

HOUSE BUSINESS AND INDUSTRY COMMITTEE

March 10, 1981

SUMMARY OF BILLS TO BE HEARD TODAY

SENATE BILL 2 -

Introduced by Sen. Hims1 by request of the Committee on Branching of Financial Institutions, allows a credit union to open additional offices unless the Department of Business Regulation finds a compelling reason for disapproval. Competition with another financial institution is not a sufficiently compelling reason for disapproval.

SENATE BILL 49 -

Introduced by Sen. Eck, requires insurers and health service corporations to offer optional coverage for home health care benefits including nursing, home health aide services, physical therapy, occupational therapy, speech therapy, hospice service, medical supplies and equipment and medically necessary personal hygiene, grooming, and dietary assistance. These services would be provided by a licensed home health agency at the insured's residence under prescription of a physician. The coverage would be available under group policies and group service plan contracts. The act would apply to policies or contracts issued 120 days after the effective date. The act does not apply to Medicare policies or individual policies, or to blanket, short term travel, accident only, limited or specified disease policies.

SENATE BILL 242 -

Introduced by Sen. Ochsner and others, revises the state's insurance laws to allow a farm mutual insurer or an insurer owned or controlled by an association or organization to refuse to renew a casualty or liability policy for non-payment of dues.

SENATE BILL 275 -

Introduced by Sen. Ryan, revises the state insurance law to prohibit a funeral director or mortuary to be named as a beneficiary under a life insurance contract.

SENATE BILL 333 -

Introduced by Sen. Anderson by request of the insurance department, is intended to simplify and render more intelligible the language of policies of life, disability, and credit life, and credit disability insurance. The bill establishes minimum standards for language in insurance forms and adopts the Flesch reading case test for readability. The commissioner of insurance is given authority to approve the forms. This act applies to policy forms filed after July 1, 1983, and no policy form may be used after July 1, 1986, unless approved by the commissioner.

HOUSE BUSINESS AND INDUSTRY COMMITTEE

March 10, 1981

SUMMARY OF SENATE BILL 352 -

Introduced by Sen. Blaylock and others, assures that care and treatment of mental illness will be optional coverage under disability insurance policies and contracts. Under basic hospital expense policies or contracts, benefits may not be less than for physical illness generally except that inpatient benefits may be limited to 30 days per year. For outpatient benefits the coinsurance factor for physical illness and the maximum benefit may be limited to not less than \$1000 during any benefit period. Maximum lifetime benefits for mental illness, drug addiction and alcoholism in the aggregate may be no less than the smaller of \$10,000 or 25% of the lifetime policy limit. The provisions are applicable to policies delivered 120 days after the effective date of the act. Fiscal impact will be to increase reimbursements for the state hospital at Warm Springs by \$18,577 in 1982 and \$56,791 in 1983 and to increase private insurance revenues of Community Health Centers by \$66,044 in 1982 and \$201,549 in 1983.

HOUSE BUSINESS AND INDUSTRY COMMITTEE

Rep. Jay Fabrega called the committee to order at 8:00 a.m., March 10, 1981, in room 129, Capitol Building, Helena. All members of the committee were present. Bills to be heard were SBs 2, 49, 242, 275, 333, 352.

SENATE BILL 2 -

SENATOR MATT HIMSL, District 9, Kalispell, sponsored SB 2 at the request of the Committee on Branching of Financial Institutions. It allows a credit union to open additional offices unless the Department of Business Regulation finds a compelling reason for disapproval. See his explanation in EXHIBIT A.

JEFFRY M. KIRKLAND, Montana Credit Unions League, supports SB 2. His very well explained testimony is shown in EXHIBIT B.

GENE RICE, Montana Credit Unions League, Helena, supports SB 2. He is chairman of the Credit Unions' League and Manager of the State Capitol Credit Unions' League in Helena. SB 2 addresses an inequity in the State Credit Unions Act. No section of the Act clearly spells out guidelines for credit union branching which could be a tremendous convenience for consumers. Branch offices are strictly limited to the number of public members there might be in its field of membership under its state charter. State Capitol Credit Unions are open to the State of Montana employees living or headquartered in 22 counties, and are very limited. Since some of the counties have only 20-30 employees, branching would not be practical. Establishment of a branch office in another community would be to better service that community. This would assist a credit union to establish a better relationship with its members. Credit unions tend to help each other by sharing office facilities. SB 2 clearly assists in retaining a branch office. This overview for your consideration is presented from a credit union's manager's viewpoint.

HAROLD GERKE, Montana Credit Unions League, strongly urged the committee's favorable consideration of this legislation. It has long been needed and long overdue, and hoped it will be recommended Do Pass.

LINDA BACHINI, Montana Credit Unions League intern, Bozeman, MSU, supports SB 2.

OPPONENTS: None

QUESTIONS -

Rep. Wallin said he knew of one credit union trying to sell its portfolio. Mr. Kirkland said sale of portfolios is a method of not having to pay off some funds and regulations are being looked at. This is not a normal situation.

Senator Himsl closed.

3/10/81

Page 2

SENATE BILL 49 -

SENATOR DOROTHY ECK, District 39, Bozeman, sponsor, said SB 49 basically requires insurance companies to offer an option for insurance for home health care under hospital and medical services policies and contracts. It does not require a provider to purchase that option. It does not place very many parameters on the insurer who provides options in home health care. By negotiation an insurer would offer those kinds of things and the purchaser might want to include one or more, but they would have the option. She was surprised at the cost. A good many people were thinking that if home care were provided, it would significantly cut the cost of health care and it would shorten the number of days a person would have to stay in a hospital.

She didn't think that the record has been established clearly enough to make this perfectly clear to a lot of insurers. When the state negotiated some home health care visits by a nurse or a LPN, the offers ranged from zero to 2¢ per month, one was 5¢ and one 10¢, and the highest was 18¢ per month. Much less than had been led to expect.

It is encouraging that the actuarial records will eventually show that home health care is really a savings in health costs. Section 2 provides this only applies to group insurance policies not to individual ones. The companies would be leary about insuring an individual assuming that there would be more individuals who would apply because of being in need of this service and by applying this to a group, it will be more available to individuals also.

The last section provides some exclusions that are basically the same exclusions that require alcohol services. As State-Local Coordinator for the Governor, and in talking with Commissioners around the state, the one thing they seemed to value most was the home health care and home nurse visits because they were enabling older people to remain in their own homes rather than going to a home health care center. They are much happier and healthier in their own homes. When allowed to go home, recovery is much more rapid.

JAN BROWN, Montana Association of Churches, Helena, expressed support of SB 49.

DAVID LACKMAN, Montana Public Health Association, Helena, lobbyist, said the experience throughout the west is that home health reduces the cost of health care. Some patients do thrive better in a home atmosphere. Cost of visits ranges from \$20-\$40 vs. a day in the hospital at \$100 per day. If only applied to groups, this is a step in the right direction. Blue Shield already offers this service to groups, but some insurance companies don't offer such an option. It is becoming more important because there are provisions being put into the medicaid against paying for home health care. He urged support for SB 49.

JIM JENSEN, LISCA, Helena, thought this a very good idea. It is a cost containment measure for senior citizens, and will allow a person to go home early and not to a convalescent home.

3/10/81

Page 3

BEVERLY GIBSON, Montana Association of Counties, Helena, supports SB 49.

ALLEN CAIN, Blue Shield, supports SB 49, but is not enthusiastic about this kind of insurance. He thinks the bill is very workable at this point. After more experience, they will know actuarially what this will cost, and whether conditions are shown to be good for patients. He still supports the bill.

JO DRISCOLL, Chief Deputy Insurance Commissioner, complemented Sen. Eck on this bill. She doesn't believe in mandatory legislation, but believes in making insurance convenient for the public and this will provide experience and benefit other programs. She supports the bill.

OPPONENTS: None

QUESTIONS: None

Senator Eck closed agreeing with Jo Driscoll. The intent and the purpose of this legislation will be to extend the home health care coverages in Montana. There are 16 home health care agencies in 30 counties. She thinks the number of people who are asking for home health care will require that new agencies be formed. Agencies cover a good many counties in the surrounding areas where they will contract with some registered nurses or LPNs and some other providers to take care of the persons in that county. They would be working on a part-time basis.

SENATE BILL 242 -

SENATOR DON OCHSNER, District 26, Custer and Prairie Counties, chief sponsor, said SB 242 is an act to provide that a farm mutual insurer or an insurer owned or controlled by an association or organization may refuse to renew a casualty or liability policy for nonpayment of dues if payment of dues is a condition to obtaining or continuing the insurance. In some organizations they are using this right now.

WILLIAM BROWN, Executive Vice President of the Montana Farm Bureau, supports SB 242. See his testimony EXHIBIT C.

