

MINUTES OF THE MEETING  
BUSINESS AND INDUSTRY COMMITTEE  
MONTANA STATE SENATE

The meeting of the Business and Industry Committee was called to order by Chairman Frank W. Hazelbaker on February 4, 1981, at 10:00 a.m. in Room 404 of the State Capitol Building.

All members of the Committee were present.

Chairman Hazelbaker called upon Senator Thomas who introduced Senate Bill 261, which authorizes banks to sell Credit Life Insurance and Disability Insurance.

PROPONENTS:

John Cadby, representing the Montana Bankers Association, testified on behalf of Les Alke. He stated that passage of this Bill would enable a bank to be licensed by the State Insurance Commissioner's Office, so that the bank can sell Credit Life Insurance with the commission going to the bank without violating the Law.

Josephine Driscoll, explained that she was testifying on behalf of the Montana Insurance Commissioner's Office. She stated that the Federal Laws have allowed banks to sell Credit Life and Disability Insurance to their borrowers, but the Montana Law has restricted the definitions of a bank to do other things; she said that the person selling such insurance would turn the commissions over to the bank.

OPPONENTS:

None.

Discussion followed, including questions from the Committee.

Senator Blaylock asked Mr. Cadby, how much danger there is that the bank says to the borrower that they will loan him-her the money if you take out the Life Insurance, and Mr. Cadby replied that Federal and State Laws make this act illegal; it cannot be a condition of the loan. This Bill has nothing to do with that particular issue.

No action was taken on Senate Bill 261 at this time.

Senator Thomas then introduced Senate Bill 263 which allows co-ops to retain payments on distribution should they be unable to find the person who has unclaimed capital credits. The monies would then revert back to the co-op itself. (Hand-out attached).

PROPONENTS:

Pat McKittrick, representing the Montana Association of Utilities, stated that this property must be unclaimed for seven years before it reverts back to the state. If, after six years, following proper

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notice to the last-known address, and that individual not being located, and after notice has been posted for four months, the monies would be forfeited and would revert to the co-op to use for the purposes of the co-op, rather than to the State of Montana. This is usually not a large sum of money. The Marias River Electric Co-op has an unclaimed total of \$7900. Most of these break down to between \$15-20 per person. Under the State Constitution, the property would revert back to the state. With passage of this Bill, the property would revert to the co-operative.

#### PROPOSERS:

Senator Turnage stated that under the Unclaimed Property Statute, this is characterized as "custodial". There is no statute of limitations. A person could come in anytime and claim his property. He stated that he was not for nor against Senate Bill 263.

Pat McKittrick stated that the Constitution does not define what "claimed dividends" are. Property which is unclaimed for seven years is considered abandoned; the Statute on this would be Title 70, chapter nine. Mr. McKittrick explained that the Inheritance Tax Division indicates that it has no problem with this Bill. The Attorney General should furnish a written Opinion on the Bill, which is patterned after North Dakota's Bill.

Senate Lee commented to Senator Turnage that he felt that the gist of Senate Bill 263 is that it is better for most cooperatives to provide service than to fund a rural school house.

Senator Regan asked Mr. McKittrick if any state, other than North Dakota, has this Law, and Mr. McKittrick replied not to his knowledge.

Senator Regan then asked Mr. McKittrick that, if this Bill were to pass, what is to prevent a bank or any other institution which has unclaim property from asking the same privilege.

Mr. McKittrick replied that you would have to handle this accordingly.

#### OPPOSERS:

None.

No action was taken on Senate Bill 263 at this time.

Senate Bill 275 was then introduced by Senator Ryan. Senator Ryan explained that Senate Bill 275 is to allow the sale of funeral insurance. This is to be called "Funeral Insurance", and it is to allow persons to obtain insurance who cannot do so because of age or other reasons. This insurance would provide cash to the person who is going to pay the funeral expense. It provides coverage for the face amount of the

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policy. (See attached handout). It will not allow funeral directors to sell insurance, nor will it allow funeral directors to be named as the beneficiary. It also will not allow any other individuals who provide funeral services to receive the insurance.

PROPONENTS:

Roland Pratt, Executive Director of the Montana Funeral Association, urged passage of the Bill.

