addition they are also limited in how much business they can write in certain areas and certain counties. They are also restricted from writing liability coverage, only property. Those restrictions are so they will get the favorable treatment onto the insurance code. It was set up to protect them.

Senate Industry, Business and Labor Committee

HB 1150

March 11, 2013

Page 3

Discussion and questions (38:55-43:10)

Chairman Klein: Closed the hearing.

2013 SENATE STANDING COMMITTEE MINUTES

Senate Industry, Business and Labor Committee
Roosevelt Park Room, State Capitol

HB 1150
March 11, 2013
Job Number 19673

Conference Committee

Committee Clerk Signature

Eric Lubelt

Explanation or reason for introduction of bill/resolution:

Relating to county mutual insurance companies

Minutes:

Discussion and Vote

Chairman Klein: Opened the meeting.

Senator Andrist: Moved a do pass on HB 1150.

Senator Unruh: Seconded the motion.

Roll Call Vote: Yes - 7 No - 0 Absent - 0

Floor Assignment: Senator Andrist.

**2013 SENATE STANDING COMMITTEE
 ROLL CALL VOTES
 BILL/RESOLUTION NO. 1150**

Senate Industry, Business, and Labor Committee

Check here for Conference Committee

Legislative Council Amendment Number _____

Action Taken: Do Pass Do Not Pass Amended Adopt Amendment
 Rerefer to Appropriations Reconsider

Motion Made By Senator Andrist Seconded By Senator Unruh

Senators	Yes	No	Senator	Yes	No
Chairman Klein	x		Senator Murphy	x	
Vice Chairman Laffen	x		Senator Sinner	x	
Senator Andrist	x				
Senator Sorvaag	x				
Senator Unruh	x				

Total (Yes) 7 No 0

Absent 0

Floor Assignment Senator Andrist

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

REPORT OF STANDING COMMITTEE

HB 1150: Industry, Business and Labor Committee (Sen. Klein, Chairman) recommends **DO PASS** (7 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING). HB 1150 was placed on the Fourteenth order on the calendar.

2013 TESTIMONY

HB 1150

① 1150
1-16-2013

1/16/2013

TO: Industry, Business & Labor Committee

RE: House Bill 1150

TESTIMONY BY: Brenda L Doll, Secretary-Manager
Southwest Mutual Insurance Company, New Salem ND

Chairman Kaiser and Members of the Committee: My name is Brenda Doll, and as manager of Southwest Mutual Insurance Company, a county mutual company that has been serving western North Dakota since 1900, I am here to ask for your support of House Bill 1150.

House Bill 1150 seeks to clean up and clarify statute 26.1-13-12, as well as modify some of the provisions. One change will allow a county mutual to insure a seasonal secondary dwelling located outside of their territory, if the insured within their territory insures their place of residence. House Bill 1150 will also amend statute 26.1-13-15 to allow a county mutual to insure rental properties, no larger than a four-plex, and increase the currently allowed 25% of gross written premium in cities over ten thousand population to 35%.

As a North Dakota county mutual, and speaking on behalf of our many independent professional insurance agents serving western North Dakota, we have and continue to experience, challenges in the insurance industry due to oil activities. These challenges include the shortage of available residential properties. This challenge also presents opportunity for North Dakota citizens without direct ties to the oil industry, to acquire investment properties and create personal income.

As the statute now reads, our companies are allowed to insure a seasonal dwelling for persons who reside out of the state and purchase North Dakota rural properties for hunting purposes, and only visit our great state for a few weeks or months of the year, but if one of our current policyholders insures his residence and subsequently acquires city rental property, we must turn down that rental property and encourage that insured to search elsewhere for coverage on the rental property, and probably lose their place of residence coverage in the process.

We are also experiencing non-oil related rental issues in my hometown of New Salem, with the construction of the wind farms over the past few years, which will continue in the future, as well as the new shuttle grain terminal under construction at New Salem. It is an opportunity for small town North Dakota residents to invest in the future of their communities by acquiring additional properties, which they in turn can convert to rental investment property.

The county mutuals feel, and I think our independent agents would probably agree, rental properties are an underserved market, as rentals can be difficult to place. Allowing the county mutuals to insure rental properties no larger than a four-plex would be very beneficial to our independent agents, and our county mutual companies. The percentage limit tied to cities over ten thousand population safeguards the county mutual from becoming too concentrated in any of the larger cities.

I ask for your favorable vote on House Bill 1150. I'd be happy to respond to any questions.

HB 1150

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1150
Testimony 1-16-
2013

Chairman Representative George Keiser

Testimony of John Bearman before the House Industry, Business and
Labor Committee on January 16, 2013

Chairman Keiser, Representative Sukut and members of the Committee,
thank you for the opportunity to appear before you this morning.

My name is John Bearman. I am here in support of House Bill 1150. I am an
independent insurance agent in Minot ND and have represented County
Mutual companies my entire career. I have also served as a Board Member and an
agent advisor for several county mutual companies.

HB 1150 allows the eleven county mutual companies and the hundreds of
independent agents who represent them across North Dakota, the opportunity to
better serve the nearly eleven thousand policyholders currently insured across ND.
County Mutual Insurance Companies have been on the landscape in
North Dakota for over one hundred years, started exclusively by farmers
to insure their own farms because insurance companies from the eastern part of the
country, simply were not interested in doing so.