OPPONENTS -

JO DRISCOLL, Insurance Commissioners office, would like to clarify that they are not opposing the farm bureau people, but are opposed to what the bill actually does. The bill was applicable only to farm mutual insurers, and they do not want to open the laws to the extent that any mutual insurance company can say you have to be a member of our organization to be able to buy coverage. Inasmuch as they are organized as a regular mutual insurer, they must offer insurance to the general public at large - that is the purpose of being in the business. They can't say they can't cover you unless you are a member. Possibly if the farm bureau were included a specific reference could be made.

3/10/81

Page 4

QUESTIONS -

Rep. Kessler was told by Mrs. Driscoll she didn't think the sponsors would object to having this restricted to farm bureaus. Mr. Brown thought this would answer the farm bureau needs, but the problem does exist with other organizations. Mr. Brown further told Rep. Ellerd this would limit the ability of their agents to sell insurance to a small degree. This would never have any effect on life insurance because membership is required for a certain group of members for a certain kind of insurance.

Rep. O'Hara asked if there is a problem because of the low insurance rates offered members, and would there be a higher premium if a person were not a member? Mr. Brown repeated this was to provide insurance for their members, and that the law does need to be changed. Now people are able to purchase their insurance without membership and they are getting benefits offered by the farm bureaus without contributing to the organization. The original purpose was to provide economic benefits to members. They have joint management with Wyoming because when they started selling insurance in 1958, they purchased policies from Wyoming farm bureau companies. Membership dues are \$35 annually.

Because membership is a selected group of risks, the farm bureau could provide insurance at a lower cost, and that is the reason for entering into the insurance business. They work in association with other farm bureaus and have ownership, manage, and offer these at standard rates to the public at large. A person would have the benefit of purchasing if he is a member or purchasing from one of the standard policies.

Rep. Ellerd asked the difference between Farm Bureau and Farmers Union. Jo Driscoll said they are organized as a state farm mutual, and a specific law applies to state farm mutuals. This was for the purpose of the farmers getting together and forming their own insurance company. County mutuals can sell only to their particular county people. Companies at large are thrown back into the other pot.

Rep. Jacobsen asked about other types of membership such as associate memberships and if their fees are the same. He was told associate members also have insurance. Mr. Brown said they have the management of their own insurance company, but they do not provide casualty or liability insurance, but only life. Children of their members grew up and established other businesses and wanted insurance, so they made arrangements with another company to provide their insurance needs. Rates are higher for those risks that are not in the preferred category and that is offered to their members or they can purchase standard insurance. Agents still would have other insurance to sell to nonmembers.

Rep. O'Hara asked Jo Driscoll how this could be set up under a farm mutual. She replied there are 500 mutuals in the state selling insurance who can sell only as a regular farm mutual. She thinks the rates being different are discriminatory when being a member you get a lower rate when you have to pay a higher rate because of not being a member. She feels the rates should be based on actuarial ratings.

Rep. Fabrega asked what Senator Ochsner thought about opening this privilege to only this company and not to all. He had no objection, although this would take care of only this particular situation.

3/10/81

Page 5

Sen. Ochsner said there are a lot of other companies doing this right now and getting by with it. They are preferred risks and don't have the accidents because they are more careful. Most companies do require a membership fee. The problem is on renewal. Farm bureau people are a better risk than other people. Those moving to town keep up their membership to obtain other benefits available through membership.

Rep. Fabrega remarked farm mutuals are not required to file rates with the insurance commissioner. Under farm mutuals members would make up any deficiencies themselves. He asked how other companies could get in under this? An insured or an insurer takes it out of the farm mutual. There are unfair trade practices that apply to any insurance company in the state and they apply to all. This would open it up to other companies. This would require a membership and a renewal fee be paid. Farm bureau is a regular mutual insurance company.

Rep. Vincent asked if they are asking for anything more than the situation wherein he has to be a member of NEA or MEA or both to be eligible to buy insurance, most of which is through Prudential, or to renew. Jo Driscoll said this is provided for under law for health insurance. These are individual products here as opposed to the group concept.

Rep. Ellerd asked if any of the parent companies share in any profits. Mr. Brown said they provide certain services to them and they are compensated back, but it is in exchange for services and in order to meet insurance regulations, they maintain detailed records of services provided. A contract between the insurance company and Gallatin County Farm Bureau provides that the Farm Bureau leaders have authority to ask for an agent to be replaced. A person would have to be a member to purchase through another standard company.

Rep. Andreason asked Jo Driscoll what specific change on page 2, lines 13-18 she thought would make this applicable to a farm bureau so that it is restricted only to those companies that may have this type of relationship with an actual farm bureau.

Rep. Ellison asked if there is any objection if these were to specifically include the Farm Bureau? Mr. Brown said would answer their needs, but not those of other companies. Reference was made to purchasing insurance through the Montana Education Association - there is a membership requirement. There is a membership in other states and that is not a group or a franchise.

Jo Driscoll said they must offer insurance to members and to any others with no difference in rates.

Senator Ochsner closed saying this would not lose insurance sales for agents if enforced. It is provided for under other services. The last line Mrs. Driscoll wants to delete was proposed in the Senate.

See EXHIBIT D for Mrs. Driscoll's proposed amendments.

3/10/81

Page 6

SENATE BILL 275 -

SENATOR PAT RYAN, District #19, Cascade County, sponsor, explained SB 275 would allow funeral insurance to be sold, and call it that, which is a plan to make arrangements to cover funeral and death related expenses. It provides coverage for the face amount to be paid no matter when to meet costs when death occurs. Funeral directors are not to be in the insurance business or to be named as beneficiaries in a policy.

JOHN MILLETTA, President of the Montana State Funeral Directors Association, said SB 275 would allow funeral insurance to be sold by insurance agents not funeral directors. See his testimony EXHIBIT E. Asks support for SB 275.

MONTANA ASSOCIATION OF LIFE UNDERWRITERS, Leonard Landa, CLU, National committeeman, advised by letter, EXHIBIT F, that they support SB 275.

Cook and Aldrich support the concept of funeral insurance. It has existed in the State of Washington and in Idaho for approximately 15 years and maybe one-quarter million people have this type of coverage. It is needed for the elderly to provide for funeral expenses. It is a private arrangement having a sheltering aspect. If individuals have a policy for funeral expenses, it keeps them from being a welfare cost. Support this legislation.

JO DRISCOLL thought this bill is interesting in prohibiting having funeral directors sell insurance. An insurance agent can't come in from another state that owns this type of insurance arrangement. Their law was like ours and that only applied to ownership in the state. They will not be named beneficiaries. They will not license agents who will have anything to do with a funeral director. Funeral directors are not against this bill. This would allow an insurance company to call such a policy "funeral insurance". Proceeds are exempt from estate costs. The Funeral Directors Association has assured their office they will fully cooperate with us and if there are any problems will ask the law to be changed.

OPPONENTS: None

QUESTIONS -

Rep. Andreason said this allows a person two different funeral insurance arrangements. Section 1 would prohibit a funeral, mortuary, or undertaking establishment to be a beneficiary named in a funeral insurance policy, nor can they own or manage a life insurance company. Senator Ryan explained they are in fact selling a funeral policy, and an insurance policy has a beneficiary. The proceeds would not have to be paid to the funeral home - the beneficiary, who is probably the next of kin, could take the money and spend it as he sees fit. Jo Driscoll said they don't want a particular mortuary being named because they had a problem where a funeral plan was sold in Great Falls and they 'went south' and they don't want that to happen again.

3/10/81

Page 7

SENATE BILL 333 -

SENATOR MIKE ANDERSON, District #40, Gallatin County, sponsored by request of the Insurance Department, may be cited as the "Life and Disability Insurance Policy Language Simplification Act". It is intended to simplify and make more intelligible the language of policies of life, disability, and credit life, and credit disability insurance. This bill adopts the Flesch reading case test for readability as a standard for insurance policy forms. However, the insurance commissioner will have discretion in the form if a lower score than the Flesch reading ease score is required. The act will take effect on all forms filed after July 1, 1983, and only those forms approved by the commissioner may be used after July 1, 1986.

VALENCIA LANE, attorney for the Montana Insurance Department, supports SB 333. This a model bill drafted by the National Insurance Commissioners who feel simplified language should be used in forms and policies themselves. This would include all policies including Blue Cross and Blue Shield, and would require a certain level of readability determined by the Flesch test. This would require that all policies will be readable and understandable to all persons in Montana. There will be less possibility of misunderstanding and less problems with insurance policies.

LESTER LOBLE II, American Council of Life Insurance companies, said the National Association of Life Insurance does support this bill. The intent of the bill will result in life insurance and other policies being much easier to read. Those which are not are just completely unintelligible. Those which have been written with readability and understandability are much better. This is a good bill and he hoped it would be concurred in.

ALLEN CAIN, Blue Shield, thought it was funny they started with the life and health policies because those are the policies that have had very few problems. He thinks the problem is with car insurance. The dates give them time to comply, and he thinks the results will be better.

RAY FISHER, Blue Cross, Great Falls, said the Blue Cross does support this bill.

