

MICROFILM DIVIDER

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ROLL NUMBER

DESCRIPTION

1264

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La Costa Rickford
Operator's Signature

10/2/03
Date

2003 HOUSE INDUSTRY, BUSINESS AND LABOR

HB 1264

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2003 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. HB 1264

House Industry, Business and Labor Committee

Conference Committee

Hearing Date 1/27/03

Tape Number	Side A	Side B	Meter #
2	x		19.0-end
2		x	0.00-5.5
Committee Clerk Signature <i>Judith Hammer</i>			

Minutes: Chairman Keiser opened the hearing on HB 1264.

Rep. Frank Wald, District 37, introduced HB 1264, which deals with the topic of "controlled business". Last session the Insurance Department brought in a bill that made many changes in the code, doing housekeeping, so to speak, and inadvertently deleted the "controlled business insurance" portion of the legislation. For example, a contractor who pays substantial premiums may want to start an agency just for their own account. Or a large farmer might want to get a contract to write his liability insurance. That's the only business that they would write. Or a cooperative may want to start their own insurance agency. What the "controlled business" statute has done for years and years has precluded this type of thing from happening. We are asking that this "controlled business" be put back into the code.

Kent Olson, Executive Director of the ND Professional Insurance Agents, appeared in support of HB 1264. (See attached)

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Rep. Tieman: Must the individual in the scenarios you have described be licensed and an agent for a company? Not appointed?

Olson: That's almost correct. You have to be licensed and you can have an insurance producers license without having an appointment.

Appearing in opposition to HB 1264 was **Robert Fitzsimmons**, a farmer from Walhalla, ND, representing himself, who offered oral testimony to explain the situation that occurred when the local elevator closed its doors. They raised money locally to get their product that they had already purchased. The community raised 1.2 million to buy out Harvest States position. We changed to Benson Quinn for management. This economic development created 40 new jobs in our community. Our crop insurance and chemical sales keep our doors open. This is not controlled business. Be careful how you word this.

Rep. Kasper: You sell yourselves your crop insurance? Do you sell through a licensed agent? Do you sell to any people besides your group of partners? Crop and health insurance, and if so, what percentage is that compared to your controlled group?

Fitzsimmons: Our elevator manager is our agent. Some clients aren't stockholders. I don't know the percentages.

Brian Johnson, President of Wallhalla Bank: This past year, our first year of business, we got our license the end of January or so. Crop insurance sales close on March 15. We had two non-shareholder members, accounting for 10-15% gross premiums.

Tim Smith, Walhalla, ND, Buying my insurance through the elevator kept my insurance dollars in town. It helps the elevator stay viable. We need this business in our town. The past three years

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have worked out well. Thanks for the opportunity to speak to this committee today. The insurance aspect is just another form of diversification.

Rep. Kasper: Please explain about the co-op investing \$100,000. What percentage of local farmers are members of your coop and put dollars into the elevator?

Smith: Anybody who does business with us is a member of the co-op. 25% of our profit is allocated to dividends. 95-100% of the local farmers are our members. We do \$2,000,000 a year in business.

Rep. Kasper: Is the Co-op a partner in the elevator? And almost 100% of local farmers are members of the Co-op? So 100% of the farmers are members of the elevator through the ownership of the stock by the co-op?

Smith: Yes, yes, and indirectly, yes.

Rep. Boe: Would this law, if changed, easily circumvented by partnering with some other business? Another agency, until your group could meet the 25% statute requirement?

Smith: I'd defer that question to Mr. Johnson.

Johnson: That's a tough thing to do, what agency would let you in if you're their competition?

Rep. Johnson: If this statute goes into place, is it retroactive, does it preclude you from doing further business?

Johnson: We've contacted an attorney for questions about commissions etc. and interpretation of the law. I'd ask this committee for an amendment to address the fact that if it is necessary for this committee to close this developing competitive market off, maybe you do amend the date.

Chairman Keiser: One of the things about insurance is that you want it to stand on its own two legs. When you sell a policy you want the company who sold it to you to be able to service the

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House Industry, Business and Labor Committee
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Hearing Date 1/27/03

account. That's a cornerstones to insurance. And that's a reason we avoid these entanglements, there's a subtle conflict. In that the people who buy the insurance also own the company and that may have an impact on premiums. What happens if the insurance side takes a huge hit?

Johnson: We are required to have an omissions coverage. This is a legitimate business. The patrons of the elevator aren't controlling this process, there's just another competitive player in the market. Who is this bill impacting? It is targeted at us. We're here today, not to level the playing field, but to change the rules. This same group saved this elevator from ending up like the Wimbledon situation did. This group understands the need to find a way to earn noninterest income. Harvest States controls so many small towns and limits their options. This is quite the contrary in order to help the small producer and farmer. Please do not pass this bill.

Rep. Kasper: The business plan was drawn up in 1998. Was insurance part of the original business plan?

Johnson: I don't know. I wasn't in Walhalla at that time.

Rep. Kasper: Was the elevator meeting its goals and projections as a business until this insurance battle came up? Were you running in the black or in the red?

Johnson: This year the elevator made \$200,000, half of which was generated by insurance, the other half by selling chemicals. Operating expenses run \$60,000 a month.

As there was no one else present to testify in opposition to HB 1264, the hearing was closed.

2003 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. 1264

House Industry, Business and Labor Committee

Conference Committee

Hearing Date January 28, 2003

Tape Number	Side A	Side B	Meter #
3	X		4,554-5467

Committee Clerk Signature *Elizabeth R. Fin*

Minutes: **CHAIR KEISER:** Opened committee work on 1264.

REP. FROSETH: Offered amendment to grandfather the Walhalla insurance company in to the bill.

REP. KASPER: Would support the amendment if there was a provision that they can not sell or expand. He does not want a loophole.

REP. EKSTROM: Would like to talk to Commissioner Poolman. Chair Keiser asked Rep. Ekstrom, Kasper, and Froseth to discuss and to come back later.

REP. NOTTESTAD: Wouldn't support without the amendment

REP. SEVERSON: Would also vote against currently without the amendment.

REP. DOSCH: What the agency did was within the law when it was done and would support if they agency was grandfathered in.

CHAIR KEISER: Closed committee work on 1264.