Attached to my testimony, I have provided a map and listing of the location of all of the eleven companies so you can see where they are located and the landscape they cover.

Please let me give you a few statistics on what these small but vibrant companies have done over the past few years to deserve favorable consideration from your committee. In the past five years county mutual companies have collected in excess of fifty two million dollars in premium and paid out approximately twenty four million dollars in claims to farmers and homeowners in every city and county in ND.

In 2011, the most recent available statistics, County Mutual Companies, as a group, insured over eleven thousand policyholders, collecting just under eleven million dollars in premium and then paid approximately five million, five hundred thousand dollars in claims. When you factor in commissions paid to the estimated five hundred independent agents and employee salaries, of the eleven million in premiums collected, County Mutual companies paid back into those communities approximately eight million, four hundred thousand dollars or about seventy six percent of that money went back into the economy of North Dakota. While the companies may be small, the economic impact is significant if those dollars were off to Chicago or California.

HB 1150 opens doors for the companies and their agents but much more than that, it opens doors for your constituents to insure a small rental property they might own as an investment, to insure a seasonal lake home if the county mutual they choose to insure their primary residence doesn't happen to be authorized to do business in that county and it provides a safety net for the current restriction on the amount of business a county mutual can do in larger cities with a population of over ten thousand.

You will hear from other supporters of this bill with more specific reasons for changing the Statute, so I won't repeat them. However, from an independent agent's standpoint, we can do our job much better and serve our common customer much easier with this change and I would add the change is necessary because the market has changed, there is a demand not currently being served and the economics, are there.

I respectfully ask for a do pass on HB 1150. If you have any questions, I will do my best to answer them.

Chairman Keiser and members of the Committee, thank you again for the opportunity to present my testimony.