REP. LES KITSELMAN supports SB 333.

OPPONENTS: None

QUESTIONS -

Rep. Robbins asked why automotile policies aren't included. Ms. Lane said many health and life policies have already been simplified in some of their language, and they decided to try it with life and disability first.

Rep. Kitselman mentioned the companies he represents have tended to go in this direction. The home owners' policies have been reduced to 70% of their original size. The language is for fewer syllables, and it helps. The type will be about the size of what a typewriter uses. They are shooting at the junior high level of understanding.

3/10/81

Page 8

Senator Anderson closed thanking the committee for the courtesy extended and for the support on the bill.

SENATE BILL 352 -

SENATOR CHET BLAYLOCK, District #35, Gallatin County, co-sponsor of SB 352, was introduced at the request of the Insurance Department. This act would require insurance policies and contracts include mental illness to be treated the same as other disabilities. The alcoholism people have some worries about this bill and they want to be allowed \$1,000 for mental illness and \$1,000 for alcoholism each. See EXHIBIT H, JO KASTE.

JO DRISCOLL advised this is a bill that they worked on in conjunction with Senator Blaylock and others, and they concur with him that they would have no objection to having \$1,000 for each. Had the bill been drafted in two sections, this would have been simplified.

DAVID BRIGGS, Executive Director of the Southwest Montana Mental Health Center, Helena, strongly supports SB 352. See his testimony EXHIBIT G.

JAN BROWN, Montana Mental Health Center, Boulder, is very much concerned with prevention. Supports the bill.

HAROLD GERKE, representing the Council of Montana Community Mental Health Center Boards, Inc., which has members all over the State of Montana, said They govern the mental health centers and represent them today and are in favor of this bill and hoped the committee favored the bill also.

OPPONENTS -

ALLEN CAIN, Blue Shield, said he is a cautious opponent. They saw no difficulty with the bill as it was in the Senate. It tied in with alcohol. He thinks the committee should be aware of the cost of this before moving on it. He wants to be aware of this before he supports it. Mandated benefits or offers of benefits should be approached legislatively carefully. This is an area of insurance coverage which is extremely expensive and difficult for people to afford. It can be priced beyond people's reach. Many insurance groups cost \$100 per month. He will get what the cost will be for such coverage back to the committee for their opinion.

RAY FISHER, Blue Cross, approaches this in the same manner as Mr. Cain. He wants to see in writing also, since the amendments have been added.

QUESTIONS -

Rep. Ellison supposed it is too soon for the cost of alcohol to be assessed. Mr. Cain advised it is very difficult to figure out exactly what the cost will be as it takes quite a bit of time. He would try to get their assessment of what that alcohol amendment will cost. It will be more difficult for mental illness because of dealing with a different group of figures.

Rep. Fabrega said the \$1,000 will be available either or. Mr. Cain said if you had a person that was dependent on alcohol use, there would be \$1,000 for alcoholism and another \$1,000 for mental health. The question is whether the addiction was the cause of the mental illness, and this would

3/10/81

Page 9

make it a separate \$1,000 rather than an aggregate benefit.

Senator Blaylock said the alcoholism people came to him and didn't want it combined. If you think the amendment should go in - do what the committee thinks is best. Copy of proposed amendment is EXHIBIT H-1.

EXECUTIVE SESSION -

Rep. Harper moved SENATE BILL 2 BE CONCURRED IN. This bill would allow state chartered credit unions to branch. Motion carried with Reps. Wallin and Adreason voting No - 17-2.

Rep. Robbins moved SENATE BILL 49 BE CONCURRED IN, and this motion carried unanimously.

Rep. Meyer moved SENATE BILL 275 BE CONCURRED IN. Motion carried unanimously.

Rep. Kitselman moved SENATE BILL 333 be recommended BE CONCURRED IN. Motion carried unanimously.

Senate Bill 239 was discussed and further amendments changing "service" charge to either "interest" or "finance" charge be considered.

Rep. Harper felt Senate Bill 241 cluttered the language in the code. The reseacher said Jo Driscoll thought this was a model bill and she didn't want it shortened. Rep. Bergene moved SENATE BILL 241 BE CONCURRED IN, and that the amendment to the Statement of Intent be accepted. Both motions carried with Rep. Jacobsen voting No.

Meeting adjourned at 10:45 a.m.

Jo Lahti
Jo Lahti, Secretary

REP. W. J. FABREGA, Chairman

VISITORS' REGISTER

HOUSE

COMMITTEE

2

Date _____

INSOR

[illegible]

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

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

SENATOR HIMSL

State Credit Unions to Branch

Senate Bill No. 2

Senate Bill No. 2 would amend 32-3-104 MCA providing authority for a credit union to maintain additional officers and to allow a hearing procedure if the application is denied by the Department of Business Regulation.

Paragraph (3) provides that a credit union may maintain, upon prior written notice to the department, an additional office at a location other than its principal place of business if the purpose of maintaining the additional office is to furnish service to its members.

Paragraph (4) provides that the department, if it finds compelling reason, may order the credit union to desist from opening the additional office. Competition with other financial institutions is not a sufficiently compelling reason for the department to order the credit union to desist from opening the additional office.

Paragraph (5) provides for a hearing process if the notice is denied.

Montana has 25 state chartered credit unions and 108 federally chartered credit unions. Federally chartered credit unions have the authority to establish branch offices irrespective of state law. The decision for them to branch is a business judgment to be made by the board of directors.

This bill would eliminate the descrimination which now exists and would give our state chartered credit unions the

same privileges enjoyed by federally chartered credit unions and allow them to be more competitive with other thrift financial organizations.

I trust you will readily see the merit of this bill in providing equal opportunity to serve its members, and I urge your favorable consideration.

NAME _____ BILL No. _____

ADDRESS _____ DATE _____

WHOM DO YOU REPRESENT _____

SUPPORT _____ OPPOSE _____ AMEND _____

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

Comments:

TESTIMONY OF
JEFFRY M. KIRKLAND
MONTANA CREDIT UNIONS LEAGUE
SENATE BILL 2

SENATE BILL 2
TESTIMONY OF JEFFRY M. KIRKLAND
DIRECTOR OF GOVERNMENTAL RELATIONS
MONTANA CREDIT UNIONS LEAGUE

BEFORE THE SENATE BUSINESS & INDUSTRY COMMITTEE
ON MONDAY, 19 JANUARY, 1981

MR. CHAIRMAN AND MEMBERS OF THE COMMITTEE, FOR THE RECORD I AM JEFF KIRKLAND, DIRECTOR OF GOVERNMENTAL AND COMMUNITY RELATIONS FOR THE MONTANA CREDIT UNIONS LEAGUE. OUR LEAGUE IS A TRADE ASSOCIATION REPRESENTING 133 OF 136 CREDIT UNIONS IN MONTANA. 108 OF THOSE ARE FEDERALLY-CHARTERED, AND 25 ARE STATE-CHARTERED.

SINCE SENATE BILL 2 WOULD AFFECT ONLY THE 25 STATE-CHARTERED CREDIT UNIONS, IT IS ON THEIR BEHALF THAT WE STAND IN SUPPORT OF THE BILL.

SENATE BILL 2 IS THE RESULT OF NEARLY A YEAR OF HEARINGS HELD BY THE LEGISLATURE'S INTERIM STUDY COMMITTEE ON THE BRANCHING OF FINANCIAL INSTITUTIONS AND, QUITE SIMPLY, WOULD ALLOW A STATE-CHARTERED CREDIT UNION TO ESTABLISH AN ADDITIONAL OFFICE OR OFFICES UPON PRIOR WRITTEN NOTICE TO THE DEPARTMENT OF BUSINESS REGULATION.

THE DEPARTMENT WOULD HAVE TO APPROVE THE ESTABLISHMENT OF ANY ADDITIONAL OFFICE UNLESS IT HAD COMPELLING REASON FOR DISAPPROVING IT. AND COMPETITION WITH ANOTHER FINANCIAL INSTITUTION WOULD NOT BE A SUFFICIENTLY COMPELLING REASON FOR DISAPPROVAL.

THE REMAINDER OF OUR TESTIMONY WILL SHOW THAT SENATE BILL 2 WOULD SET NO PRECEDENTS BUT WOULD SIMPLY ESTABLISH SOME CLEAR-CUT

GUIDELINES FOR A VERY SUBJECTIVE AND DISCRETIONARY PROCEDURE FOR ALLOWING CREDIT UNIONS TO ESTABLISH BRANCHES THAT HAS BEEN PRACTICED IN THE PAST.

BUT BEFORE DISCUSSING THE MERITS OF THE BILL, I WOULD LIKE TO ACQUAINT YOU WITH SOME INTERESTING BACKGROUND MATERIAL THAT SHOULD HELP TO BRING THE ISSUES WE'RE DEALING WITH INTO BETTER PERSPECTIVE.

