

HOUSE BUSINESS AND INDUSTRY

March 9, 1981

SUMMARY OF BILLS TO BE HEARD TODAY -

SENATE BILL 151 -

Introduced by Sen. Mazurek, revises the state insurance law by removing title insurance from the kinds of coverage that are exempt from the authority of rating organizations.

SENATE BILL 211 -

Introduced by Sen. Hazelbaker, allows insurance agents to extend credit to policy holders. If credit is extended for not more than 30 days, no interest may be charged. If credit is extended for more than 30 days without a note interest of not more than 1 1/2% a month may be charged. If a note is given interest may not exceed the legal rate set in 31-1-107: on amounts up to \$150,000, not more than 10% per year or not more than 4% on the discount rate on 90-day commercial paper, on amounts between \$150,000 and \$300,000, not more than 10% per year or 5% over discount rate, on amounts over \$300,000 rate may be negotiated between the parties.

SENATE BILL 239 -

Introduced by Sen. Hazelbaker, establishes the "Insurance Premium Finance Company Act." An insurance premium finance company may be licensed by the commissioner of insurance upon payment of a \$100 annual fee and meeting other requirements. The bill also allows for revocation of license, for charges allowable, for delinquency charges, and for cancellation of insurance upon default.

SENATE BILL 241 -

Introduced by Sen. Hazelbaker, is intended to enable Montana to meet the requirements of the Social Security Disability Amendments of 1980 that establishes a program of federal certification of Medicare supplemental insurance policies. Known as the "Medicare Supplement Insurance Minimum Standards Act" the bill allows the commissioner of insurance to establish standards for Medicare supplement policies and to set rules for minimum standards for loss ratios on the basis of insured claims and earned premiums. In addition to requiring full disclosure of terms of a policy, the applicant will have 10 days after delivery to return the policy for premium refund for any reason. The act will be effective immediately.

SENATE BILL 261 -

Introduced by Sens. Thomas and Hazelbaker, gives commercial banks and savings banks the right to sell credit life and disability insurance on loans to their borrowers.

HOUSE BUSINESS AND INDUSTRY COMMITTEE

The committee was called to order on March 9, 1981, at 8:00 a.m., in room 129 of the Capitol Building, Helena, by Rep. W. J. Fabrega, Chairman. All members of the committee were present. Bills to be heard were SBs 151, 211, 239, 241, 261.

SENATE BILL 151 -

SENATOR JOE MAZUREK, District #16, Lewis and Clark County, sponsor, explained that mechanically SB 151 is a very simple bill. The top of page 2 deletes the reference to title insurance in the list of types of insurance which are not able to set up rating bureaus. Under present insurance laws, the industry is allowed to set up rating organizations. The rating bureau is essentially a voluntary association which allows insurance companies to collect data about losses under insurance. There are not a great deal of losses under title insurance. Information has been collected and published through this regulation. Industries and businesses are not allowed to get together and set rates. They gather information on which rates are based, but cannot set the rate. Also, the insurance commissioner's office doesn't have the information to know whether the rates are fair or not. This allows title insurance companies to gather information and set rates. Rates might not go higher since there isn't a great deal of loss information.

The bulk of the cost of title insurance is the cost of having the plant to contain records that are basically in the clerk and recorders office. Title insurance has only been used on a statewide basis for about 15 years. Why they were originally excepted is not known. There is apparently some price war about closing costs in Missoula because of the depression in the housing market. This has only to do with rate insurance.

BILL ROMINE, representing the Montana Land Title Association, supports SB 151. See his testimony on the witness sheet. He further explained title insurance is not to take a risk, it is to make sure that your title is clear. Risk is a small aspect of the premium. The large aspect is the plant. There is no way the independent persons who operate abstracts can talk with the insurer - that law says they cannot get together and talk. It is to allow this information to be gathered by an independent bureau made up of insurers and agents. No one insurer has much of a risk history to determine rates and rates are being set in the dark. He believes SB 151 is a consumers bill. Once this information is gathered together and filed, then the insurance commissioner will have information available.

Secondly, the rates will not necessarily go up - they have remained stagnant in other states. There is a provision to deviate - if you didn't agree with the rating bureau, you may file a deviation. The insurance commissioner's office can then ask why you are deviating. Rates have nothing to do with services such as closing costs. They are decided at the level with banks, etc. Whatever the reason for excepting title insurance, they believe it is archaic and should be set aside. This will not result in higher rates, but will be a more realistic rate.

3/9/81

Page 2

GLENN KENNEY, Montana Land Title Association, Helena, said this association is made up of agents and underwriters and represents 90-95% of the industry. He urged passage of this bill.

RONALD D. BRICKS, First Montana Title Insurance Company, Great Falls, supports this bill.

JO DRISCOLL, Chief Deputy Insurance Commissioner, has no objection to this bill. Information has been inadequate in the past, and she hoped this would give them more information to verify that rates are fair.

OPPONENTS: None

QUESTIONS -

In answer to Rep. Jensen, Senator Mazurek said by exempting (6) title insurance companies could belong to a rating association and they would publish rates; federal laws prohibit them from getting together except through a rating association.

Rep. Wallin remarked there are three companies in Bozeman and you could conceivably have three different rates. Jo Driscoll said most rates are almost the same. Most of the expenses incurred in the writing of title insurance are from the process of searching the court records and on their plants to make sure that titles are clear. If they insure themselves, they only get from 8-20% of that premium, and the rest is taken up in costs. Losses are very small; however, they have to pay premium taxes. It is very, very expensive to form a title plant and keep their own records. The rates in Montana were lower than they were in surrounding areas.

Senator Mazurek closed saying that by exempting title insurance companies, you not only allow the commissioners office to have more information, you establish some consumer mechanisms that the validity and amount of rates can be tested and determined as to whether they are reasonable or not. There are sections in chapter 16 that are presently not applicable to title insurance companies because of the exception, and this brings them within that title.

SENATE BILL 261 -

SENATOR BILL THOMAS, District #20, Cascade County, co-sponsor, explained SB 261 authorizes banks to sell credit life insurance only to their borrowers so that the commissions will revert back to the banks. Under present situation, the law prescribes that the commissions go to the individual agent. The Comptroller of Currency issued a regulation allowing all of the income be turned over to the bank so that it can benefit the stockholders of the bank. This would allow the individual bank to comply with the Comptroller's office and the commissions could revert back to the bank.

GRETCHEN TEA, Montana Bankers Association which represents all 168 banks and trust companies in Montana, supports SB 261. See her testimony EXHIBIT A.

3/9/81
Page 3

JO DRISCOLL, just wanted to confirm that what is in the testimony is true. There has been a lot of federal insistence that the banks turn over the insurance commission to the banks themselves, but it has not been done. Montana doesn't license a bank to sell insurance but to a person who would return the commissions over to the bank. She doesn't believe it is infringing on the competitive aspects.

ED SHEEHY, Montana Association of Life Underwriters, said they have no opposition to SB 261.