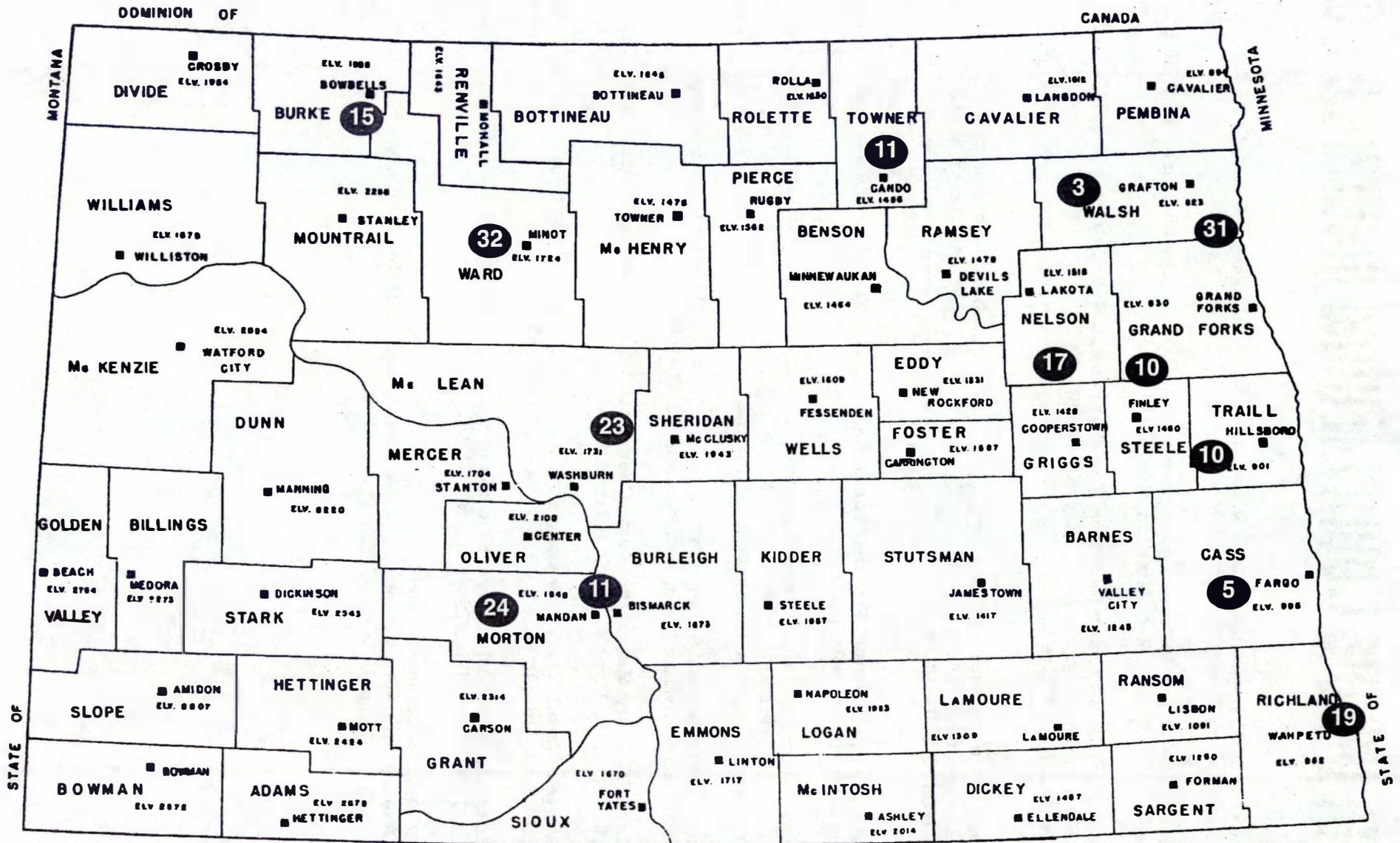
John Bearman, Bearman Insurance Agency

Box 1292, Minot ND 58702

North Dakota County Mutual Insurance Companies

- 3 Dundee Mutual Insurance Company**Eugene Bossert, Secy.-Mgr.701-284-7139
Box 50, Park River, ND 58270-0050 FAX: 701-284-7267
- 5 Cass County Mutual Insurance Company**Tracey Sherman, Secy.-Mgr.....701-347-4309
830 Front St., Box 608, Casselton, ND 58012 FAX: 701-347-5957
- 10 Steele-Traill County Farmers Mutual Ins. Company**Amy Johnson, Secy.-Mgr.....701-524-1524
300 Central Ave., Suite 107, Finley, ND 58230 FAX: 701-524-1525
Portland, ND Office701-786-3777
FAX: 701-786-3743
- 11 Family Mutual Insurance Company**.....Curt Jacobson, Secy.701-968-3651
Box 668, Cando, ND 58324 Rodney Warner, Mgr. FAX: 701-968-3099
Bismarck, ND Office701-667-6050
FAX: 701-667-6055
- 15 Flaxton Farmers Mutual Fire Ins. Company**James B. Anderson, Secy.701-377-2942
PO Box 99, Bowbells, ND 58721 FAX: 701-377-2943
- 17 Griggs Nelson Mutual Insurance Company**Audrey Reinhart, Secy.-Mgr.701-322-5118
112 Main, Box 424, McVile, ND 58254 FAX: 701-322-4918
Cooperstown, ND Office.....701-797-2692
- 1 Home Mutual Insurance Company**.....Dorothy Dockter, Secy.701-642-4101
502 Second Avenue North, Wahpeton, ND 58075-4418 FAX: 701-642-1755
- 23 McLean McHenry Mutual Insurance Company**.....Linda Huelsman, Secy.....701-448-2255
112 Main St., Box 575, Turtle Lake, ND 58575 FAX: 701-448-2322
- 24 Southwest Mutual Insurance Company**Brenda L. Doll, Secy.701-843-7640
108 North 4th Street, Box 69, New Salem, ND 58563 FAX: 701-843-8106
- 31 Walsh County Mutual Insurance Company**Brad Schanilec, Secy.....701-248-3231
429 2nd Street, Box 375, Minto, ND 58261 FAX: 701-248-3709
- 32 West McLean County Farmers Mutual Insurance Company**Debbie Keller, Secy.701-837-8179
1809 S. Broadway "Suite W", Minot, ND 58702 FAX: 701-858-1702

North Dakota County Mutual Insurance Companies



SEE REVERSE SIDE FOR COMPANY LISTING COUNTY MUTUALS

3

H16-2013

1150

HOUSE BILL # 1150

CHAIRMEN KAISER

MEMBERS OF THE COMMITTEE

TESTIMONY BY EUGENE BOSSERT , MANAGER , DUNDEE MUTUAL INSURANCE COMPANY,

AS MANAGER AND EMPLOYEE OF DUNDEE MUTUAL INSURANCE COMPANY FOR TH E PAST 27 YEARS I

AM HERE TO ASK YOUR SUPPORT OF HOUSE BILL ~~1800~~ 1150

DUNDEE MUTUAL INSURANCE COMPANY ESTABLISHED IN 1889 CONTINUES TO SEEK WAYS TO ASSIST OUR POLICYHOLDERS, MANY OF WHO ARE NOW 4TH AND 5TH GENERATION INSURED.

AS THE LANDSCAPE HAS CHANGED OVER THE PAST YEARS WITH NATURAL DISASTERS SUCH AS FLOODS FOR TOWNS LIKE MINOT, BISMARCK, MANDAN AND FARGO AS WELL AS THE OIL BOOM TO CREATE AN INFLUX OF POPULATION WE ARE SEEING A CHANGE IN OUR POLICYHOLDERS NEEDS.

THEY ARE OWNERS OF HOMES FOR SEASONAL RECREATION IN MANY PARTS OF THE STATE AND ALSO OWNERS OF SEASONAL HOMES IN COLLEGE TOWNS FOR FAMILY USAGE WHILE ATTENDING COLLEGE AND THEN AS A GOOD INVESTMENT FOR INCOME PURPOSES. WHEN THOSE HOMES ARE OUT OF THE COUNTY MUTUALS TERRITORY THAT PUTS THE COUNTY MUTUAL AT RISK TO LOSE THE POLICYHOLDER TO ANOTHER COMPANY. THE CORE OF OUR COMPANIES IS FARM OR AGRICULTURE RELATED IN A DEFINED 30 COUNTY TERRITORY , AND SINCE THERE ARE NOT MANY NEW FARMS BEING BUILT IN COMPARISON TO NEW HOUSING WE ASK FOR THE CHANGE IN THE STATE STATUE TO ALLOW US TO FOLLOW THOSE POLICYHOLDERS WHEN THEY PURCHASE HOMES OUT OF OUR TERERITORY OF OPERATION.