FACT: FEDERALLY-CHARTERED CREDIT UNIONS CAN ESTABLISH BRANCH OFFICES IRRESPECTIVE OF STATE LAW. THAT MEANS THAT 110 OF MONTANA'S 136 CREDIT UNIONS CURRENTLY HAVE THE AUTHORITY TO ESTABLISH BRANCHES. IN FACT, FOUR FEDERAL CREDIT UNIONS IN MONTANA DO HAVE BRANCH OFFICES.

FACT: FEDERALLY-CHARTERED SAVINGS AND LOAN ASSOCIATIONS CAN ESTABLISH BRANCH OFFICES IRRESPECTIVE OF STATE LAW. THAT MEANS THAT ALL 13 OF MONTANA'S FEDERAL S&LS CURRENTLY HAVE THE AUTHORITY TO BRANCH. IN FACT, ALL 13 HAVE ESTABLISHED A TOTAL OF 44 BRANCH OFFICES THROUGHOUT THE STATE.

FACT: THE NATIONAL CREDIT UNION ADMINISTRATION (THE FEDERAL AGENCY THAT REGULATES AND SUPERVISES FEDERAL CREDIT UNIONS) LEAVES THE AUTHORITY FOR A FEDERAL CREDIT UNION TO ESTABLISH A BRANCH OFFICE ENTIRELY IN THE HANDS OF THE CREDIT UNION'S BOARD OF DIRECTORS. IN ESSENCE, THE DECISION TO ESTABLISH A BRANCH OFFICE IS SIMPLY A BUSINESS DECISION OF THE BOARD.

FACT: THE FEDERAL HOME LOAN BANK BOARD (THE AGENCY THAT REGULATES AND SUPERVISES FEDERAL S&LS) HAS DONE AWAY WITH ITS RULE THAT A FEDERAL S&L MUST APPLY IN ADVANCE FOR A BRANCH OFFICE.

ACCORDING TO THE FEDERAL HOME LOAN BANK BOARD, THE DECISION TO ESTABLISH A BRANCH OFFICE SHOULD BE A BUSINESS DECISION FOR THE S&L, NOT A DECISION FOR THE REGULATOR.

FACT: STATE-CHARTERED CREDIT UNIONS HAVE POTENTIAL BRANCHING AUTHORITY, BUT ONLY ON AN INDIVIDUAL, CASE-BY-CASE BASIS. THAT POTENTIAL AUTHORITY HAS BEEN CONFIRMED BOTH BY MONTANA'S ATTORNEY GENERAL AND BY THE COURTS. THE AUTHORITY FOR A STATE-CHARTERED CREDIT UNION TO ESTABLISH A BRANCH, HOWEVER, IS ENTIRELY AT THE DISCRETION OF THE DIRECTOR OF THE DEPARTMENT OF BUSINESS REGULATION. AND THERE ARE NO CLEAR-CUT GUIDELINES FOR THE USE OF THAT DISCRETIONARY AUTHORITY.

FACT: BOTH NATIONAL AND STATE BANKS ARE PROHIBITED FROM ESTABLISHING BRANCH OFFICES IN MONTANA. THE McFADDEN ACT--A FEDERAL LAW--CONTROLS NATIONAL BANKS' ABILITY TO BRANCH, MANDATING THAT NATIONAL BANKS HAVE TO ABIDE BY THE BRANCHING STATUTES OF THE STATE IN WHICH THEY ARE LOCATED. SINCE MONTANA HAS A STRICT PROHIBITION AGAINST BANK BRANCHING FOR STATE BANKS, NATIONAL BANKS ARE PROHIBITED FROM BRANCHING, TOO.

AS I MENTIONED, SENATE BILL 2 CONCERNS 25 STATE-CHARTERED CREDIT UNIONS AND WOULD GIVE THEM BASICALLY THE SAME BRANCHING AUTHORITY ENJOYED BY BOTH FEDERAL CREDIT UNIONS AND FEDERAL S&LS. HOWEVER, I HAVE STATED THAT MONTANA'S 25 STATE-CHARTERED CREDIT UNIONS HAVE POTENTIAL BRANCHING AUTHORITY, SO THE LOGICAL QUESTION IS "WHY IS THERE A NEED FOR A BILL SUCH AS SENATE BILL 2?" TO ANSWER THAT, A SHORT HISTORY OF BRANCHING FOR STATE-CHARTERED CREDIT

UNIONS IS IN ORDER.

IN RECODIFYING MONTANA'S CREDIT UNION STATUTES IN 1975, THE 44TH LEGISLATURE ENACTED SECTION 32-3-206, M.C.A., WHICH STATES IN PART THAT "THE DIRECTOR (OF THE DEPARTMENT OF BUSINESS REGULATION) MAY AUTHORIZE ANY CREDIT UNION TO ENGAGE IN ANY ACTIVITY IN WHICH SUCH CREDIT UNION COULD ENGAGE IF IT WERE OPERATING AS A FEDERAL CHARTERED CREDIT UNION AT THE TIME SUCH AUTHORITY IS GRANTED."

SECTION 32-3-206, OCCASIONALLY REFERRED TO AS THE "WILD CARD" STATUTE, GOES ON TO SPELL OUT THE PROCEDURE FOR THE DIRECTOR'S GRANTING SUCH AUTHORITY: "UPON RECEIPT OF A WRITTEN REQUEST FROM ANY STATE-CHARTERED CREDIT UNION, THE DIRECTOR SHALL EXERCISE SUCH POWER BY THE ISSUANCE OF A SPECIAL ORDER, THEREFOR, IF HE DEEMS IT REASONABLY REQUIRED TO PRESERVE AND PROTECT THE WELFARE OF SUCH INSTITUTION AND PROMOTE THE GENERAL ECONOMY OF THE STATE."

UPON PASSAGE INTO LAW, SECTION 32-3-206 REMAINED UNTESTED UNTIL AUGUST 1978 WHEN THE ATTORNEY GENERAL WAS ASKED BY THE DEPARTMENT TO RENDER AN OFFICIAL OPINION CONCERNING ITS EFFECT ON THE ABILITY OF STATE-CHARTERED CREDIT UNIONS TO ESTABLISH BRANCH OFFICES.

ON 3 OCTOBER 1978 THE ATTORNEY GENERAL HELD THAT STATE-CHARTERED CREDIT UNIONS ARE NOT AUTHORIZED TO OPEN BRANCH OFFICES ABSENT AUTHORIZATION FROM THE DEPARTMENT. "IT SHOULD BE NOTED, HOWEVER, THAT THE DEPARTMENT DOES HAVE THE POWER, ON A CASE BY CASE BASIS, TO ALLOW CREDIT UNIONS ORGANIZED UNDER MONTANA LAW TO BRANCH."

FOLLOWING ENACTMENT OF SECTION 32-3-206 BUT PRIOR TO THE ATTORNEY GENERAL'S OPINION, HOWEVER, ON 2 JUNE 1976 THE PRESIDENT OF MONTANA STATE HOSPITALS CREDIT UNION WROTE TO MR. HAROLD PITTS, WHO WAS AT THAT TIME DIRECTOR OF THE DEPARTMENT OF BUSINESS REGU-

LATION, ASKING FOR PERMISSION FOR THE CREDIT UNION TO ESTABLISH A BRANCH OFFICE AT GALEN STATE HOSPITAL, SOME THREE OR FOUR MILES FROM THE CREDIT UNION'S MAIN OFFICE AT WARM SPRINGS STATE HOSPITAL.

ON 7 JUNE 1976 MR. PITTS REPLIED, "BECAUSE OUR PRESENT MONTANA CREDIT UNION ACT CONTAINS NO PROHIBITION OF A CREDIT UNION HAVING A MEMBER SERVING FACILITY DETACHED FROM ITS PRINCIPAL OFFICE, WE HAVE NO REASON TO QUESTION YOUR PLAN OF HAVING A 'SERVICE OFFICE' LOCATED AT GALEN STATE HOSPITAL FOR THE PURPOSE OF EXTENDING YOUR CREDIT UNION'S SERVICES MORE CONVENIENTLY TO YOUR MEMBERS LOCATED AT GALEN."

HOWEVER, MR. PITTS MADE THE DISTINCTION BETWEEN A BRANCH OFFICE AND A MEMBER SERVICE FACILITY, IMPLYING THAT A BRANCH OFFICE IS A FULL-SERVICE OFFICE WHILE A MEMBER SERVICE FACILITY "SHOULD BE LIMITED TO RECEIVING PAYMENTS ON SHARES, RECEIVING PAYMENTS ON LOANS, TAKING APPLICATIONS ON LOANS, PERFORMING COLLECTION ACTIVITIES, AND OTHER NORMAL DAILY TRANSACTIONS THAT DO NOT REQUIRE IMMEDIATE DECISIONS BY YOUR CREDIT COMMITTEE, MANAGER, OR OFFICERS."

AND SO MONTANA STATE HOSPITALS CREDIT UNION IN 1976 BECAME THE FIRST AND ONLY STATE-CHARTERED CREDIT UNION TO IMPLEMENT A BRANCH OFFICE OR "MEMBER SERVICE FACILITY."