OPPONENTS: None

QUESTIONS -

Rep. Robbins asked if banks could refuse to loan money if the borrower didn't take insurance. Jo Driscoll said it is against insurance laws. Unfair practice didn't allow them to go into a lender and check, but our laws now let them go in. They could bring charges if they wouldn't loan because of not buying insurance. The federally chartered banks charters allow them to do this already, but they didn't want to allow them something the state banks couldn't do. The reason the banks were barred from taking the premiums was not an insurance commissioner law. A lot of people don't like this insurance and don't buy it. She didn't think there are any abuses in Montana from anyone in the state, at least they aren't aware of it.

Rep. Ellison asked if this would just let the state chartered and savings and loans do this. Jo Driscoll explained if you had a group credit life policy where the bank is a policy holder, they can issue certificates to their creditor without having to be licensed, but they cannot be compensated. This will enable them to be compensated for the service of handling and when on their own premises. If a person doesn't want to buy a policy from his bank, he could get it from his own insurance agent. This is just when it is sold on their premises that the Comptroller says that income must go to the stockholders.

Rep. Kitselman asked Gretchen Tea whether it is the practice in the bank when a consumer has a bank loan that a lot of the premiums are paid by the bank and charged in the loan and interest charged on the whole thing. John Cadby said he didn't think this question was relevant to the bill. Federal laws prohibit hiding of the premium being included in the loan. Rep. Kitselman continued by asking whether the bank prepays the premium costs at the time of closing and it is added, and the interest is charged on top of that. Mr. Cadby said if the premium is part of the loan, the interest may be calculated at the time the loan is made and is collected in the monthly payments. The federal group simply pays a flat fee to the underwriter and it is built into the loan.

Rep. Wallin saw no problem with charging interest on advanced insurance premium payments.

Senator Thomas closed saying the insurance industry isn't opposed to the bill. It will solve a problem that now exists. Hoped for concurrence.

3/9/81

Page 4

SENATE BILL 211 -

SENATOR FRANK HAZELBAKER, District #41, Beaverhead County, sponsor, explained SB 211 contains a statement setting out the finance charge for accounts that are past due, and insurance agents have been practicing the same thing for years. At the bottom of the statement from the agents notes a finance charge for 12% per month is to be charged on past due accounts. The insurance agents discovered they had been doing this without statutory authority and SB 211 has been written to take care of that.

ROGER McGLENN, Independent Insurance Agents of Montana, Inc., is in support of SB 211. See his testimony EXHIBIT B.

RAY CONGER, Missoula, supports SB 211.

JO DRISCOLL advised mutual agents are prohibited from making any charges other than what is shown on their contract. It is nice to have someone carry your debts for you for two or three months although they have to pay the insurance company and many times they have to borrow money to carry that loan. Giving them 30 days to pay their bills, but after that time, they want to charge some interest rate.

OPPONENTS: None

QUESTIONS -

Rep. Fabrega summarized that the first 30 days there is to be no charge, after 30 days 1-1/2% a month may be charged, or a financial contract can be entered into and interest charged from that day on.

Senator Hazelbaker closed saying this just addresses itself to charging interest after 30 days. Interest could be charged from the beginning, but it would have to be based on the present usury statutes. They get a 60-day free ride, but after 60 days it is time you pay a little attention to your accounts receivable. There is some question as to whether a service fee is interest or not.

SENATE BILL 239 -

SENATOR FRANK HAZELBAKER, District #41, Dillon, author of SB 239 explained should a person have premiums of \$3,000 but his cash flow doesn't allow him to pay that all at once, so the agent contracts to pay the premium but there is no regulation in the law allowing for this. You can arrange for monthly or quarterly payment and the mechanics are that there is a down payment that goes to the premium finance company at the time the contract is issued and then the finance company will direct bill. This bill is needed to enable agencies in the State of Montana to take the commissions they get on the insurance and keep it in the state. Insurance contracts can be cancelled by an agent or can be cancelled by the insurance company. It has to be in Montana law so this can be done so that a premium finance company can cancel insurance also.

3/9/81

Page 5

RAY CONGER, Missoula, supports SB 239. He is an insurance agent representing himself. He has been dealing with agencies in Washington and Oregon. He sold his agency operations in Idaho and wanted to bring his premium finance company into Montana so he could continue that service. After checking with the Business Regulation, insurance, and banking departments of the state, he found that insurance premium financing was kind of an orphan. Montana codes were silent on the subject of premium financing and banks told him that they couldn't use this type of financing. Premium financing is already being done, but it is being done by out-of-state companies. Every state that he has ever examined has premium finance laws within their premium installment contracts or consumer banking act or regulated by the insurance department and it is his feeling that the insurance department ought to regulate it because it is very intimately tied up with an insurance contract. See his testimony EXHIBIT C.

BOB JAMES, State Farm Insurance, Great Falls, offered proposed amendments to SB 239 which would exclude companies like the State Farm and all those companies which do have installment pay plans. EXHIBIT D.

DON SMITH, IFG, Great Falls, is a lawyer who has a leasing company in Great Falls which is the major location of their interstate business. They have an insurance premium financing business, the chief place for which is in Spokane and one in Denver. Although their headquarters are in Montana, they cannot operate their premium financing business in Montana, so they engage in it with one of their offices outside the state. The Consumers Loan Act and the Retail Installment Sales Act do not provide for financing these transactions because they are not involved in a sale type operation, but are trying to finance insurance for which there is no provision in Montana law.

Idaho says they are operating under the consumers code in Idaho and unfortunately this does not allow Montana insurance commissioner's office to do so. It is necessary to have the power established by the legislature to license and regulate insurance premium financing companies. It provides a method for financing and a method for regulation and for enforcing financing contracts. He thinks they should be regulated. They will also provide a service to the businessmen in the state who want to finance their insurance premiums over a period of time.

He is not really opposed to Bob James' amendment, but he believes this is covered by SB 211. He thought it could be under the basis of a service charge and it is possible it has been done under that. He has forwarded this amendment to the premium financing company. He hated to see James amendment come in at this late date. See his explicit testimony EXHIBIT E.

RUSS KENDALL, IFG, Great Falls, vice president, supports SB 211.

OPPONENTS: None

QUESTIONS -

Mr. James said he was advised not too long ago by State Farm. He apologized for not bringing it in sooner, but he didn't think it would apply to State Farm.

3/9/81

Page 6

Rep. Les Kitselman said a life insurance policy sale is made and it is a tax advantage. Out of the initial 7 years, one must make 3 payments to qualify for a tax advantage so that interest is deductible and that cash value is basically reimbursable to you. By financing this life premium there is almost a 38% reduction of that premium; most insurance companies are doing that. This amendment says that if they are a major company they can no longer do that. He felt this is a conflict of interest. In this one specified area they are licensed separately from outside that company. Does this provision mean that they would go unsigned and unsupervised. Mr. James said this was to exclude those companies with monthly installment premium payments from having to license each member of their company.