THE SECOND PART OF THE BILL HAS TO DO WITH RENTAL UNITS, AS IT IS CURRENTLY WRITTEN IT IS CONFUSING AND APPEARS THE OWNER MUST OCCUPY THE RENTAL IF A 4 PLEX. AT ONE TIME THERE WAS A GOVERNMENT PROGRAM TO BUILD 4 PLEX UNITS IN THE SMALL TOWNS ACROSS NORTH DAKOTA, THAT GOVERNMENT PROGRAM USED LOCAL INVESTORS TO BUILD THEM IN PARTENERSHIP AND NOW THE OWNERSHIP IS WITH THE LOCAL INVESTOR OFTEN TIMES OUR POLICYHOLDERS , AND WE ARE NOT ABLE TO INSURE THEM UNLESS OWNER OCCUPIED.

IN MANY CASES WE HAVE HAD TO TURN DOWN CONTINUOUS COVERAGE FOR A POLICYHOLDERS FAMILY, THEY MAY HAVE BEEN A POICYHOLDER ON THE FARM , AND THEN MOVED TO TOWN IN RETIREMENT, WHEN THE SON OR OTHER FAMILY TOOK OVER THE FAMILY FARM, OFTEN TIMES THE NEXT MOVE IS INTO A NURSING HOME OR ASSISTED LIVING CENTER, AND THE HOUSE BECOMES A RENTAL , WE HAVE TO TELL THEM WE CAN NO LONGER WRITE THE HOUSE EVEN THOUGH WE MAY HAVE HAD IT IN THE PAST SINCE IT WAS BUILT 10 OR 20 YEARS OR LONGER AGO. HOUSES IN MANY OF OUR SMALL TOWNS MAY NOT HAVE A VERY HIGH SALES VALUE AND MAY HAVE A GOOD CASH FLOW AS A RENTAL VALUE TO HELP SOMEONE WHO HAS MOVED IN TO AN ASSISTED CARE OR NURSING HOME FACILITY. WE KNOW OF A HOME IN DICKINSON WHERE THE RENT IS HIGH ENOUGH THAT IT PAYS THE MONTHLY COSTS OF THE ASSISTED LIVING FACILITY FOR THE RETIRED FARMER. ADDITIONALLY WE FIND SEVERAL OF OUR CUSTOMERS HAVE BOUGHT A HOUSE IN A COLLEGE TOWN FOR THE CHILDREN TO ATTEND COLLEGE, AND WE INSURE IT AS A SEASONAL IF IT IS IN OUR TERRITORY, AFTER COLLEGE THEY KEEP THE HOUSE AS A RENTAL UNIT AND WE FIND WE MAY NOT BE ABLE TO CONTINUE THE COVERAGE. IN MANY INSTANCE WE HAVE ALSO FOUND THAT THE AGENTS HAVE INDICATED THEY HAVE A HARD TIME FINDING INSURANCE COMPANIES WILLING TO WRITE THE 1 TO 4 FAMILY RENTAL UNITS. SO WE FEEL THIS WILL AID THE AGENTS AND PROVIDE INSURANCE FOR A PRODUCT THEY HAVE LITTLE OR NO MARKET FOR.

THE THIRD PART OF THE BILL, THE INCREASE FROM 25 % TO 35 % IN TOWNS OVER 10,000 POPULATION COMES FROM THE INCREASED ANNEXATION BY LARGER CITIES, AND THE NEED FOR MORE HOUSING IN MOST OF OUR CITIES OVER 10,000 POPULATION. ONE NEED TO ONLY LISTEN TO THE NEWS ON ALMOST A DAILY BASIS THE LARGE CITIES ARE IN NEED OF MORE CLASSROOM SPACE DUE TO THE INCREASING POPULAITON. PART OF THIS WE SEE WHERE A HOME WE WROTE 5 YEARS AGO IN NEW DEVELOPMENT IS NOW IN THE CITY LIMITS . IN ADDITION WE ARE FINDING THA T MANY OF THE COUNTY MUTUAL S BOOK OF BUSINESS IS CLOSE TO HALF IN TOWNS AS WE LOOSE OUR SMALL FARMS TO LARGER OPERATOINS.

IN SUMMARY WE FEEL THESE CHANGES WILL HELP US TO CONTIUE TO SERVE OUR POLICYHOLDERS NEEDS. WE HAVE THE SUPPORT OF GRINNELL REINSURANCE FOR THE PROPERTY PART AND ALL OF THE COUNTY MUTUALS USE GRINNELL LIABIITY AS AN ADDITION TO THE PROPERTY POLICY SO WE FOLLOW THERE GUIDELINES WITH NO LIABIITY RISK TO THE COUNTY MUTUAL.

WE ASK FOR YOUR SUPPORT AND A DO PASS ON HOUSE BILL 1150 AS PRESENTED.

THANK YOU AND IF YOU HAVE ANY QUESTIONS I WOULD BE HAPPY TO RESPOND.