AGAIN, IF THE ATTORNEY GENERAL HAS CONCLUDED THAT STATE-CHARTERED CREDIT UNIONS HAVE POTENTIAL BRANCHING AUTHORITY AND IF PRECEDENCE HAS BEEN ESTABLISHED BY THE DEPARTMENT OF BUSINESS REGULATION TO ALLOW STATE-CHARTERED CREDIT UNIONS TO ESTABLISH BRANCH OFFICES OR MEMBER SERVICE FACILITIES, WHY THE NEED FOR SENATE BILL 2?

I MENTIONED THAT THE AUTHORITY OF THE DIRECTOR OF THE DEPART-

MENT IS DISCRETIONARY UNDER SECTION 32-3-206. AND IT IS. SHOULD A CREDIT UNION APPLY FOR A BRANCH, THE DIRECTOR MUST MAKE A DECISION. HOWEVER, WITHIN THE WORDING OF THE LAW, THAT DECISION MAY BE PURELY SUBJECTIVE. THE LAW DOES NOT ESTABLISH CRITERIA WITHIN WHICH THE DECISION MUST BE MADE. THE LAW DOES NOT STIPULATE A TIME FRAME WITHIN WHICH THE DECISION MUST BE MADE. AND THERE IS NO RECOURSE SHORT OF EXPENSIVE LITIGATION SHOULD THE DIRECTOR DENY THE APPLICATION. IN FACT, THE DIRECTOR NEED NOT EVEN EXPLAIN TO THE CREDIT UNION WHY HE DID OR DID NOT APPROVE THE APPLICATION.

AND IF THAT IS NOT DISCRETIONARY IN THE PUREST SENSE OF THE WORD, I DON'T KNOW WHAT IS.

SENATE BILL 2 WOULD ADDRESS THAT PROBLEM BY ESTABLISHING SOME CLEAR-CUT GUIDELINES. THE BILL WOULD SET NO PRECEDENTS NOR ALLOW STATE-CHARTERED CREDIT UNIONS ANYTHING THAT IS CURRENTLY PROHIBITED UNDER STATE LAW.

THE BILL WOULD MANDATE THAT THE CREDIT UNION NOTIFY THE DEPARTMENT IN WRITING OF ITS DECISION TO ESTABLISH A BRANCH. THE BILL WOULD ALLOW THE DEPARTMENT TO DISAPPROVE THE APPLICATION IF IT HAD COMPELLING REASON OR REASONS--FROM A REGULATORY OR SUPERVISORY STANDPOINT--FOR SUCH DISAPPROVAL. AND THE BILL WOULD ALLOW THE CREDIT UNION RECOURSE UNDER THE CONTESTED CASE HEARING PROVISIONS OF THE ADMINISTRATIVE PROCEDURES STATUTES SHOULD THE DEPARTMENT TURN DOWN ITS APPLICATION.

WHY WOULD A CREDIT UNION WANT TO ESTABLISH A BRANCH OFFICE? FOR ONE REASON ONLY, AND THAT REASON CAN BE STATED NO BETTER THAN BY RESTATING MR. PITTS' PHRASE FROM HIS LETTER TO MONTANA STATE HOSPITALS CREDIT UNION, "...FOR THE PURPOSE OF EXTENDING YOUR

CREDIT UNION'S SERVICES TO ITS MEMBERS...."

BUT BRANCHING IS BRANCHING, ACCORDING TO SOME, BE IT BRANCHING BY CREDIT UNIONS, S&LS, OR BANKS. AND WE HAVE BEEN ASKED BY A NUMBER OF LEGISLATORS WHY SENATE BILL 2 DOES NOT CONTAIN THE SAME TYPES OF GEOGRAPHIC AND POPULATION-BASED LIMITATIONS ON ESTABLISHING BRANCHES THAT ARE CONTAINED IN SEVERAL BILLS ADDRESSING BANK BRANCHING.

CERTAINLY, THE BANK BRANCHING BILLS DO CONTAIN GEOGRAPHIC AND POPULATION-BASED LIMITATIONS, BUT THE "COMMON BOND" REQUIREMENT UNIQUE TO CREDIT UNIONS IMPOSES ITS OWN PRACTICAL LIMITATIONS. AND THOSE LIMITATIONS ARE INHERENT WITHIN SENATE BILL 2.

UNLIKE OTHER TYPES OF FINANCIAL INSTITUTIONS THAT CAN DRAW FROM AND COMPETE FOR THE GENERAL DEPOSITOR BASE OF A COMMUNITY OR AN AREA, A CREDIT UNION IS STRICTLY LIMITED AS TO ITS NUMBER OF POTENTIAL MEMBERS IT COULD SERVE IF EVERY PERSON WITHIN THE CREDIT UNION'S FIELD OF MEMBERSHIP WERE A MEMBER. THAT IS DEFINITELY A PRACTICAL LIMITATION.

ON PAGE 8 WE HAVE LISTED 23 OF MONTANA'S 25 STATE-CHARTERED CREDIT UNIONS AND SHOW THE CREDIT UNION'S ACTUAL NUMBER OF MEMBERS AS OF SEPTEMBER 1980 AS WELL AS ITS POTENTIAL NUMBER OF MEMBERS IT COULD SERVE IF EVERY PERSON ELIGIBLE FOR CREDIT UNION MEMBERSHIP WERE A MEMBER. YOU CAN SEE THAT THE NUMBER OF PERSONS EACH CREDIT UNION CAN POSSIBLY SERVE IS STRICTLY LIMITED.

ON PAGES 9 THROUGH 11 WE HAVE AGAIN LISTED THE SAME 23 STATE-CHARTERED CREDIT UNIONS ALONG WITH A CONCISE DESCRIPTION OF THE "COMMON BOND" THAT EACH MEMBER MUST BE A PART OF TO QUALIFY AS A MEMBER. WHILE SEVERAL OF THE "COMMON BONDS" ARE SOMEWHAT EXTENSIVE,

STATE-CHARTERED CREDIT UNION MEMBERSHIP

SAMPLE: 23 of Montana's 25 state-chartered credit unions. Information drawn from September 1980 survey data.

Credit Union	Actual No. Members	Potential No. Members	Actual vs. Potential
1. Artcraft Reporter	72	80	8
2. Billings Conoco	837	1,925	1,088
3. Billings District Telephone	1,464	1,500	36
4. Billings Student	180	6,000	5,820
5. BN	1,900	unavailable	unavailable
6. Columbus Hospital	573	700	127
7. Flathead U.S. Employees	980	2,000	1,020
8. Gazette Employees	258	unavailable	unavailable
9. Lincoln Co. School Employees	238	350	112
10. Lincoln Federal Employees	635	1,000	365
11. Mission Range	221	270	49
12. Missoula Government Employees	2,700	5,000	2,300
13. Montana Army National Guard	676	unavailable	unavailable
14. Montana Central	4,769	10,000	5,231
15. Montana State Hospitals	526	825	299
16. Northwest Humble	940	2,000	1,060
17. Rimrock	1,115	5,100	3,985
18. State Capitol Employees	4,489	15,000	10,511
19. Valley	13,500	30,000	16,500
20. Yellowstone Teachers	3,412	5,000	1,588
21. Zonolite Employees	233	750	517
22. Freighters	296	400	104
23. Grange	96	1,000	904

STATE-CHARTERED CREDIT UNION FIELDS OF MEMBERSHIP

SAMPLE: 23 of Montana's 25 state-chartered credit unions. Information drawn from September 1980 survey data.

Credit Union	Field of Membership
1. Artcraft Reporter	Art Craft employees and Reporter, Inc. employees and members of their immediate families.
2. Billings Conoco	Continental employees, members of their immediate families, and retirees supervised out of Billings office; credit union employees and members of their immediate families.
3. Billings District Telephone	Mountain Bell employees in the Billings District and members of their immediate families.
4. Billings Student	Ninth to 12th graders currently enrolled in School District 2.
5. BN	BN Railroad employees and their immediate families, employees of affiliates of BN and their immediate families, and credit union employees.
6. Columbus Hospital	Employees of Columbus Hospital and members of their immediate families, credit union employees and members of their immediate families, and organizations of such persons.
7. Flathead U.S. Employees	Federal employees working or residing in Flathead County; employees of Montana Fish and Game and Forestry Resource Division who work or reside in Montana; persons residing in Flathead County who are retired from any federal government service; credit union employees; and members of immediate families of all above groups.
8. Gazette Employees	Employees of the Billings Gazette and members of their immediate families.
9. Lincoln Co. School Employees	Lincoln County School Employees and members of their immediate families.
10. Lincoln Federal Employees	Federal employees in Lincoln County and members of their immediate families.
11. Mission Range	Residents of the community of Charlo and residents living within a 15-mile radius of Charlo.

STATE-CHARTERED CREDIT UNION FIELDS OF MEMBERSHIP (cont.)