Rep. Kitselman remarked the bill originated in the state of Kansas. Conger: It is simply prepared by the Legislative Council of Montana. The bill that was in the Kansas code was compatible with Montana and the insurance companies were left out because of the fact that there is a whole body of codes providing for the manner an insurance company will be licensed and taxes collected, and that the premium tax is the only tax they are going to have to pay in the state. This bill can be silent on that subject since that is already taken care of. If an insurance company wishes to go into premium financing, they should be subject to this act, and there should be no amendment to exempt them. Premium finance companies should be subject to the act.

Jo Driscoll said the insurance companies have always accepted installment payments for premiums, and they could not cancel insurance except for non-payment of premiums. SB 211 would allow premium financing companies to cancel insurance contracts for nonpayment of premiums. The insured can also cancel a policy. She would oppose anyone other than the insured or insurance company itself being able to cancel a policy. She can see why the State Farm people want to be excluded, and she sees no problem with the amendment, and would have no objection either way.

Rep. Fabrega asked if present installment premium payments are based on different rates for allowing payment to be made in this fashion. Driscoll said she thinks it is done on a service charge basis, and if you pay all your insurance premium once a year it is cheaper. It is not an interest charge such as IFG Leasing is contemplating.

Rep. Fabrega asked Valencia Lane, Insurance Commissioner's office attorney, whether the rate differentiations were a finance charge and why they haven't prohibited a company from doing that in the past if an interest charge. Maybe you haven't considered this.

Rep. Schultz asked if the \$100 per company fee was enough to supervise this in the commissioners office, and Jo Driscoll thought it was enough.

Ms. Lane advised Rep. Fabrega the companies would not be subject to the 2-3/4% premium tax, but would be subject to corporation or income tax, but not premium tax.

3/9/81

Page 7

Rep. Wallin said this pertains to a lot of business retail firms who pay by monthly billing for insurance on their inventory. This contemplates that you would pay once a year for a fluctuating inventory based on inventory. He hasn't been paying any interest to do that because the premium varies from month to month. Is there anything in this bill that would affect that.

Rep. Ellison asked if this method would be cheaper than installment practices for consumers. Senator Hazelbaker said your premium on a policy is determined in advance. Mr. Conger answered he thought that would vary with the fluctuating cost of money. They have had such situations in the past. Premium financing has been going on in a vacuum, such as a three-year policy paid once a year. The premium finance charge now has escalated because of higher interest rates.

Rep. Fabrega asked whether payment quarterly, semi-annually has been considered as a financing option. Jo Driscoll said they haven't considered that financing because they don't charge an interest rate on that - they simply charge a service charge. The problem is going to be where you are charging interest on that money. She was only familiar with those that the insurance companies themselves do.

Rep. Fabrega asked Mr. James if it would be acceptable to him to change his amendment by adding "with no interest".

Rep. Kitselman asked if a statement of intent would suffice to say that this bill does not apply to installment payments. Ms. Driscoll said that it could be handled by a statement of intent as well as an amendment.

Roger McGlenn said when the billing options are offered by the company the service fee is for additional paper work. That is why they want to go with the premium financing because that is the most advantageous to their clients. The company only accepts an annual premium, and it is cost prohibitive to pay it all at once, so we need this advantage. If the option is offered by the companies to have installment payments that is fine, but there are many companies that require annual premium payments and we need this type of financing.

Rep. Fabrega asked if language on page 7, line 15 refers to a service charge or an interest finance charge. Mr. Conger said the present insurance code just does not refer to interest so the wording in this bill of service charge is to conform with the codes and the use of interest here is an attempt to relate what the charge is going to be at an annual percentage rate not to exceed 21%. The word "nominal" scares Rep. Fabrega. The \$12.50 for financing the premium is not refundable.

Ray Conger said the intent was to simplify charges because some finance companies are charging annual rates up to 54% for premiums that are up to \$100-\$150, and then that rate goes up. The \$12.50 charge would take care of the fact that it costs more to handle a small monthly account than large accounts.

3/9/81

Page 8

Senator Hazelbaker closed saying SB 211 went through the Senate committee unanimously.

SENATE BILL 241 -

SENATOR FRANK HAZELBAKER, District #41, Dillon, sponsored SB 241 by request of the Department of Insurance. SB 241 establishes legislative authority to enable Montana to meet requirements of the Social Security Disability Amendments of 1980 approved June 9, 1980 (the Baucus Amendment) which is a program of federal certification of Medicare supplemental insurance policies. If Medicare does not cover you this supplemental insurance will. Some companies were misrepresenting coverages. The Federal act would require that legislation be enacted by the federal agencies if the states do not have necessary laws.

JO DRISCOLL said she is very much a proponent of this bill which was introduced at the Commissioner's request. The federal government told the nation that the states weren't doing their jobs of regulating insurance. Montana has very few problems compared with other states. She is pleased with the salesmen in the state. The majority of problems are caused by out-of-state agents that have come into Montana. They have adopted a regulation that requires there is a disclosure for a person who goes around to all the senior citizens in the state. This is one of the reasons they have requested additional help in her office to enable them to get around and see all the senior citizens to see if someone has been trying to sell them insurance.

The Baucus Amendment had provided that an insurance company could go to the federal government and get an approved policy, and then someone from say Texas could say my policy has been approved by the federal government. In Montana all policies must be approved by their department before they can be used. They are opposed to the loss ratio. It restricts commissions that agents could get. The agents wouldn't have the volume. The NAIC needs the act to be effective as soon as possible and gave the insurers time to print their policies. She requests committee acceptance of SB 241.

ALLEN CAIN, Blue Shield, Helena, proposed an amendment to SB 241, but felt in support of it. EXHIBIT F. Essentially what the federal law says is if you want to you can come in and present your supplementary Medicare policy and you can go out and say it is federally approved. This is voluntary certification program for such policies established by Public Law 96-265. If a state program implementing a program for control of Medicare supplemental policies were in effect by July 2, 1982, Montana would be exempt from the voluntary certification program for such policies. If nothing is done and you wanted to have a federally certified policy, you would go from a voluntary policy to a program of sort of forcing the state to adopt standards for all Medicare Supplemental policies. The Blue Shield prefers doing business with the commissioner's office.

This was enacted very quickly with very little input from the industry and before they knew it was proposed, it had passed the Senate committee. Everybody was jumping around trying to get it amended. Neither Baucus' office nor the NAIC felt that a benefit level was of particular concern - they didn't think they wanted to say to people a policy costing \$50 per month was required. They wanted to offer lesser benefits for less premium,

3/9/81

Page 9

but there would have to^{be} appropriate labeling on the policy saying it is a limited benefit policy. SB 241 would or could be construed to make them make these benefit levels to all our policies and they would cost about \$5 more per month. Do you want to force everybody into a situation where they have to pay a certain amount on an appropriately labelled policy with lesser benefits to be marketed in the state? Some people just may not be able to buy this more expensive policy. If the insurance commissioner was so advised, he could permit the marketing of such a policy specifying the benefit level. The amendment was brought to the committee later EXHIBIT F.

A board will be set up to see if the state program will be qualified. He doesn't want this legislation to go so far as to block Montana from doing that. It would be a good thing if companies could market a policy at lesser benefits. He didn't have the amendment with him. He was talking about benefit levels only. They are less than involved in the federal provisions.