RESPECTFULLY SUBMITTED, EUGENE BOSSERT, MANAGER , DUNDEE MUTUAL INSURANCE COMPANY.

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HL-2013
1150

1/10/2013

Written testimony for HB1150 from Barry Townsend, Secretary-Treasurer of the North Dakota Association of Farm Mutual Insurance Companies.

HB has three main additions and clarifications. We are asking to be able to write a seasonal dwelling in North Dakota when the homeowner policy is insured in the Companies territory. To be able to insured up to a 4 rental housing unit in incorporated cities in the Companies territory of operation. Thirdly, we are now allowed to write up to 25% of the Companies gross written premium in towns of over 10,000 population and would like to increase this to 35%.

The seasonal dwelling (lake home) may be located out of the Companies writing territory so when the insured comes to the agent of record and wants to add the lake home to the policy, the Mutual cannot write this and may also loose the homeowner business.

Currently rental dwelling in incorporated cities are not allowed. Mutuals are allowed to write them in the rural areas. A rental dwelling may be insured in the rural area and the incorporated city may annex this region into the city making the rental dwelling out of compliance with the ND Insurance Department. The Mutual or agent of record would have no idea of this annexation unless notified by the insured.

There are becoming fewer farms in North Dakota and therefore the homeowner business is growing with higher value homes. This increase in the risk in force in the larger cities would give the Mutuals a small increase in this market share.

Seasonal dwellings and rental dwellings fill a gap for the Mutuals some larger Companies do not want. With the growing market in western North Dakota, rental dwellings are increasing.

I ask for your support of this bill and hope you can vote a due pass out of committee.

Thank you all in advance.

Barry Townsend, PFMM

Secretary-Treasurer

North Dakota Association of Farm Mutual Insurance Companies

Testimony on HB 1150

Rep. David Monson

Chairman Klein and members of the Senate IBL Committee, I am Rep. David Monson of District 10 in northeastern ND. I am here to introduce HB 1150. There are more people here who can explain the bill, tell you about the need for it, and explain what it does better than I, so I'll be brief.

I am involved with the county mutual insurance industry as a longtime board member of Family Mutual Insurance Company and its predecessor companies that merged into it. I currently serve as the president of the company. We had an issue which is somewhat a gray area as to how to handle it. Our industry felt we needed to clarify the law. We proposed some changes, met with folks from the Insurance Department, and submitted HB 1150. No one opposed it in the House IBL Committee. It passed the House by a vote of 89 to 0, and we hope you will do the same.

There is some clean up language in Sec. 1 which makes it look like there are a lot of changes, but the only new language is subsection f. on line 4 of page 2. There is some new language in subsection 3 of Sec. 2, and on line 1 on page 3 it changes from 25% to 35%. These are the changes, but I'll defer the questions to the industry people who will follow me if I could.

HB 1150

Testimony of Barry Townsend, Secretary-Treasurer of the North Dakota Association of Farm Mutual Insurance Companies before the Senate Industry, Business and Labor Committee, March 11, 2013.

Chairman Klein and members of the Senate Committee, thank you for the opportunity to appear before you this morning.

My name is Barry Townsend and I am here in support of HB 1150. I am the Secretary-Treasurer of the North Dakota Association of Farm Mutual Insurance Companies.

HB 1150 has three main additions and clarifications. We are asking to be able to write a seasonal dwelling in North Dakota when the homeowner policy is insured in the Companies territory. To be able to insured up to a 4 rental housing unit in incorporated cities in the Companies territory of operation. Thirdly, we are now allowed to write up to 25% of the Companies gross written premium in towns of over 10,000 population and would like to increase this to 35%.

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I ask for your support of this bill and hope you can vote a due pass out of committee.

Thank you all in advance.

Barry Townsend, PFMM

Secretary-Treasurer

North Dakota Association of Farm Mutual Insurance Companies

TO: Senate Industry, Business & Labor Committee

RE: HB 1150

TESTIMONY BY: Brenda L Doll

Secretary-Manager of Southwest Mutual Insurance Company – New Salem ND

Chairman Klein and Members of the Committee:

My name is Brenda Doll, and as manager of Southwest Mutual Insurance Company, which has been serving western North Dakota since 1900, I am here to ask for your support of House Bill 1150.

HB 1150 will seek to clean up and clarify statute 26.1-13-12, as well as modify some of the provisions. One change will allow a county mutual to insure a seasonal secondary dwelling located outside of their territory, if the insured insures their place of residence within their territory. HB 1150 will also amend statute 26.1-13-15 to allow a county mutual to insure rental properties, no larger than a four-plex, and increase the currently allowed 25% of gross written premium in cities over ten thousand population to 35%.

As a North Dakota county mutual, and speaking on behalf of our many independent professional insurance agents serving western North Dakota, we have and continue to experience challenges in the insurance industry due to oil related activities. These challenges include the shortage of available residential properties. This challenge also presents opportunity for the citizens of North Dakota, without direct ties to the oil industry, to acquire investment properties and create personal income. The current statute allows our companies to insure a seasonal dwelling for persons who reside out of the state and purchase North Dakota rural properties for hunting purposes, and only visiting our great state for a few weeks or months each year. But if one of our current policyholders insures his city residence and subsequently acquires city rental property, we must turn down that rental property and encourage that insured to search elsewhere for coverage on the rental property, probably losing his place of residence coverage in the process. We are also experiencing rental issues in my hometown of New Salem, with the construction of wind farms the past few years, which will continue in the future, as well as the new shuttle grain terminal being constructed at New Salem. It is an opportunity for small town North Dakota residents to invest in the future of their communities by acquiring additional properties, which they in turn can convert to rental investment property.