Credit Union	Field of Membership
12. Missoula Government Employees	Employees of the U.S. government working in and/or supervised from within the boundary of Region I of the U.S. Forest Service; persons retired as annuitants and survivor annuitants from the U.S. government; credit union employees; and members of the immediate families of all above persons.
13. Montana Army National Guard	All full-time technicians of the National Guard; part-time guardsmen within the Helena unit; employees of the Department of Military Affairs; credit union employees; and members of the immediate families of all above persons.
14. Montana Central	Employees and officials of all other Montana credit unions; Small Employee Groups
15. Montana State Hospitals	Employees of Warm Springs State Hospital and Galen State Hospital and members of their immediate families.
16. Northwest Humble	Employees of Exxon Corporation and annuitants in the northwestern United States; and members of their immediate families.
17. Rimrock	Employees of the City of Billings and of Yellowstone County; employees of those counties adjacent to Yellowstone County; and members of their immediate families.
18. State Capitol Employees	Employees of the State of Montana living or headquartered in one of 22 listed counties; members of their immediate families; retirees from the State as pensioners.
19. Valley	Natural person members, customers, and employees of Cenex Oil Company of Billings; Farmers Union GTA Bean Division, Billings; Farmers Union GTA Feeds, Billings; Farmers Union GTA Elevator, Billings; Farmers Union Oil Co. (Cenex), Ryegate; Farmers Union Oil Co. (Cenex), Roundup; Yellowstone Valley Electric Co-op, Inc., Huntley; employees of small businesses that do business with the above co-ops who are unable to form a credit union of their own because of limited size. Natural person members and employees of Farmers Educational and Cooperative Union of America. Natural person employees of Farmers Union Insurances, Billings; Cenex Central Exchange

STATE-CHARTERED CREDIT UNION FIELDS OF MEMBERSHIP (cont.)

Credit Union	Field of Membership
	Warehouse, Billings; Cenex Fertilizer Plant, Billings; Cenex Soil Service, Billings; Cenex Exploration and Production Division, Laurel; Cenex Central Exchange, Laurel; credit union employees; and members of the immediate families of all persons listed.
20. Yellowstone Teachers	Employees of public school districts in Yellowstone County and members of their immediate families.
21. Zonolite Employees	Employees of Zonolite Co. and members of their immediate families.
22. Freighters	Consolidated Freightways drivers, dock workers, office personnel; and members of their immediate families.
23. Grange	Members of the Grange organization in Montana and members of their immediate families.

THE MAJORITY ARE VERY RESTRICTIVE AND THEREFORE PRECLUDE THE CREDIT UNION'S COMPETING FOR THE TOTAL MARKET SHARE OF AN AREA AS DOES A BANK OR S&L. AGAIN, THAT IS DEFINITELY A PRACTICAL LIMITATION.

A BANK OR AN S&L MIGHT PUT UP A BRANCH OFFICE IN THE COMMUNITY IT SERVES TO OFFER ITS CUSTOMER BASE A MORE CONVENIENT LOCATION AND/OR TO ATTEMPT TO DEVELOP A GREATER MARKET PENETRATION FOR ITS SERVICES. THAT SAME BANK OR S&L MIGHT WISH TO PUT UP A BRANCH IN ANOTHER COMMUNITY SOLELY TO PENETRATE A BRAND-NEW MARKET. IN EITHER CASE, THE BANK OR S&L HOPES TO ATTRACT NEW CUSTOMERS.

HOWEVER, A CREDIT UNION WOULD PUT UP A BRANCH TO OFFER MORE CONVENIENCE AND BETTER SERVICE TO THE VERY SAME NUMBER OF POTENTIAL PERSONS ELIGIBLE FOR MEMBERSHIP IT HAD BEFORE THE BRANCH. IT MIGHT ATTRACT POTENTIAL MEMBERS WHO WERE NOT USING ITS SERVICES BECAUSE IT WAS NOT CONVENIENTLY LOCATED, BUT AGAIN, THERE IS A DISTINCT LIMITATION AS TO THE NUMBER OF PERSONS THE CREDIT UNION CAN SERVE, NO MATTER HOW MANY BRANCHES IT ESTABLISHES.

ANOTHER VERY PRACTICAL LIMITATION WE WOULD LIKE TO POINT OUT IS THE RELATIVE SIZE OF CREDIT UNIONS COMPARED TO THAT OF BANKS AND S&LS AS IT APPLIES TO CAPITAL STRUCTURE. WHEN WE SPEAK OF LARGE CREDIT UNIONS, WE NORMALLY THINK OF CREDIT UNIONS OF \$1 MILLION OR MORE IN ASSETS. ON THE OTHER HAND, WHEN WE SPEAK OF SMALL BANKS, WE GENERALLY THINK OF BANKS OF AROUND \$15 MILLION. TO GRAPHICALLY ILLUSTRATE THE DIFFERENCE, WE HAVE RANKED THE 23 STATE-CHARTERED CREDIT UNIONS THAT COULD BE AFFECTED BY SENATE BILL 2 BY ASSETS ON PAGE 13.

OBVIOUSLY, MOST OF THOSE CREDIT UNIONS DO NOT HAVE THE CAPITAL STRUCTURE TO ESTABLISH AND/OR MAINTAIN BRANCH OFFICES, EVEN THOUGH

STATE-CHARTERED CREDIT UNION ASSETS

SAMPLE: 23 of Montana's 25 state-chartered credit unions ranked in order of assets. Information drawn from September 1980 survey data.

Credit Union	Assets
1. Valley	\$ 74,289,421
2. Yellowstone Teachers	8,785,751
3. State Capitol Employees	7,362,027
4. Montana Central	5,240,999
5. Missoula Government Employees	4,366,996
6. BN	3,600,000
7. Billings District Telephone	2,815,851
8. Billings Conoco	2,109,625
9. Rimrock	1,689,684
10. Northwest Humble	1,195,800
11. Flathead U.S. Employees	853,370
12. Lincoln Federal Employees	700,000 (Median size)
13. Montana Army National Guard	549,963
14. Freighters	518,409
15. Columbus Hospital	357,353
16. Zonolite Employees	299,843
17. Montana State Hospitals	282,000
18. Lincoln County School Employees	233,491
19. Gazette Employees	204,318
20. Mission Range	100,594
21. Grange	59,813
22. Artcraft Reporter	39,986
23. Billings Student	39,823

A SUBSTANTIAL SEGMENT OF THEIR FIELD OF MEMBERSHIP MAY NOT BE CENTRALLY LOCATED TO THE CREDIT UNION. HOWEVER, THE FACT THAT NOT ALL STATE-CHARTERED CREDIT UNIONS WILL BE ABLE TO ESTABLISH BRANCHES SHOULD NOT INDICATE THAT A NEED FOR CLEAR-CUT BRANCHING AUTHORITY DOES NOT EXIST. IN FACT, FIVE OF THE 23 STATE-CHARTERED CREDIT UNIONS RESPONDING TO OUR SURVEY INDICATED THAT THEY WOULD CONSIDER ESTABLISHING A BRANCH OFFICE TO BETTER SERVE THEIR MEMBERS WITHIN THE NEXT TWO YEARS.

IN CONCLUSION, SENATE BILL 2 ESTABLISHES CLEAR-CUT GUIDELINES FOR A BRANCHING AUTHORITY THAT HAS BEEN PREVIOUSLY ESTABLISHED--ALTHOUGH DISCRETIONARY AND POTENTIALLY SUBJECTIVE--BY STATUTE IN CONJUNCTION WITH AN ATTORNEY GENERAL'S OPINION AND A COURT DECISION AND BY PRECEDENT.

IT MAKES THE DECISION TO ESTABLISH A BRANCH OFFICE PURELY A BUSINESS DECISION OF THE CREDIT UNION'S BOARD OF DIRECTORS BUT ALSO ALLOWS THE DEPARTMENT OF BUSINESS REGULATION TO DISAPPROVE THE APPLICATION--NOT SUBJECTIVELY OR WITH NO WORD OF EXPLANATION BUT ONLY IF THE DEPARTMENT HAS A COMPELLING REASON FOR DISAPPROVAL. AND IT GIVES THE CREDIT UNION RECOURSE IN THE CASE OF A DISAPPROVAL.

THE GEOGRAPHIC AND POPULATION-BASED LIMITATIONS IMPOSED ON BANKS IN SEVERAL BANK BRANCHING BILLS ARE MEANINGLESS IN THE CONTEXT OF CREDIT UNION OPERATIONS, BECAUSE CREDIT UNIONS' UNIQUE "COMMON BOND" REQUIREMENT AND LEVEL OF CAPITALIZATION CREATE PRACTICAL LIMITATIONS JUST AS RESTRICTIVE AS THE LIMITATIONS PROPOSED FOR BANK BRANCHES.

FOR THOSE REASONS, WE ASK THAT THIS COMMITTEE RECOMMEND THAT SENATE BILL 2 DO PASS. THANK YOU.