ED SHEEHY, Jr, Montana Association of Life Underwriters, support SB 241 because they would rather have control of Medicare policies at the state level than at the federal level. The Baucus Amendment would have put all under the federal level, but they got him to change his amendment. One of the considerations of the senate committee was that you could not offer those policies without stating the benefit level. He was not sure there was an answer to Cain's proposed amendment at the present time.

OPPONENTS: None

QUESTIONS -

Jo Driscoll commented that the bill they are requesting you to pass gives them the authority to set "benefit supplemental standards". At the time they have their hearing, they will know more about this. The article in the June 9, 1980 Federal Register sets out that any supplemental benefit policy must provide for the application of standards equal to or more stringent than the federal requirement. From this article she felt Montana must adopt standards equal to those of NAIC. We don't want to mess things up. If this bill doesn't pass we may very well come under federal regulation.

Rep. Fabrega asked if she felt that the Congressional intent was that it had to be at the NAIC requirement, and she said yes. This bill asks us to establish rules and this could be done at the time of the hearing and if you have to adhere to the NAIC the federal government could come in and take over the regulation instead.

Rep. Harper asked if the commissioner didn't have a broad enough authority for rule making powers already that would cover this Medicare subject. Jo Driscoll said they have to have specific authority for rule making for each specific reference. The administrative code committee said the commissioner's office has to have specific authority for each type of insurance in order to be able to make rules.

Senator Hazelbaker closed. He thinks it is a good measure to be sure we won't have the federal government dabbling in our insurance business in Montana.

3/9/81
Page 10

EXECUTIVE SESSION -

Rep. Harper moved amendments as proposed be amended. Motion carried unanimously. Rep. Bergene moved further amendments as proposed be adopted, and they were by all those present. Reps. Ellerd, Jacobsen, Meyer, and Andreason were absent. Rep. Harper moved further amendments on page 2, line 4 and (c) be deleted in its entirety. Unanimous concurrence. Rep. Manning moved SENATE BILL 178 BE CONCURRED IN AS AMENDED. Motion carried unanimously by those present. The same four representatives were absent. Adopted amendments may be found in the standing committee report dated March 9, 1981.

Rep. Kitselman moved SENATE BILL 151 BE CONCURRED IN. Motion carried unanimously with 3 members absent.

Rep. Kessler moved SENATE BILL 211 BE CONCURRED IN. Motion passed unanimously with 3 members absent.

SB 239 and SB 241 were further discussed. Rep. Fabrega thought a statement of intent could accompany a payment schedule for a policy to clarify SB 239. SB 241 statement of intent could say something that the intent is that the commissioner may not set standards lower than the NAIC requirements, if this will not jeopardize Montana's chance of getting under federal regulations. The concern is if there is flexibility that there be policies of lesser benefits offered to senior citizens.

Rep. Kitselman thought the \$50 premium would be too costly for senior citizens. That would make this particular supplement cost \$250-\$350 per year. Because of time constraints he would suggest compliance with the Baucus Amendment be addressed in 2 years.

Rep. Fabrega said the only problem that appears is that the NAIC has not yet defined requirements. If insurance is available at \$16-25 per month and that schedule is higher and provided an option, it would have to be backed by the regulation. We want to make sure that we don't put our right to determine the type of policy in jeopardy.

Rep. Harper recommended amendments be made to the bill because statements of intent might be discontinued in the future.

Rep. Fabrega asked Paul Verdon, the researcher to clean up the language on page 7, lines 15 - 17 for SB 239.

Rep. Manning moved SENATE BILL 261 BE CONCURRED IN. Motion carried unanimously with Reps. Andreason, Meyer, Ellerd absent. This bill allows bank officers to write policies and receive the premiums, and the premiums will have to be paid to the bank for the benefit of stockholders. This is a Comptroller of Currency regulation. National banks can already do this and state banks want parity.

Meeting adjourned at 11:15 a.m.

Jo Lahti
Jo Lahti, Secretary

W. J. Fabrega
REP. W. J. FABREGA, Chairman

Western Life Insurance Company

A Stock Company
385 WASHINGTON STREET ST. PAUL, MINNESOTA 55102

(HEREINAFTER CALLED THE COMPANY)

CERTIFIES that the Insured Person named below is insured for the coverage listed in the Schedule for which an amount is shown under Limit of Benefits, subject to the terms, conditions and limitations of the Group Policy (certain provisions of which are summarized in this Certificate). Any reference to "the Policy" or "the Group Policy" means the Group Policy under which this Certificate of Insurance is issued. The Group Policy is on file at the office of the Policyholder and may be examined upon request.

This Certificate of Insurance is issued in accordance with the terms of the Group Policy. As a Certificate, it explains but does not constitute the contract of coverage.

SAMPLE

Ralph E. Young

President

GROUP TERM LIFE INSURANCE CERTIFICATE

GL-243

51376

SCHEDULE

Group Policy Number 3-1760	Issued to: (hereinafter called the Policyholder) Trustees of the St. Paul Employers Group Insurance Trust	Effective Date*
Participating Employer:		*If actively at work for the Participating Employer full time performing all the duties of his regular oc- cupation at his customary place of employment at least 20 hours per week.
Certificate Number	Insured to: (hereinafter called the Insured Person)	
Name and Relationship of Beneficiary: Unless otherwise provided in this certificate, the beneficiary shall be as designated in the application for this insurance.		
LIMIT OF BENEFITS	DESCRIPTION OF BENEFITS	
	Life Insurance (This amount of Life Insurance is subject to change in accordance with the Group Policy.)	
	Total and Permanent Disability Benefits (The amount of Life Insurance for which premiums will be waived.)	

DEFINITIONS

- (1) The term "Person" as used in the Policy means any employee who is employed and compensated by a Participating Employer and who is actively at work full time performing all of the duties of his regular occupation at his customary place of employment at least 20 hours per week. The term shall include, if the Participating Employer is a sole proprietorship or partnership, only the sole proprietor or partners who devote full time to the business of the proprietorship or partnership. The term shall include, if the Participating Employer is a corporation, any member of the board of directors whose annual compensation for services from the Participating Employer exceeds \$2,000, provided such individual is actively at work full time for remuneration or profit by performing all the duties of his regular occupation at his customary place of employment at least 20 hours per week. The term shall nevertheless exclude, with respect to each Participating Employer, that class of individuals designated to be excluded, if any, on his "Application for Group Coverage and Trust Participation".
- (2) The term "Insured Person" as used in the Policy means a Person who has become insured and only while he remains insured under the Policy.
- (3) The term "Scheduled Amount of Life Insurance" as used in the Policy means the amount of life insurance for which a Person is eligible in accordance with the Benefit Schedule elected by and appearing on his Participating Employer's "Application for Group Coverage and Trust Participation".