The county mutuals feel, and I think our independent agents would probably agree, rental properties are an underserved market as rentals can be difficult to place. Allowing the county mutuals to insure rental properties up to a four-plex size, would be very beneficial to our independent agents, and our companies. The percentage limit tied to cities over ten thousand population safeguards the county mutual from becoming too concentrated in any of the larger cities.

I ask for your favorable vote on HB1150. Thank you.

Chairman Senator Jerry Klein

Testimony of John Bearman before the Senate Industry, Business and Labor Committee, March 11, 2013

Chairman Klein, Senator Laffen and members of the Committee, thank you for the opportunity to appear before you this morning.

My name is John Bearman. I am here in support of House Bill 1150. I am an independent insurance agent in Minot ND and have represented County Mutual companies my entire career. I have also served as a Board Member and an agent advisor for several county mutual companies.

HB 1150 allows the eleven county mutual companies and the hundreds of independent agents who represent them across North Dakota, the opportunity to better serve the nearly eleven thousand policyholders currently insured across ND.

County Mutual Insurance Companies have been on the landscape in North Dakota for over one hundred years. They were started exclusively by farmers to insure their own farms because insurance companies from the eastern part of the country, simply were not interested in doing so.

Attached to my testimony, I have provided a map and listing of the location of all of the eleven companies so you can see where they are located and the landscape in our State that they cover. Please let me give you a few statistics on what these small, but vibrant companies have done over the past few years to deserve favorable consideration from your committee.

In the past five years county mutual companies have collected in excess of fifty two million dollars in premium and paid out approximately twenty four million dollars in claims to farmers and homeowners in every city and county in ND.

In 2011, the most recent available statistics, County Mutual Companies, as a group, insured over eleven thousand policyholders, collecting just under eleven million dollars in premium and then paid approximately five million, five hundred thousand dollars in claims.

When you factor in commissions paid to the estimated five hundred independent agents and employee salaries, of the eleven million in premiums collected, County Mutual companies paid back into those communities approximately eight million, four hundred thousand dollars or about seventy six percent of that money went back to local communities or, **“stayed”** in the economy of North Dakota. While the companies seem small, the economic impact is significant if those dollars left

the State and those small communities, and ended up in Chicago or Sacramento.

HB 1150 opens doors for the companies and their agents but much more than that, it opens doors for your constituents to insure a small rental property they might own as an investment or to insure a seasonal lake home if the county mutual they choose to insure their primary residence doesn't happen to be authorized to do business in that county. The bill also provides a safety net for the current restriction on the amount of business a county mutual can do in larger cities with a population of over ten thousand.

You will hear from other supporters of this bill with the more specific reasons for changing the Statute, so I won't repeat those points. However, from an independent agent's standpoint, we can do our job much better and serve our common customer much easier with these changes. We look to County Mutual Companies to serve a specific market. Their struggles are our struggles, their success, is our success.

I respectfully ask for a do pass on HB 1150. If you have any questions, I will do my best to answer them.

Chairman Klein and members of the Committee, thank you again for the opportunity to present my testimony.

John Bearman, Bearman Insurance Agency,
Box 1292, Minot ND 58702

North Dakota County Mutual Insurance Companies

- 3 Dundee Mutual Insurance Company**Eugene Bossert, Secy.-Mgr.701-284-7139
 Box 50, Park River, ND 58270-0050 FAX: 701-284-7267
- 5 Cass County Mutual Insurance Company**Tracey Sherman, Secy.-Mgr.....701-347-4309
 830 Front St., Box 608, Casselton, ND 58012 FAX: 701-347-5957
- 10 Steele-Trail County Farmers Mutual Ins. Company**Amy Johnson, Secy.-Mgr.....701-524-1524
 300 Central Ave., Suite 107, Finley, ND 58230 FAX: 701-524-1525
Portland, ND Office701-786-3777
 FAX: 701-786-3743
- 11 Family Mutual Insurance Company**.....Curt Jacobson, Secy.701-968-3651
 Box 668, Cando, ND 58324 Rodney Warner, Mgr. FAX: 701-968-3099
Bismarck, ND Office701-667-6050
 FAX: 701-667-6055
- 15 Flaxton Farmers Mutual Fire Ins. Company**James B. Anderson, Secy.701-377-2942
 PO Box 99, Bowbells, ND 58721 FAX: 701-377-2943
- 17 Griggs Nelson Mutual Insurance Company**Audrey Reinhart, Secy.-Mgr.701-322-5118
 112 Main, Box 424, McVile, ND 58254 FAX: 701-322-4918
Cooperstown, ND Office.....701-797-2692
- 19 Home Mutual Insurance Company**.....Dorothy Dockter, Secy.701-642-4101
 502 Second Avenue North, Wahpeton, ND 58075-4418 FAX: 701-642-1755
- 23 McLean McHenry Mutual Insurance Company**.....Linda Huelsman, Secy.....701-448-2255
 112 Main St., Box 575, Turtle Lake, ND 58575 FAX: 701-448-2322
- 24 Southwest Mutual Insurance Company**Brenda L. Doll, Secy.701-843-7640
 108 North 4th Street, Box 69, New Salem, ND 58563 FAX: 701-843-8106
- 31 Walsh County Mutual Insurance Company**Brad Schanilec, Secy.....701-248-3231
 429 2nd Street, Box 375, Minto, ND 58261 FAX: 701-248-3709
- 32 West McLean County Farmers Mutual Insurance Company**Debbie Keller, Secy.701-837-8179
 1809 S. Broadway "Suite W", Minot, ND 58702 FAX: 701-858-1702