John Malletta, President of the Montana Funeral Directors Association, explained that passage of this Bill would allow the sale of Funeral Insurance - not Burial Insurance. This insurance would be sold by insurance sellors - not funeral directors. The beneficiary would be the next of kin-not the funeral director. This means that many people can have \$1500 in a Funeral Insurance Policy and \$1500 in cash assets, and still qualify for Medicaid. Funeral Insurance is designated to take the strain off of the elderly who want and need this type of coverage. He said that what they are proposing provides a cash benefit to the beneficiary of the insured to pay all or part of the funeral expenses to the funeral home of its choice.

Clifton Anderson, representing the Washington State Funeral Association said that they have had Funeral Insurance for over 30 years, and Idaho has had it for 15 years. He explained that this is under the full jurisdiction of the Insurance Department. He advised that under this insurance the elderly can shelter funds under Medicaid - they can set aside \$1500 for Life Insurance and can have assets of \$1500. He said that major carriers are not marketing this product because it requires the endorsement and recommendation of the local funeral directors. The Bill can be sustained only with the endorsement of the local funeral directors; that is to say that he urges a program which will permit the funeral directors to endorse this type of insurance. He urged that the Committee give Senate Bill 275 a "Do Pass".

Elmer Hausken, who is associated with the Montana Association of Life Underwriters advised that they have no objection to this Bill. They concur with the Proponents. He said that most companies will not underwrite this program because it costs more than it pays.

Josephine Driscoll, speaking for the Montana Insurance Commission, stated that her department had formerly opposed this type of legislation but said that the Proponents of the Bill have removed the former objections. She said that most life insurance companies who sell this type of policy in this state are not licensed in the state. The other objection to the previous legislation was that it wasn't clear that a funeral director could not be named as the beneficiary. There is wording in this Bill which takes care of this situation. She stated

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that her Department concurs with these changes, and that they support the Bill with Amendments. Mrs. Driscoll explained that there is a re-structure, under Federal Law, for people who come under Medicaid. This must be designated as "Funeral Insurance", although they would allow them to call it a burial plan or a funeral plan.

Senator Regan asked Mrs. Driscoll if, when you referred to the \$1500 as a trust, if this wasn't a trust, and Mrs. Driscoll replied, no, it is a contract. Mrs. Driscoll explained that in the State of Montana you cannot go to a funeral director and pay him in advance for a funeral.

Senator Ryan asked that the Committee give Senate Bill 275 a "Do Pass".

Senator Blaylock moved the Amendments to Senate Bill 275.

No action was taken on Senate Bill 275.

Senator Hazelbaker stated that Executive Action will be taken on these Bills on Friday February 6, 1981.

There being no further business, Senator Hazelbaker adjourned the meeting.

  

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FRANK W. HAZELBAKER, Chairman

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ROLL CALL

BUSINESS and INDUSTRY

COMMITTEE

47th LEGISLATIVE SESSION -- 1981

Date Feb 4

NAME	PRESENT	ABSENT	EXCUSED
Goodover, Pat - Vice Chairman	X		
Hazelbaker, Frank - Chairman	X		
Blaylock, Chet	X		
Boylan, Paul	X		
Dover, Harold	X		
Kolstad, Allen	X		
Lee, Gary	X		
Regan, Pat	X		

Each day attach to minutes.

SENATE BILL NO. 261  
SENATE BUSINESS AND INDUSTRY COMMITTEE

February 4, 1981

MR. CHAIRMAN AND MEMBERS OF THE COMMITTEE:

I am John Cadby, Executive Vice President of Montana Bankers Association who has as its members, all 165 banks 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 un-licensed persons. 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. The Financial division of Montana's Department of Business Regulations issued a letter in 1977 instructing state chartered banks not to use commissions for the sole benefit of bank insiders.

Senate Bill No. 261 resolves this dilemma by authorizing state chartered banks to sell credit life and disability insurance only to their borrowers so that they can become licensed by the insurance division of the State Auditors Office. State chartered banks can 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 currency regulation and the state Department of Business Regulations letter of instructions.