SCHEDULE

Group Policy Number 3-1732	Issued to: (hereinafter called the Policyholder) Trustees of the St. Paul Employers Group Insurance Trust	Effective Date*
Participating Employer:		*If actively at work for the Participating Employer full time performing all the duties of his regular occupation at his customary place of employment at least 20 hours per week.
Certificate Number	Issued to: (hereinafter called the Insured Person)	
Name and Relationship of Beneficiary: Unless changed as provided in this certificate, the beneficiary shall be as designated in the application for this insurance.		
LIMIT OF BENEFITS	DESCRIPTION OF BENEFITS	
	Life Insurance (This amount of Life Insurance is subject to change in accordance with the Group Policy.)	
	Total and Permanent Disability Benefits (The amount of Life Insurance for which premiums will be waived.)	

CERTIFICATE AMENDMENT

Definitions: Wherever used in this Amendment:

"Group Deposit Accumulation Policy" means Group Deposit Accumulation Policy No. 3-1900, issued to the Policyholder by the Company.

"Units of Deposit" means the units of any deposit accumulation plan available under the Group Deposit Accumulation Policy and elected by a Person to provide benefits on his behalf when his life insurance under the Group Policy terminates.

The provisions of the Certificate to which this Amendment is attached are hereby amended as follows:

- (1) Regardless of anything to the contrary in the Amount of Insurance provision, the amount of a Person's life insurance under the Group Policy shall in no event be reduced to less than \$1,000 for each of his Units of Deposit in force under the Group Deposit Accumulation Policy.
- (2) Item (f) of the Termination of Insurance provision is amended to read as follows:

"(f) the end of the policy month preceding the month in which he attains age 70 unless he is then covered under the Group Deposit Accumulation Policy, in which case his insurance shall terminate when his coverage under the Group Deposit Accumulation Policy terminates."
- (3) The Conversion Privilege provision is amended to add the following paragraph:

(D) If an Insured Person is covered under the Group Deposit Accumulation Policy and his life insurance under the Group Policy terminates because of termination of the Group Policy, termination of the Group Policy with respect to the Participating Employer, or amendment of the Group Policy so as to terminate all life insurance for the class to which the Insured Person belongs, the Insured Person shall be entitled to convert his terminated life insurance in the same manner and to the same type of individual policy as described in paragraph (A) above, subject to the following conditions and limitations:

 - (i) the amount of the individual conversion policy shall be limited to \$1,000 for each of the Insured Person's Units of Deposit in force under the Group Deposit Accumulation Policy on the date his life insurance terminated, and
 - (ii) If any of the Insured Person's Units of Deposit have been in force for less than three years as of the date his life insurance terminated, the Insured Person must furnish evidence of his insurability satisfactory to the Company, otherwise the amount of the individual conversion policy shall be limited to the greater of the following:
 - (1) the amount of the conversion policy which would be issued under paragraph (B) above, or
 - (2) an amount equal to \$1,000 for each of the Insured Person's Units of Deposit which had been in force for at least three years on the date his life insurance terminated.
- (4) Regardless of anything to the contrary in the Conversion Privilege provision, if an Insured Person is covered under the Group Deposit Accumulation Policy and, upon the termination of his life insurance under the Group Policy, he converts such insurance to an individual life insurance policy on the plan which forms the basis for his Units of Deposit under the Group Deposit Accumulation Policy, a separate individual conversion policy will be issued for each election of the Insured Person's Units of Deposit in force when his life insurance terminated. The amount of each individual conversion policy so issued shall be equal to \$1,000 multiplied by the number of Units of Deposit corresponding to that election. The premium for each individual conversion policy shall be based on the Insured Person's class of risk and age nearest birthday on the date he elected the Units of Deposit and on the Company's rates applicable to the amount and form of the individual conversion policy on such date.

(over)

If the amount of life insurance that the Insured Person converts exceeds the sum of the amounts of the individual conversion policies which are issued in accordance with the preceding paragraph, an additional conversion policy shall be issued for the excess. The premium for this individual conversion policy shall be based on the Insured Person's class of risk and age nearest birthday on the date his life insurance under the Group Policy terminated and on the Company's rates applicable to the amount and form of the individual conversion policy on such date.

This Amendment is hereby made a part of the Certificate to which it is attached and is effective as of the effective date of said Certificate.



SECRETARY



PRESIDENT

DEATH BENEFIT

Upon receipt of due proof of the Insured Person's death, the Company will pay the amount of insurance in force on his life at the date of death.

AMOUNT OF INSURANCE

The amount of insurance in force on the life of the Insured Person shall be in accordance with the Benefit Schedule elected by and appearing on his Participating Employer's "Application for Group Coverage and Trust Participation".

Initial and subsequent amounts of life insurance of any Person who has attained age 66 prior to becoming insured under the Group Policy shall be equal to his Scheduled Amount of Life Insurance reduced by 20% of such Scheduled Amount of Life Insurance for each year that his age exceeds age 65.

The amount of life insurance of any Person who attains age 66 while insured under the Group Policy shall, on the first day of the policy month in which he attains age 66 and on the same day of each succeeding year, be reduced by 20% of his Scheduled Amount of Life Insurance.

Any increase in the amount of insurance on the life of the Insured Person for any reason, including any subsequent change in plan election by his Participating Employer, shall become effective subject to the Effective Date of Insurance provision of the Group Policy.

Any decrease in the amount of insurance on the life of the Insured Person for any reason shall become effective on the date he becomes subject to such decrease. In no event shall the Insured Person be entitled to any benefits provided under the conversion privilege of the Group Policy with respect to any decrease in the amount of his insurance.

SUICIDE

If the Insured Person, whether sane or insane, shall commit suicide within two years from the effective date of his insurance, the liability of the Company with respect to such insurance shall be limited to the amount of premiums paid therefor.

If the Insured Person, whether sane or insane, shall commit suicide within two years from the effective date of any increase in the amount of his insurance, the liability of the Company with respect to such increase in amount of insurance shall be limited to the amount of premiums paid therefor.

TERMINATION OF INSURANCE

The insurance of any Person shall automatically terminate on the earliest of the following dates:

- (a) the date of termination of the Policy;
- (b) the date he ceases to be eligible as a Person as defined in the Policy;
- (c) the date of cessation of the Person's Participating Employer's participation under the Trust Agreement or the Policy;
- (d) if the Person fails to make the required premium contribution, the end of the policy month for which he made his last premium contribution;
- (e) the date he enters the armed forces of any country or the service of any governmental agency which involves employment outside the United States;
- (f) the end of the policy month preceding the month in which he attains age 70.

If a Person ceases to be eligible as a Person by reason of termination of employment, termination shall be deemed to have occurred when the Person ceases active work with his Participating Employer. If a Person ceases active work because of disability, an approved leave of absence or a temporary lay-off, he will nevertheless be considered as employed for a period of 31 days following the date he ceases active work unless the Policyholder, acting in accordance with rules precluding individual selection, discontinues such Person's insurance by giving written notification to the Company to that effect, or by discontinuing premium payments for such insurance. However, upon notice to and approval of the Company such Person's insurance may be extended for an additional 12 months in case of disability or an approved leave of absence, subject to payment of the required premium.