HOUSE BILL 1150

CHAIRMEN JERRY KLEIN
MEMBERS OF THE COMMITTEE

TESTIMONY BY EUGENE BOSSERT
SECRETARY / TREASURER/ MANAGER DUNDEE MUTUAL INSURANCE CO.
PRESIDENT NORTH DAKOTA ASSOCIATION OF COUNTY MUTUALS
CERTIFIED INSURANCE COUNSELOR
LICENSED AGENT SINCE 1985

AS MANAGER AND EMPLOYEE OF DUNDEE MUTUAL INSURANCE COMPANY FOR THE
PAST 27 YEARS I AM HERE TO ASK YOUR SUPPORT OF HOUSE BILL 1150.

THE COUNTY MUTUAL INSURANCE COMPANIES, SOME ESTABLISHED SINCE 1884
CONTINUE TO SEEK WAYS TO ASSIST OUR POLICYHOLDERS, MANY OF WHO ARE
NOW 4th AND 5th GENERATION INSUREDS.

AS THE LANDSCAPE HAS CHANGED OVER THE PAST YEARS WITH NATURAL DISASTERS
SUCH AS FLOODS FOR TOWNS LIKE MINOT, BISMARCK, MANDAN AND FARGO, AS WELL
AS THE OIL BOOM TO CREATE AN INFLUX OF POPLULATION WE ARE SEEING A CHANGE IN
OUR POLICYHOLDER'S NEEDS AND FINANCIAL STRENGTH.

THEY HAVE BECOME OWNERS OF SEASONAL HOMES FOR RECREATIONAL USE AS WELL
AS IN COLLEGE TOWNS FOR FAMILY MEMBERS ATTENDING COLLEGE DUE TO THE
INVESTMENT RETURN FOR INCOME PURPOSES. WHEN THOSE HOMES ARE OUT OF THE
COUNTY MUTUALS APPROVED TERRITORY WE ARE AT RISK TO LOSE THE
PRIMARY FARM OR HOME WE INSURE TO ANOTHER COMPANY WHO CAN INSURE
THE SEASONAL HOME OUT OF OUR TERRITORY.

THE CORE OF OUR COMPANIES IS FARM OR AGRICULTURE RELATED IN A DEFINED 30
COUNTY TERRITORY. THE NUMBER OF FARMS IN 2012 HAS DROPPED BY 200 AS
REPORTED BY THE USDA, SO OUR SHARE OF FARMS IS DWINDLING IN COMPARISON TO
NEW HOUSES.

WE ASK FOR THE CHANGE IN THE STATE STATUE TO ALLOW US TO FOLLOW THOSE
POLICYHOLDERS WHEN THEY PURCHASE A SEASONAL HOME OUT OF OUR TERRITORY
OF OPERATION.

THE SECOND PART OF THE BILL HAS TO DO WITH RENTAL UNITS, AS IT IS CURRENTLY WRITTEN IT IS CONFUSING AND APPEARS THE OWNER MUST OCCUPY THE RENTAL IF A 4 PLEX. AT ONE TIME THERE WAS A GOVERNMENT PROGRAM TO COST SHARE WITH LOCAL INVESTORS FOR BUILDING OF 4 PLEX UNITS IN SMALL TOWNS TO PROVIDE NEEDED HOUSING. THE GOVERNMENT PROGRAM HAS RUN ITS COURSE AND NOW THOSE 4 PLEXS ARE OWNED BY LOCAL INVESTORS OFTEN TIMES OUR FARM POLICYHOLDERS AND WE WOULD NOT BE ABLE TO INSURE THEM UNLESS OWNER OCCUPIED.

IN OTHER SITUATIONS WHERE WE INSURED THE HOME IN A SMALL TOWN THERE MAY NOT BE A HIGH RESALE VALUE SO THE GRANDMOTHER'S HOUSE BECOMES A RENTAL AND WE ARE NOT ALLOWED TO CONTINUE THE INSURANCE WE HAVE HAD FOR THE FAMILY FOR THE PAST 20 OR 30 YEARS. THAT RENTAL HOUSE PROVIDES ENOUGH CASH FLOW TO SUPPLEMENT THE FIXED INCOME FOR THE ASSISTED LIVING COSTS. WE KNOW OF HOMES IN DICKINSON WHERE THE RENT IS HIGH ENOUGH TO PAY THE MONTHLY FEES OF THE ASSISTED LIVING COSTS FOR THE RETIRED FARMER. WE WOULD NOT BE ABLE TO INSURE THAT HOUSE NOW THAT IT IS A RENTAL UNDER CURRENT LAW.