20-11-16
323
18/11

NAME Mr. James Williams BILL No. 18/11
ADDRESS 123 Main St. DATE 2/10/31
WHOM DO YOU REPRESENT Williamson Co.
SUPPORT _____ OPPOSE _____ AMEND _____

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

Comments:

NAME Gene Rice BILL No. SB-2

ADDRESS 1704 Spring St - Helena DATE 3-19-81

WHOM DO YOU REPRESENT Montana Credit Union League

SUPPORT ☒ OPPOSE ☐ AMEND ☐

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

Comments:

NAME Roland D Pratt BILL No. SB 275
ADDRESS Box 908 Helena DATE 3/10/81
WHOM DO YOU REPRESENT MT Funeral Directors Assoc
SUPPORT ✓ OPPOSE _____ AMEND _____

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

Comments:

NAME John Malletta BILL No. SB 275
ADDRESS 229 Spruce, Missoula DATE 3/10/81
WHOM DO YOU REPRESENT MT Funeral Directors Assoc
SUPPORT ✓ OPPOSE _____ AMEND _____

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

Comments:

NAME ELIPTON ANDERSON BILL No. SB 125
ADDRESS 16053 30TH NW SHERBORN DATE 3/2/81
WHOM DO YOU REPRESENT West St. Edmund River Comm.
SUPPORT ✓ OPPOSE AMEND

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

Comments:

The elderly segment of our population is one of the fastest growing. Many elderly must live on fixed and limited incomes. Inflation is having a devastating effect on their limited assets.

The bill would more readily make available insurance to cover fixed expenses such as funeral

The type of insurance would greatly reduce the growing pressure on welfare funds used for welfare funds.

The bill would also let the elderly take advantage of the federal Medicaid provisions which allow up to \$1500 of life insurance as an exempt resource.

VISITORS' REGISTER

HOUSE COMMITTEE

DL SB242
SPONSOR

Date _____

SPONSOR

[illegible]

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

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

NAME	BILL No.
------	----------

ADDRESS 2000 17th St. N.W. DATE 1/1/54

WHOM DO YOU REPRESENT _____

SUPPORT OPPOSE AMEND

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

Comments:

NAME 1420 G.E. Seckle BILL No. S.B. 352
ADDRESS Billings DATE 3/10/81
WHOM DO YOU REPRESENT Bureau of Public Health & Environmental Control
SUPPORT Yes OPPOSE _____ AMEND _____

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

Comments:

Support

NAME

DAVID BRIGGS

BILL No.

SB 352

ADDRESS

CHANCY MIT

DATE

3/10/81

WHOM DO YOU REPRESENT

MENTAL Health Centers

SUPPORT

X

OPPOSE

AMEND

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

Comments:

NAME

Jan Brown

BILL No.

SB 352

ADDRESS

Helena

DATE

3/10/81

WHOM DO YOU REPRESENT

Mental Health Assn.

SUPPORT

☒

OPPOSE

AMEND

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

Comments:

VISITORS' REGISTER

HOUSE Business & Industry COMMITTEE

BILL S 13 49

Date March 10, 1981

SPONSOR Senator Eck

[illegible]

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

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

MR. CHAIRMAN, MEMBERS OF COMMITTEE AND GUESTS.

I APPRECIATE THE OPPORTUNITY TO TESTIFY ON SENATE BILL 242.

THE MONTANA FARM BUREAU WAS ORGANIZED IN 1919 AND CURRENTLY HAS 4826 MEMBER FAMILIES IN 38 ORGANIZED COUNTY ORGANIZATIONS. •

FARM BUREAU IS A FREE, INDEPENDENT, NONGOVERNMENTAL, VOLUNTARY ORGANIZATION OF FARM AND RANCH FAMILIES UNITED FOR THE PURPOSE OF ANALYZING THEIR PROBLEMS AND FORMULATING ACTION TO ACHIEVE EDUCATIONAL IMPROVEMENT, ECONOMIC OPPORTUNITY, AND SOCIAL ADVANCEMENT AND THEREBY TO PROMOTE THE NATIONAL WELL-BEING.

TO THAT END IN 1958 WE ENTERED INTO A JOINT VENTURE WITH THE WYOMING FARM BUREAU TO PROVIDE INSURANCE SERVICES TO FARM BUREAU MEMBERS IN MONTANA. THAT RELATIONSHIP HAS GROWN TO JOINT MANAGEMENT THROUGH THE ELECTION OF FARM BUREAU MEMBERS IN MONTANA AND WYOMING TO THE BOARD OF DIRECTORS OF MOUNTAIN WEST FARM BUREAU MUTUAL INSURANCE COMPANY.

IT HAS BEEN THE INTENTION OF FARM BUREAU AS EXPRESSED BY THE ADOPTION OF OUR POLICIES AND THE ELECTION OF OUR OFFICIERS TO PROVIDE CERTAIN ECONOMIC SERVICES TO OUR MEMBERSHIP. WE ARE CURRENTLY INVOLVED IN PROGRAMS MARKETING TIRES, BATTERIES, TILLAGE TOOLS, LUBRICANTS, FILTERS AND FROZEN FRUIT AND VEGETABLES TO OUR MEMBERS. *on a members only basis.* WE MARKETED OUR CASUALTY AND LIABILITY INSURANCES ONLY TO OUR MEMBERS UNTIL ABOUT 1972 WHEN INTERPRETATION OF PREVIOUSLY ADOPTED STATUTES DISALLOWED OUR MEMBERSHIP REQUIREMENT. WE SUPPORT SB 242 BECAUSE IT ALLOWS US TO RETURN TO THE STATUS WHICH WE PREVIOUSLY ENJOYED, A STATUS WHICH SERVES THE PURPOSES FOR WHICH WE ENTERED INTO THE INSURANCE BUSINESS, THAT OF PROVIDING AN ECONOMIC SERVICE TO OUR MEMBERS, AND A STATUS ENJOYED BY EVERY OTHER STATE FARM BUREAU. THE PASSAGE OF LEGISLATION SIMILAR TO THIS IN NEW YORK IN 1978 AND IN WYOMING IN 1979 LEFT MONTANA ALONE AS THE ONLY STATE IN WHICH FARM BUREAU HAS NOT BEEN ABLE TO REQUIRE A MEMBERSHIP AS A CONDITION OF PURCHASING OR RENEWING CASUALTY AND OR LIABILITY INSURANCE.

WE HAVE NO INTEREST IN AND THIS BILL DOES NOT GRANT AUTHORITY TO CANCEL ANY IN FORCE INSURANCE. WHAT WE ARE ASKING IS THE RIGHT TO REFUSE RENEWAL, AFTER DUE

NOTICE, FOR THOSE WHO DO NOT CHOOSE TO MAINTAIN A MEMBERSHIP.

OURS IS A FAMILY ORGANIZATION PROVIDING SERVICES WITHOUT DISCRIMINATION TO FAMILIES UNDER A FAMILY MEMBERSHIP. THE DUES PAID VOLUNTARILY BY THE FAMILY ENTITLE THEM TO THE VARIOUS SERVICES AND ACTIVITIES WHICH WE SPONSOR. A PORTION OF EACH MEMBERSHIP IS SENT TO THE AMERICAN FARM BUREAU, A PORTION IS KEPT IN THE STATE FARM BUREAU AND A PORTION IS RETAINED IN THE COUNTY FARM BUREAU, WHICH IS THE BASIC UNIT IN THE ORGANIZATION. THE COUNTY FARM BUREAUS OWN OR OPERATE THE COUNTY FARM BUREAU OFFICES WHICH BECOME THE CENTER OF FARM BUREAU ACTIVITY AT THE COMMUNITY OR COUNTY LEVEL. THESE OFFICES ALONG WITH ALL OTHER COUNTY FARM BUREAU ACTIVITIES ARE FUNDED IN SOME PART BY THE MEMBERSHIP DUES.

I THINK IT NOTEWORTHY THAT THE BY-LAWS OF MOUNTAIN WEST FARM BUREAU MUTUAL INSURANCE COMPANY CLEARLY INDICATE THE MEMBERS ONLY PHILOSOPHY. IN SUPPORTING SB 242, WE ARE ASKING FOR LEGISLATIVE AUTHORITY TO OPERATE AS WE DID FOR MANY YEARS UNDER OUR ARTICLES OF INCORPORATION AND BY-LAWS AND IN COMPLETE HARMONY WITH THE PURPOSE FOR WHICH WE ARE ORGANIZED.

SENATE BILL 242 HAS THE SUPPORT OF OUR MEMBERSHIP AS EXPRESSED IN POLICY ADOPTED IN CONVENTION IN GREAT FALLS ON DECEMBER 2, 1980, OF OUR PRESIDENT "MACK" QUINN WHO WOULD HAVE DELIVERED THIS TESTIMONY HIMSELF EXCEPT FOR A PREVIOUS COMMITMENT, AS VICE PRESIDENT OF MOUNTAIN WEST FARM BUREAU MUTUAL INSURANCE COMPANY AND OF THE MANAGEMENT OF MOUNTAIN WEST WHO ARE AT THE SAME MEETING AS PRESIDENT QUINN. THEY HAVE ASKED ME TO INDICATE THEIR SUPPORT.