CONVERSION PRIVILEGE

- (A) At any time within thirty-one (31) days after termination of his insurance or any portion of it, because of termination of employment for any reason whatsoever, the Person shall be entitled to convert all or part of his insurance so terminated, without evidence of insurability, to an individual policy of life insurance only on one of the forms then customarily issued by the Company (except term insurance and any policy containing disability or other supplementary benefits) in an amount not in excess of the amount of life insurance which ceases because of such termination, provided application for such policy shall be made and the first premium paid within thirty-one (31) days after such termination of insurance. Such premium shall be based on the class of risk to which he belongs and on the form and amount of the policy at his then attained age on the effective date of the individual policy.
- (B) If the Group Policy terminates, or if the Group Policy terminates with respect to the Participating Employer, or if the Group Policy is amended so as to terminate the insurance of any class of Insured Persons, each such Person insured at the date of such termination whose insurance terminates and who has been so insured under the Group Policy for at least five (5) years prior to such termination date shall be entitled to have issued to him by the Company an individual policy of life insurance, subject to the same conditions and limitations of paragraph A above except that the amount of such individual policy shall not exceed the smaller of (a) the amount of the Person's life insurance ceasing because of termination or amendment of the Group Policy, less the amount of any life insurance for which he is or becomes eligible under any group policy issued or reinstated by the Company or any other insurer within thirty-one (31) days after such termination, and (b) Two Thousand Dollars (\$2,000.00).
- (C) If a Person insured under the Group Policy dies during the period within which he would have been entitled to apply to the Company to have an individual policy issued to him in accordance with operation of either paragraph A or B above and before such an individual policy shall have become effective, the amount of life insurance which he would have been entitled to have issued to him under such individual policy shall be payable as a claim under the Group Policy, whether or not application for the individual policy or the payment of the first premium therefor has been made.

OPTIONAL METHODS OF SETTLEMENT

In lieu of payment in one sum, the Insured Person may elect by filing written request at the Home Office of the Western Life Insurance Company, or if no such election has been filed by the Insured Person prior to death, the beneficiary may elect that payment of the amount of any death benefit be made in accordance with the following table, the first installment to be paid immediately upon receipt of due proof of death. If the election of the optional method of settlement has been made by the Insured Person, the beneficiary shall not have the right to change the method of settlement unless such right is given to the beneficiary by the Insured Person in writing and is endorsed on this Certificate of Insurance.

TABLE OF INSTALLMENT PAYMENTS PER \$1,000 OF DEATH BENEFIT

Number of Years During Which Installments Will Be Paid	Amount of Each Installment Payment	
	Annual	Monthly
1.....	\$1,000.00	\$84.28
2.....	506.17	42.66
3.....	341.60	28.79
4.....	259.33	21.86
5.....	210.00	17.70
10.....	111.47	9.39
15.....	78.80	6.64
20.....	62.58	5.27

If the beneficiary or beneficiaries shall die before receiving all of the installments to which such individual or individuals may be entitled under this provision, the unpaid installments will be commuted at the rate of two and one-half per cent (2 ½ %) per annum compound interest and paid in one sum to the executors or administrators of the beneficiary.

INSURED PERSON MAY CHANGE BENEFICIARY

The Insured Person may from time to time change his beneficiary without notice to or consent of such beneficiary by filing written notice of such change with the Company. No such change shall take effect until received and recorded by the Company at its Home Office. Upon being recorded, any such change will be effective as of the date it was executed, whether or not the Insured Person is living when such change is recorded; except that the Company shall not be prejudiced by any payment made or action taken inconsistent with such change before recording.

BENEFICIARY DESIGNATION

Any sum becoming due on account of the death of the Insured Person shall be payable to the beneficiary or beneficiaries designated by him and filed at the Home Office of the Western Life Insurance Company or at the Principal Office of the Policyholder, provided that if any designated beneficiary predeceases the Insured Person, the share which such beneficiary would have received if living, shall, except as may be otherwise specifically provided, be payable equally to the remaining designated beneficiary or beneficiaries, if any, who survive the Insured Person and that if no designated beneficiary survives, or if no beneficiary has been designated, such sum shall be payable to the widow or widower surviving the Insured Person; if not surviving, in equal shares to the Insured Person's children who survive him; if none survive him, to his parents, equally, if both survive him, or to the survivor if only one survives; if neither survive, in equal shares to the Insured Person's brothers and sisters who survive him; or if none survive, to the Insured Person's estate; provided further that the Company may deduct from the sum payable an amount not to exceed Two Hundred Fifty Dollars (\$250.00), and pay to any person appearing to the Company to be equitably entitled thereto by reason of having incurred funeral or other expenses incident to the last illness or the death of the Insured Person.

If a beneficiary is a minor or is otherwise incapable of giving a valid release for any payment due, the Company may, at its option, and until claim is made by the duly appointed guardian or committee of such beneficiary, make payment to such beneficiary or to any relative by blood or by marriage of such beneficiary or to any other person or institution appearing to have assumed the custody and principal support of such beneficiary.

Payment to any one of the above named shall, to the extent thereof, release Western Life Insurance Company from all further liability.

RIGHTS OF ASSIGNMENTS

Ownership of all rights afforded under the Policy to the Insured Person vests in such Person in the absence of an assignment made pursuant to this provision. The Insured Person, or the assignee to whom such Person may have assigned pursuant to this provision, may assign the Insured Person's personal group life insurance under the Policy, subject to the following terms and conditions:

- (a) No assignment shall affect the Company's rights or obligations under the Policy unless it is in writing on a form acceptable to the Company and until a duplicate thereof is received and recorded by the Company at its Home Office. Upon being recorded, any such assignment will be effective as of the date it was executed, whether or not the assignor is living when the assignment is recorded; except that the Company shall not be prejudiced by any payment made or action taken inconsistent with such assignment before recording. The Company assumes no responsibility for the effect, sufficiency or validity of any assignment.
- (b) An assignment must transfer absolutely to the assignee all the rights, privileges, options and incidents of ownership accruing to the Insured Person under the Policy and this Certificate of Insurance, including but not limited to the rights to change beneficiaries and exercise the conversion privilege. All previous designations of beneficiaries and all previous directions for the payment of proceeds are cancelled and revoked by the making of an assignment.
- (c) An assignment may be made only with the written consent of an irrevocable beneficiary, if any.
- (d) An assignment may be made only if the Insured Person's amount of personal group life insurance is at least \$15,000 at the date of assignment. Personal group life insurance as used herein means group life insurance provided under the Policy on the life of the Insured Person.

INCONTESTABILITY

No statement made by the Insured Person relating to his insurability shall be used in contesting the validity of the insurance with respect to which such statement was made after such insurance has been in force prior to the contest for a period of two (2) years during such Person's lifetime nor unless it is contained in a written instrument signed by him.

MISSTATEMENT OF AGE

If the age of the Insured Person has been misstated, the amount payable shall be the full amount of insurance to which he is entitled at his true age. A premium adjustment shall be made so that the Policyholder shall pay the Company the actual premium called for at such age.