ADDITIONALLY AS REFERRED TO IN MY FIRST PAGE WE FIND SEVERAL CUSTOMERS WHO HAVE BOUGHT HOMES IN COLLEGE TOWNS FOR CHILDREN TO LIVE AS A SEASONAL HOME AND HAVE KEPT THEM AFTER THEIR CHILDREN GRADUATED AND RENTED THEM OUT AGAIN FOR THE CASH FLOW INVESTMENT. WHEN IT BECAME A RENTAL WE COULD NO LONGER INSURE THE HOUSE.

WE HAVE FOUND FROM OUR AGENTS THAT THEY DO HAVE A HARD TIME FINDING INSURANCE COMPANIES TO WRITE RENTAL UNITS FOR THE 1 TO 4 FAMILY UNITS, SO WE FEEL THIS WILL AID THE AGENTS AND PROVIDE INSURANCE FOR A PRODUCT THEY MAY HAVE LITTLE OR NO MARKET FOR.

THE THIRD PART OF THE BILL, IS THE INCREASE FROM 25 % TO 35 % OF OUR GROSS WRITTEN PREMIUM THAT IS ALLOWED IN TOWNS OVER 10,000 POPULATION. WE ASK FOR THE INCREASE TO 35 % BECAUSE MANY OF THE SMALL DEVELOPMENTS OUTSIDE THE LARGER CITIES ARE BEING ANNEXED IN TO THOSE LARGE TOWNS SO THE TOWN GETS THE INCREASED TAX REVENUE. ALMOST DAILY OR WEEKLY WE HEAR OF THE BISMARCK, MINOT, FARGO, GRAND FORKS OR DICKINSON CITY COUNCILS PLANNING TO ANNEX A GROUP OF HOMES, HOMES THAT 4 OR 5 YEARS AGO WE WROTE SEVERAL MILES OUTSIDE THE CITY LIMITS NOW ARE POTENTIALLY INCREASING OUR PERCENTAGE OVER THE 25 % LEVEL WITHOUT OUR SOLICITATION. AS WE INDICATED PREVIOUSLY OUR NUMBER OF FARMS IN 2012 DECREASED BY 200 AND MOST OF OUR COMPANIES ARE FINDING THAT MORE AND MORE OF OUR NEW POLICIES ARE COMING FROM INDIVIDUAL HOMEOWNERS.

WE ARE ALWAYS CONCERNED ABOUT OUR CONCENTRATION AND SPREAD OF RISK AS HOME VALUES RAISE WE STILL FIND FARM VALUES ARE ALSO INCREASING.

THE 76 FOOT BY 92 FOOT BY 20 FOOT HIGH SIDEWALL FARM SHOP WITH A 50 FOOT BIFOLD DOOR WE INSURED IN JANUARY FOR \$ 350,000.00 WILL HOUSE 2 COMBINES AT \$ 350,000.00 EACH, 2 CAT TRACK TRACTORS AT \$ 300,000.00 EACH, WILL GIVE US A TOTAL OF \$ 1,650,000.00 INSURANCE UNDER ONE ROOF WITH NO FIRE HYDRANTS AT THE FARM. SO WE SHOULD NOT BE WORRIED ABOUT CONCENTRATION OF RISK ON HOMES IN TOWN. OUR REINSURER HAS THE LIMIT SET AT \$ 2,000.000.00 ON THE BASE REINSURANCE CONTRACT FOR ANY ONE RISK, AND WE HAVE BEEN ABLE TO BUY UP TO \$ 6,000.000.00 MORE WHEN WE HAD A VERY LARGE HIGHLY CONCENTRATED SET OF FARM BUILDINGS AND CONTENTS.

IN SUMMARY WE FEEL THESE CHANGES WILL HELP US TO CONTINUE TO SERVE OUR POLICYHOLDERS' NEEDS IN THIS EVER CHANGING NORTH DAKOTA MARKET.

WE HAVE THE SUPPORT OF GRINNELL MUTUAL REINSURANCE FOR THE PROPERTY PART AND ALL OF THE COUNTY MUTUALS USE GRINNELL LIABILITY AS AN ADDITION TO THE PROPERTY POLICY.

SO WE FOLLOW THEIR GUIDELINES OF NO MORE THAN 10 RENTAL UNITS THE LARGEST WHICH MAY BE A 4 PLEX RENTAL ON PERSONAL LIABILITY.

ANYTHING LARGER GRINNELL WOULD WRITE AS A COMMERCIAL POLICY DIRECT THROUGH THE AGENT AND NOT PART OF COUNTY MUTUAL EXPOSURE.

WE ASK FOR YOUR SUPPORT OF HOUSE BILL 1150 AS PRESENTED.

THANK YOU AND IF YOU HAVE ANY QUESTIONS I WOULD BE HAPPY TO RESPOND.

RESPECTFULLY SUBMITTED

EUGENE BOSSERT

SECRETARY / TREASURER / MANAGER

DUNDEE MUTUAL INSURANCE COMPANY