THANK YOU FOR YOUR CONSIDERATION. I WILL BE PLEASED TO TRY TO ANSWER ANY QUESTIONS.

WILLIAM W. BROWN

EXECUTIVE VICE PRESIDENT

Amendments to SB 242/third reading

1. Title, line 7.
Following: "NONPROFIT"
Strike: "AN"
Insert: "A FARM BUREAU"
2. Title, line 10.
Following: "FARM"
Strike: "MUTUAL,"
Insert: "BUREAU"
3. Title, line 10.
Following: "ASSOCIATION"
Strike: ","
4. Page 2, line 14
Following: "controlled by"
Strike: "an"
Insert: "a farm bureau"
5. Page 2, line 16.
Following: "the"
Insert: "farm bureau"

MONTANA FUNERAL DIRECTORS ASSOCIATION

P. O. Box 908 • HELENA, MONTANA 59601 • (406) 442-1432

Testimony Senate Bill 275

Mr. Chairman and Members of the Committee:

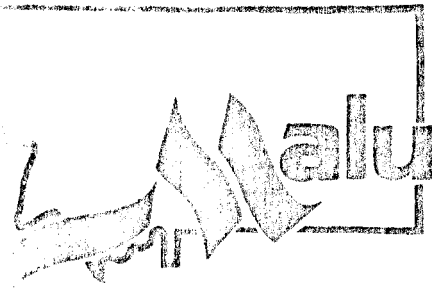
For the record my name is John Malletta. I am president of the Montana Funeral Directors Association and I'm here today to speak to you on behalf of Senate Bill 275.

The objective of Senate Bill 275 is to allow the sale of funeral insurance not burial plans. This insurance would be sold by insurance agents not funeral directors. The beneficiary is the next of kin or other designated individuals, not the funeral home. The insurance company and the insurance policy must be approved by the Insurance Commissioner of the State of Montana. One of the compelling factor in our decision to propose this legislation arose when we were informed by the Department of Social & Rehabilitation Services that because of our pre-need funeral trust not being irrevocable, they have to consider our pre-need funeral trust as an asset in determinating Medicare eligibility. What this means is that many people who felt that they could have up to \$1500.00 in a funeral trust and \$1500.00 in other assets are now going to be ineligible for Medicare coverage. I have outlined some points that I feel are important considerations.

1. The financial burden of funeral expenses can be a serious problem for the elderly. Funeral insurance is a vehicle designed to reduce this problem.
2. The elderly want and need this type of coverage. People are living longer than ever before and are forced to live on fixed or limited incomes. Inflation is having a devastating effect on their savings and/or fixed incomes.
3. Serious attempts to reduce, combine or eliminate the VA burial and Social Security lump sum death benefit could have serious impact on the elderly.

4. The small face amount policies at the higher ages, 65 and above, are not readily available from insurance companies, unless they specifically market a funeral insurance policy.
5. Federal and state Medicare eligibility standards exempt small (\$1500 and less) insurance policies from the asset limitations. As a result elderly persons can shelter that amount, in addition to their permitted liquid funds, and still qualify. Montana residents are in effect being penalized.
6. The funeral insurance policy provides complete freedom of choice by the family. Benefits are payable anywhere in the world.
7. It provides for a variety of terms by which premiums can be fully paid from single premium to periods of 5, 10, or 20 years.
8. It provides coverage with less rigid underwriting requirements than regular life insurance because of the smaller denomination policies.

In summary what we are proposing provides a cash benefit to the beneficiary of the insured to pay all or part of the funeral expenses at the funeral home of his choice. I ask your support for Senate Bill 275.



Montana Association of Life Underwriters

SUITE 411 FIRST FEDERAL BLDG. BILLINGS, MONTANA 59101 TELEPHONE (406) 259-7500

March 6, 1981

John Malletta, President
Montana Funeral Directors Association
224 West Spruce
Missoula, MT 59801

Dear John:

In regard to ~~B~~.B. 275, I would issue the following opinion on behalf of the Montana Association of Life Underwriters.

The Association has no opposition to this bill as presented in its present form. We feel the bill contains the necessary guidelines to allow for the sale and regulation of funeral insurance in Montana. The bill provides the consumer necessary protection and allows for administration by the insurance commissioner's office.

This bill does allow the consumer the opportunity to provide for his final needs and expenses. As life underwriters, we feel this is important to family members during these times of inflation and high costs.

Sincerely,

Leonard Landa, CLU
National Committeeman
Montana Association of Life Underwriters

LL/bdl



TESTIMONY ON SB352

March 10, 1981

My name is Dave Briggs, and I am Executive Director of the Southwest Montana Mental Health Center.

I am in support of health insurance coverage of mental/emotional health problems. This coverage would encourage the use of out-of-hospital services which are less restrictive, less expensive, and less disruptive for the patient. Current insurance plans, when available, have incentives for providing the more expensive inpatient care, as they favor hospitalization over outpatient care. It would seem logical that the payment for mental health services should be based on the treatment of choice, rather than on the traditional inpatient model.

The most often cited reason used in support of limiting the benefits for the treatment of mental/emotional health problems is that including comprehensive mental health coverage causes premiums to soar; however, numerous studies have shown that the provision of treatment for mental/emotional problems can reduce other physical health costs. This is because a high percentage of visits to primary care physicians are made by patients who are found to have no organic basis for their complaints.

(1) A study conducted by Blue Cross of Western Pennsylvania shows that even when the cost of additional treatment for mental illness was factored in, the overall cost to the insurance carriers for all health care was reduced by 31 percent when the treatment of mental illness was reimbursed.

(2) The Kaiser Foundation Health Plan found that when mental health services were provided for people who had a variety of disorders with seemingly no organic basis, they utilized fewer medical dollars than those who did not have the mental health services.

There is no sound evidence for the exclusion of comprehensive mental health benefits from health insurance plans because of costs, but the benefits of such coverage are many.

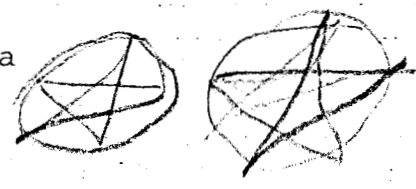
Exhibit H

TO: JAY FABREGA, Chairman
Business and Industry Committee

March 12, 1981

FROM: JO KASTE, Representing
Alcoholism Programs of Montana

SUBJECT: SENATE BILL 352



When this bill was introduced in 1979, the intent was to assure that Montanans are provided adequate insurance benefits for the treatment of alcoholism and drug addictions. This law has been a great boon to people suffering from these diseases. In the past two years insurance carriers have broadened their benefits in these areas; some carriers have even included these benefits at no additional premium cost in all plans. People are now being diagnosed correctly and getting appropriate treatment for problems of alcoholism and drug dependency.

Residential treatment for chemical dependency (which includes alcoholism and drug addiction) involves a 28 day stay at a facility approved by the Department of Institutions with a program including intensive individual therapy, group therapy and family counseling. The treatment plans are written by counselors and approved by a physician. Doctors and psychiatrists are available at all times, if needed. The cost of this residential treatment is between \$1570 at Galen and \$2632 at Francis Mahan Chemical Dependency Center in Glasgow. Due to different interpretations of the terms "inpatient" and "outpatient" care, some insurance carriers are still reimbursing for this residential treatment under the benefit limit of \$1000 for outpatient care as stated in line 10 of page 5. As you can see, this does not cover the costs involved in that residential care.

As an alcohol and drug treatment professional I must tell you that when an individual is released from residential care, it is very important that follow-up counseling be a part of the next few months. The re-entry period when that individual returns to family, friends and work and learns to relate to them in new ways --- including not drinking alcohol --- is an extremely difficult one. Without outpatient counseling at that time the chances of that person maintaining sobriety are much less. As you can see, these costs are not usually covered under the scope of this bill -- depending on how the insurance carrier defines inpatient and outpatient.

I have only addressed the benefits associated with alcoholism and drug addiction. The benefits as they now stand are adequate. However, when benefits for mental illness are included in the same total amounts as our benefits, we end up with even less than we now have. Without the proposed amendment to separate the total dollar amounts, these three areas of diagnosis will be clustered together when insurance plans are negotiated.

Insurance carriers are much more resistant to the inclusion of mental health benefits than to alcohol and drugs. Their costs increase more with mental illness benefits, therefore, the consumer's premium costs will have to increase. Until now, the inclusion of alcohol and drug benefits has initiated a minimal, if any, premium raise. Without the separateness of mental illness benefits from alcohol and drug benefits (the inclusion of the amendment) we cannot support this bill.

JK/MM/em
Attachment