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

NAME: Walter W. Anderson DATE: 2/4/81

ADDRESS: 1658 36<sup>th</sup> E Seattle, WA 98155

PHONE: (206) 363-6759

REPRESENTING WHOM? Int. General Ins. Assn

APPEARING ON WHICH PROPOSAL: SB 275

DO YOU: SUPPORT? X AMEND?        OPPOSE?       

COMMENTS: The bill will enable funeral homes to  
induce or recommend senior citizens in  
large communities to obtain small face  
amount funeral insurance policies.

These small policies are exempt from  
medical cost limitations - so permit seniors  
to shelter a portion of their funds

In addition, purchase of these small  
policies will reduce out-of-pocket burdens  
for welfare recipients + seniors.





NAME: \_\_\_\_\_ DATE: \_\_\_\_\_

ADDRESS: \_\_\_\_\_

PHONE: 202-338-2200

REPRESENTING WHOM? \_\_\_\_\_

APPEARING ON WHICH PROPOSAL: 10-16-1973

DO YOU:    SUPPORT? \_\_\_\_\_ AMEND? \_\_\_\_\_ OPPOSE? \_\_\_\_\_

COMMENTS: \_\_\_\_\_

PLEASE LEAVE ANY PREPARED STATEMENTS WITH THE COMMITTEE SECRETARY

NAME: Genard Tapia DATE: 2-4-81

ADDRESS: 3708 North Ave. West, Missoula

PHONE: (406) 728-2710

REPRESENTING WHOM? Montana Association of Licensed Insurancemen

APPEARING ON WHICH PROPOSAL: ~~11/1~~ SB 275

DO YOU:    SUPPORT? \_\_\_\_\_                      AMEND? \_\_\_\_\_                      OPPOSE? \_\_\_\_\_

COMMENTS: \_\_\_\_\_

PLEASE LEAVE ANY PREPARED STATEMENTS WITH THE COMMITTEE SECRETARY

NAME: Ed Sheehy Jr. DATE: 2-7-81

ADDRESS: 2031 17th Ave

PHONE: 442-9430

REPRESENTING WHOM? MT. Assoc. of R. & A. Underwriters

APPEARING ON WHICH PROPOSAL: SK 261 275

DO YOU:     SUPPORT?                      AMEND?                      OPPOSE?

COMMENTS: \_\_\_\_\_

PLEASE LEAVE ANY PREPARED STATEMENTS WITH THE COMMITTEE SECRETARY

NAME: Nora Mallick DATE: 3/4/81

ADDRESS: 224 W. Spruce - Mesa

PHONE: 543-3437

REPRESENTING WHOM? Mont. State Funeral Directors

APPEARING ON WHICH PROPOSAL: 4-1 275

DO YOU: SUPPORT? ✓ AMEND?            OPPOSE?           

COMMENTS: \_\_\_\_\_

PLEASE LEAVE ANY PREPARED STATEMENTS WITH THE COMMITTEE SECRETARY

# 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.

2/4/81

Box 908 Nelson

442 - 1432

MT Funeral Directors: Assoc

SP 275

OPPOSE?

COMMENTS:

PLEASE LEAVE ANY PREPARED STATEMENTS WITH THE COMMITTEE SECRETARY

NAME: Tom Brown DATE: Feb 4, 81

ADDRESS: Box 4243 - Helena, MT 59708

PHONE: 442-8999

REPRESENTING WHOM? Montana Senior Citizens Assn.

APPEARING ON WHICH PROPOSAL: SB 275

DO YOU: SUPPORT? ☒ AMEND? ☐ OPPOSE? ☐

COMMENTS: \_\_\_\_\_

This Bill pertains to MONTANA -

- AS A SENIOR CITIZEN I WISH TO EXPRESS MYSELF  
IN FAVOR OF THIS BILL.

CHOICE OF MORTUARY IS ONE THING -

THE SENIOR CITIZEN IS STILL ABLE TO

MAKE HIS/HER FUNDS AVAILABLE FOR

FUNERAL. THIS ALLOWS HIM/HER FREEDOM

TO SELECT AND APPLY THE FUNDS WHEREVER

THIS GIVES THE LEGISLATURE THE

RIGHT TO SAY WHAT PUNISHMENT IS DEEMED  
NECESSARY FOR GUILTY PARTIES -

IT CONTINUES TO BE SPECIFIC AND

NOT PERMISSIVE!