VISITORS' REGISTER

HOUSE B 9-1 COMMITTEE

LL S. 73. 157

Date 3-9-81

SPONSOR Shawnee

[illegible]

IF YOU CARE TO WRITE COMMENTS, ASK SECRETARY FOR LONGER FORM.

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

NAME William L. Rennie BILL No. 5.B.151
ADDRESS P.O. Box 1691 Helena DATE 3-9-81
WHOM DO YOU REPRESENT Monteband Title Assn.
SUPPORT X OPPOSE _____ AMEND _____

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

Comments: It would be better for the consumer public if this bill passes. Under the present law, the insurance commissioner does not have much information available to determine if a title insurance rate is reasonable. If this bill passes, the industry will be able to exchange information to the point that reasonable rates can be set. This information will also be available to the insurance commissioner. No one is required to belong to a rating bureau. Even if an insurance company does belong to the rating bureau, it can deviate from the filed rate if it so desires. A rating bureau does not mean that rates will automatically go up. In fact, in most states rates have remained the same. In Wyoming, the rates have gone down three times in the last four years. A rating bureau will have no effect upon such things as closing costs, because they are not part of the rates.

NAME GLENN KENNEY BILL No. SB 151
ADDRESS 1705 WINDY HILL DATE 2-9-69
WHOM DO YOU REPRESENT MUTUAL LAND TITLE ASSN
SUPPORT ☒ OPPOSE ☐ AMEND ☐

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

Comments:

Legislative chairman of
MUTUAL.

Supports SB 151

NAME RONALD D. BRICKS BILL No. SB 151

ADDRESS 220-17th AVE. SO. GREAT FALLS DATE 3-9-81

WHOM DO YOU REPRESENT FIRST MONTANA TITLE INS. CO.

SUPPORT ✓ OPPOSE AMEND

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

Comments:

SENATE BILL NO. 261

HOUSE BUSINESS & INDUSTRY COMMITTEE

March 9, 1981

MR. CHAIRMAN AND MEMBERS OF THE COMMITTEE:

My name is Gretchen Tea and I am administrative assistant of the Montana Bankers Association who has as its members all 168 banks and trust companies in the State of Montana.

Section 33-17-204(2) provides "a license shall not be issued to a ...corporation unless the transaction of business under the license is within the purposes stated in the...articles of incorporation..."the insurance division of the State Auditors office contends the sale of credit life insurance is not within the purposes for which banks are incorporated.

Section 33-17-1103(3) MCA, prohibits the sharing of commissions with unlicensed persons. This means that at the present time, Montana's insurance laws prohibit licensed agents from sharing their commissions with any unlicensed entity. The Comptroller of Currency, however, issued a regulation effective January 1, 1978, requiring that income from the sale of credit life insurance be credited to the banks income account for the benefit of all bank stockholders.

Senate Bill No. 261 would simply resolve this dilemma by authorizing state chartered banks to sell credit life and disability to their borrowers only so that they can then be licensed by the insurance division of the State Auditors Office. These state chartered banks could then legally receive the commissions from the sale of credit life and disability insurance by the banks' loan officers, who are licensed by the insurance division of the State Auditors office as agents and, thereby, comply with both the Comptroller of the Currency regulation and the State Department of Business Regulation!

In short, Senate Bill No. 261 simply authorizes banks to sell credit life and disability insurance only to their borrowers so that commissions received from the sale of the insurance can legally be turned over to the banks as per regulation of Comptroller of Currency.

Thank you for giving us this opportunity to testify in behalf of Senate Bill No. 261.

NAME Gregory T. Lee BILL No. SB261
ADDRESS Helena DATE 3-9-81
WHOM DO YOU REPRESENT Montana Pioneer Assn.
SUPPORT ✓ OPPOSE _____ AMEND _____

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

Comments:

Independent Insurance Agents of Montana INCORPORATED



REGARDING SENATE BILL NO. 211

To: The House Business and Industry Committee
From: Independent Insurance Agents' Association of Montana
Date: March 9, 1981
Re: Support for Senate Bill No. 211

With today's high interest rate the insurance client is tempted to withhold payment of premium on an agency billed account. An agency billed account is payed by the agent and collected from the insured. If the insured is slow to pay the agent may cancel for nonpayment of premium, however, an agent is reluctant to cancel an otherwise good account. For this reason the agent often delays cancellation. The Independent Insurance Agents feel this could be interpreted as a short term interest free loan, and a form of rebating. As you know rebating is prohibited under our insurance code.

Roger McGlenn

HOUSE B & J COMMITTEE

Date 3-9-81

IF YOU CARE TO WRITE COMMENTS, ASK SECRETARY FOR LONGER FORM.

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

VISITORS' REGISTER

HOUSE

COMMITTEE

BILL 3B 239

Date _____

SPONSOR

[illegible]

IF YOU CARE TO WRITE COMMENTS, ASK SECRETARY FOR LONGER FORM.

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

AMENDMENTS TO THIRD READING COPY OF SENATE BILL 239 -

1. Page 2, line 7.
Following: "a"
Strike: "service"
Insert: "finance"

2. Page 6, line 6.
Following: "of the"
Strike: "service"
Insert: "finance"

3. Page 7, line 6.
Following: "a"
Strike: "service"
Insert: "finance"

4. Page 7, line 8.
Following: "The"
Strike: "service"
Insert: "finance"

5. Page 7, line 16.
Following: "THE"
Strike: "service"
Insert: "finance"
Following: "the"
Strike: "nominal"

6. Page 7, line 17.
Following: "plus"
Strike: "an additional"
Insert: "a service"

7. Page 7, line 18.
Following: "agreement"
Insert: "."
Strike: "which"
Insert: "The service charge of \$12.50"

8. Page 7, line 22.
Following: "unearned"
Strike: "service"
Insert: "finance"

9. Page 8, line 1.
Following: "proportion of the"
Strike: "service"
Insert: "finance"

*See Standing Committee
report*

over

Senate Bill 239 amendments continued -

10. Page 11, following line 3.

Insert: "Section 13. Exceptions. [This act] does not apply to any insurance company or insurance companies affiliated under the same management and control authorized to do business in this state which provide installment premium payments programs at no interest to policyholders or to an insurance agent licensed to do business in this state on policies written by the agent or issued by the company or companies."

Renumber: subsequent section

11. Page 11, line 5.

Following: "through"

Strike: "12"

Insert: "13"

12. Page 11, line 7.

Following: "through"

Strike: "12"

Insert: "13"

NAME Ray Conger BILL No. SB 339
ADDRESS Massachusetts DATE 2-9-81
WHOM DO YOU REPRESENT Self
SUPPORT X OPPOSE 0 AMEND 0

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

Comments:

SENATE BILL 239

There are a number of reasons why this bill needs to be enacted.