NAME: L. H. Smith DATE: 1/10/51

ADDRESS: 1000 1st St. N. W.

PHONE: 411-1111

REPRESENTING WHOM?

APPEARING ON WHICH PROPOSAL: CP. 261

DO YOU: SUPPORT? X AMEND?  OPPOSE?

COMMENTS: One of the main reasons for

the fact that the American people

have not been able to get

the money we need for the

country is that the banks are

not lending the money to the

business. That is why we need

more of this money and we need it

now. The banks should be able to make this

money available to the people by the

insurance companies.

Statement of Intent - SB 91

It is the intent of the legislature that SB 91 not conflict with SB 90. The bills are not in apparent conflict but both amend section 90-6-111. Both bills are effective on passage and approval. It is the intent of the legislature that should both SB 90 and SB 91 be enacted into law, section 90-6-111 should read as follows:

"90-6-111. Bonds and notes. (1) The board may by resolution, from time to time, issue negotiable notes and bonds in a principal amount as the board determines necessary to provide sufficient funds for achieving any of its purposes, including the payment of interest on notes and bonds of the board, establishment of reserves to secure the notes and bonds, including the reserve funds created under 90-6-119, and all other expenditures of the board incident to to and necessary or convenient to carry out this part.

(2) The board may by resolution, from time to time, issue notes to renew notes and bonds to pay notes, including interest, and whenever it deems refunding expedient, refund any bonds by the issuance of new bonds, whether the bonds to be refunded have or have not matured, and issue bonds partly to refund bonds outstanding and partly for any of its other purposes.

(3) Except as otherwise expressly provided by resolution of the board, every issue of its notes and bonds shall be obligations of the board payable out of any revenues, assets, or moneys of the board, subject only to agreements with the holders of particular notes or bonds pledging particular revenues, assets, or moneys.

(4) The notes and bonds shall be authorized by resolutions

of the board, shall bear a date and shall mature at times as the resolutions provide. A note shall not mature more than 10 years and a bond shall not mature more than 50 years from the date of its issue. The bonds may be issued as serial bonds payable in annual installments or as term bonds or as a combination thereof. The notes and bonds shall bear interest at a rate, or rates, be in denominations, be in a form, either coupon or registered, carry registration privileges, be executed in a manner, be payable in a medium of payment, at places within or without the state, and be subject to terms of redemption as provided in resolutions. The notes and bonds of the board may be sold at public or private sale at such prices, which may be above or below par, as are determined by the board.

(5) The total amount of notes and bonds outstanding at any one time, except notes or bonds as to which the board's obligation has been satisfied and discharged by refunding or for which reserve for payment or other means of payment have been otherwise provided, may not exceed \$675 million. The rate of interest on bonds or notes issued by the board may not exceed an interest rate equal to 1% less than the interest rate established from time to time by the U.S. department of housing and urban development (HUD), federal housing administration (FHA). The interest rate shall be determined for each issue of bonds or notes according to the HUD/FHA rate in effect 30 days prior to the sale of the bonds or notes."

Proposed Amendments to SB 49:

1. Page 2, line 4.

Following: "incurred"

Insert: "under group"

2. Page 2, line 5.

Following: "under"

Insert: "group"

3. Page 2, line 6.

Following: "contracts,"

Strike: "the level of"

Following: "benefits"

Strike: "specified in [section 3]"

4. Page 2, line 7.

Following: "care"

Strike: "subject to the right of the applicant"

Insert: ". Applicants"

5. Page 2, lines 8 and 9.

Following: "group"

Strike: "or individual"

Following: "contract"

Strike: remainder of line 8 through "or to" on line 9.

Insert: "may"

6. Page 2, line 9.

Following: "any"

Strike: "alternative"

7. Page 2, line 11 through line 20.

Strike: section 3 in its entirety.

Renumber: subsequent sections.

8. Page 2, line 24.

Following: "blanket"

Insert: ", short term travel, accident only, limited or specified disease,"

9. Page 2, line 25.

Following: "contracts"

Insert: ", or to policies or contracts designed for coverage under Title XVIII of the Social Security Act, known as Medicare, or any other similar coverage under federal governmental plans"