1. The Montana insurance codes are silent on the subject of insurance premium financing. Most states codes do treat this subject.
2. Since the financing of insurance premiums is so intimately connected with insurance contracts; premium financing should be regulated by the insurance department. This act will be chapter 19 of Section 33 of the insurance codes.
3. Premium financing by premium finance companies is now being done in Montana by premium finance companies domiciled in other states; presumably being regulated under the laws of the state of domicile.
4. Montana citizens cannot enter the business of premium finance because of the vacuum in the codes.
 - A. Insurance is not a product eligible for the retail installment sales act.
 - B. Insurance does not fit the consumers small loan act.
5. Enactment will provide opportunity for Montana citizens to compete with out of state companies for this business.
6. This law will bring all premium finance companies under the jurisdiction of the Montana law rather than the present situation.
7. The not to exceed rate of 21% plus \$12.50 per agreement is a reflection of the maximum cost of money today. It is somewhat higher than the present installment sales act and less than the consumer loan act. The rates currently - being charged for out of state premium finance companies exceed the above for some agreements and are less than the rate for larger finance agreements.
8. It is expected that the license fee of \$100.00 will offset the cost to the department for investigation and licensing.

Ray Conger

*Rep James
State Farm*

Exhibit D

PREMIUM FINANCE BILL

SB 239

Add the following sentence to the definition of "premium finance company":

An insurance premium finance company does not include an insurance company or insurance companies affiliated under the same management and control authorized to do business in this state which provide installment premium payment programs to policyholders nor does this term include an insurance agent licensed to do business in this state financing premiums on policies written by such agent.

The same objective would be reached by adding, in the alternative, a new section as follows:

The provisions of this act shall not apply to any insurance company or insurance companies affiliated under the same management and control authorized to do business in this state which provide installment premium payments programs to policy holders nor to an insurance agent licensed to do business in this state financing premiums on policies written by such agent.

This language would be added as a new section to the bill.

(*Don Smith Exhibit E*
Leasing Co.

Fact Sheet
Senate Bill #239
Insurance Premium Finance Company Act

INTRODUCTION

The Premium Finance Act authorizes the creation of Insurance Premium Finance Companies, provides procedures for investigation and licensing of applicants, regulating premium finance transactions and sets interest rates and late charges.

NATURE OF BUSINESS

An Insurance Premium Finance Company (hereinafter "finance company") is a business that finances insurance premiums for a person or business requiring insurance. The finance company pays the insurance premium to the insurance company on behalf of the insured. The insured then repays the premium plus the finance charge in periodic installments to the finance company. This financing arrangement may be used by businesses wishing to acquire insurance as well as consumers.

Many states have acts similar to the present Bill including Minnesota, Washington, Oregon and Oklahoma.

Montana does not have a statute authorizing the financing of premiums and it is presently prohibited by the Commissioner of Insurance. Attorney Generals Anderson and Woodahl respectively ruled that the Retail Installment Sales Act and Consumer Loan Act do not generally regulate the financing of premiums. Notwithstanding this situation, Insurance Premium Financing is being conducted in Montana under the guise that the transactions are being entered into outside the state under the laws of states that do regulate the financing of premiums.

THE ACT

Licensing

Applicants for a Premium Finance License file an application and pay a \$100.00 annual license fee to the Commissioner of Insurance. The Commissioner makes an investigation of each applicant to insure that they are of good character and will comply with the requirements of the Act.

Since some financial institutions are regulated by other state and federal law, savings and loan associations, banks, trust companies, licensed finance companies, credit unions and resident insurance agents are exempted from the Act's provisions. For example, banks and savings and loans often finance insurance premiums when an individual purchases a house; finance companies finance insurance premiums with sales under the Retail Installment Sales Act. Insurance agents would be regulated under Senate Bill 210 which will allow them to charge interest on unpaid receivables after 30 days. The Insurance Premium Finance Act is necessary to allow the financing of insurance premiums in transactions that do not involve a loan, credit sale or an otherwise unregulated lender.

The Commissioner may revoke or suspend a license if after an investigation determines that the license was obtained by fraud, misrepresentation on the application, the licensee is untrustworthy or incompetent or the company has violated any provision of the Act. The records of premium finance companies must be maintained for at least three years and shall be open to examination and investigation by the Commissioner.

Regulating the Finance Contract; Charges

Section 7 of the Act establishes requirements for premium finance contracts including the size of the print (8 point) and the disclosure of applicable finance charges. The finance or service charge may not exceed interest at the nominal rate of 21%, plus a set-up charge to a maximum of \$12.50 per premium finance agreement, which need not be refunded upon cancellation or prepayment. If an insured prepays his premium loan prior to the due date the unearned contract charge shall be refunded in accordance with the Rule of 78's. A delinquency charge of \$1.00 to a maximum of 5% of the delinquent installment but not more than \$5.00 may be assessed on any payment that is more than 5 days late. A premium finance agreement may also provide for the payment of attorneys fees and court costs if the agreement is referred to a private law firm for collection.

Cancellation

If a contract contains a clause authorizing cancellation of insurance upon default, the finance company may cancel any insurance contract listed in the agreement by giving 10 days written notice to the insured of the intent to cancel the policy unless the default is cured. The insurance agent or broker is also to be mailed a notice.

The Act also protects other parties interested in seeing that an insurance policy is maintained. The Act recognizes statutory, regulatory and contractual restrictions providing that an insurance contract may not be canceled unless notice is given to a governmental agency, mortgagee or other party. The insurer is to give the prescribed notice to these parties on or before the second business day after the day it receives the notice of cancellation from the finance company and shall determine the effective date of cancellation taking into consideration the number of days of notice required by these parties to complete cancellation.

In the event of cancellation, the unearned premium is returned to the finance company to be applied to the debt of the insured. If a surplus remains the finance company shall refund any surplus larger than \$1.00.

Finally, the Act recognizes the UCC provision stating that no filing of a premium finance Agreement or recording of a premium finance transaction is necessary to perfect a security interest in the agreement.

NAME Josephine Driscoll BILL No. SB 241
ADDRESS Helena DATE 3-9-81
WHOM DO YOU REPRESENT Montana State Dept.
SUPPORT ✓ OPPOSE _____ AMEND _____

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

Comments:

VISITORS' REGISTER

HOUSE

COMMITTEE

BILL

Date _____

SPONSOR

[illegible]

IF YOU CARE TO WRITE COMMENTS, ASK SECRETARY FOR LONGER FORM.

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

NAME Alan E. Green BILL No. SB241
ADDRESS Holmes DATE 3/9/81
WHOM DO YOU REPRESENT Blue Shield
SUPPORT _____ OPPOSE _____ AMEND ☒

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

Comments:

It is the intent of the Legislature in enacting Senate Bill 241 to enable the Insurance Commissioner to implement a program for control of Medicare supplemental policies which will enable Montana to be exempted from the voluntary certification program for such policies established by Public Law 96-265. It is also the intent of the Legislature that policies supplementing Medicare be available to as broad a segment of senior citizens as possible. To that end, Senate Bill 241 should not be construed so as to prohibit the sale of Medicare supplemental policies with benefit levels less than those established by Public Law 96-265, if the Insurance Commissioner finds that such sales would not prevent Montana from obtaining the aforementioned exemption.