

MINUTES OF THE MEETING
BUSINESS AND INDUSTRY COMMITTEE
MONTANA STATE SENATE

April 1, 1981

The regular meeting of the Business and Industry Committee was called to order by Chairman Hazelbaker at 10 a.m. in room 404 of the Capitol Building on Wednesday, April 1.

ROLL CALL: All members were present with the exception of Senator Blaylock, excused because of another meeting.

SENATE JOINT RESOLUTION NO. 33: Senator Regan, District 31, presented the bill. SJR 33 requests an interim study of the insurance laws of Montana and the insurance industry as it relates to Montana. The study is requested because of the complexity of the insurance industry and the large number of bills introduced this session relating to insurance. Insurance laws have not been looked at for a long time and I think it would be appropriate for an interim study to look at rates, policy or whatever.

SENATOR GOODOVER: I go along with the need for a study. I originally planned on introducing this in the last session and never got around to it. This year the insurance companies came in with a bill to put it in understandable language, which was a step in the right direction.

JOSEPHINE DRISCOLL representing the Montana Insurance Department. I would request that I could say a little about our insurance laws and how they become laws. The basic code came from John J. Holmes. Hearings were held in Helena and they went on for several days. The position of State Auditor was created by the constitution of 1889 and was continued in the 1972 constitution. The position of Insurance Commissioner was created, effective January 1, 1961. The position of Securities Commissioner was created and effective July 1, 1961. This was House Bill No. 29 which was known as the Williams code. The State Auditor is elected by the qualified voters of Montana, by statewide general election. The Insurance Department is headed by the Chief Deputy Commissioner of Insurance, and the Securities Department is headed by the Deputy Securities Commissioner. The Audit Department is headed by the Deputy State Auditor. Some of the departments are further broken down into divisions and sub-units. The State Auditor is responsible for administration of the Office of the State Auditor and its departments, serves as Ex Officio Commissioner of Insurance, Ex Officio Securities Commissioner, and superintends the general fiscal concerns of the state.

The Insurance Department is responsible for providing protection for Montana consumers of insurance. The Insurance Department authorizes and examines insurers, reviews insurance rates and forms, administers security deposits, and collects and distributes premium taxes. The Insurance Department examines and licenses agents, solicitors, and adjusters. The insurance department answers inquiries, investigates and resolves consumer complaints regarding all aspects of insurance, including those involving agents and insurers.

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All requests for hearings, declaratory rulings, and participation in rule making may be addressed to the State Auditor unless the notice in the Montana Administrative Register makes specific provision for submissions. The Montana Insurance Department is charged with the responsibility of the regulation of the insurance industry for the protection of the insurance buying public, as set forth in Title 33, MCA, as follows:

- 1) To provide the insurance buying public with financially solvent companies and to assure them of the solidity of insurers, including examination of the affairs, transactions, accounts, records and assets of each authorized insurer as often as is deemed necessary.
- 2) For the purpose of maintaining fairness in insurance transactions, to examine accounts, records, documents and transactions of agents, managers, etc., pertaining to or affecting insurance affairs or proposed insurance affairs.
- 3) To collect all insurance and license fees as provided for by the insurance laws of this state.
- 4) To require that any insurer transacting business in this state be authorized by a subsisting certificate of authority.
- 5) For the protection of the people of this state, to require that any agent or solicitor must qualify by written examination for license in compliance with the code and be licensed.
- 6) To regulate trade practices in the business of insurance by defining, or providing for determination of, all such practices in this state which constitute unfair methods of competition or unfair or deceptive acts or practices and by prohibiting the trade practices so defined or determined.
- 7) To promote public welfare by regulating insurance rates as provided in the code, to the end that they shall not be excessive, inadequate or unfairly discriminatory, and to authorize the existence and operation of qualified rating organizations and advisory organizations.
- 8) To provide that no basic insurance policy or annuity contract form, or application form where written application is required by law and is to be made a part of the policy or contract, or printed rider or endorsement form or form of renewal certificate shall be delivered, or issued for delivery in this state, unless the form has been filed with and approved by the insurance department.

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9) To allocate amounts of funds to be distributed, from premium taxes collected, to other sources, as provided by law, such as firemen and police pension funds.

10) To investigate all inquiries and complaints made by consumers regarding companies, agents, solicitors or adjusters, and assist policyholders with settlement of claims.

During the past several years the insurance department has introduced a number of bills. As a general rule the changes are the result of work by the National Association of Insurance Commissioners. These are not done on the spur of the moment. First, we must determine if there is a need. A number of meetings are held, some with consumer groups to gain their input. This information is referred to one of three committees, C-1, C-2, or C-3, each with given tasks. These meetings are open to any consumer groups and they are asked for their opinion. Their report then has to be adopted. This report then has to go on to the parent committee and if the parent committee votes for the change it then goes on to the executive committee, and then it goes to the plenary session.

Industry is not allowed to put any policy into this and it then goes to each state and they must decide if they want to adopt the law. We have a member on the National Task Force. I just served on a committee on long-term life and health. Montana was the first state protecting the consumer from life and health companies, the guarantee association would come in and pay these claims.

She went on to give examples of companies, such as Empire Insurance Company. She explained Medicare supplements, and also minimum standards, and casualty insurance rates. The rates are now a file-in-use. She explained how this would work if the rates are excessive.

She mentioned that Norma Seifert is now the chief of regulations in Policyholders Service. She also went through the list of new adoptions of laws. There were 19 bills introduced this session dealing with insurance and 9 of them came from our department.

There is no mandate that any company has to use a specific form at this time. She explained the divorce law and the privacy act, and the availability of insurance for mental illness and other problems. We believe our laws will compare favorably with other states. New procedures have resulted in some areas of insurance. The insurance department is one of the most innovative and changing and we do not become complacent. Because the population is small and the territory large this creates problems. Our problems differ from any other

state. We would welcome any study but we would ask that it be done by someone in the insurance area.

ROGER McGLENN: We would welcome an interim study and offer our assistance in any way possible.

NO OPPONENTS:

QUESTIONS FROM THE COMMITTEE:

SENATOR KOLSTAD: What do you mean by red lining.

JO DRISCOLL: That is an effort to not write insurance in a particular area. This is a problem in large cities. A certain area is outlined on a map, and for various reasons, no insurance will be sold in that area. It is illegal to do this.

SENATOR GOODOVER: Until about two years ago I was not aware that a company should notify a policyholder if there is an increase in coverage, such as on a house at \$60,000 and it is raised to \$64,000. They can't force you to increase the policy if you don't want to.

JO DRISCOLL: If you have a loss you do have to give the full amount of value on your home, but if you don't have it covered to that amount then you don't get the total amount of the repairs done. If you recognize that you will not be paid.

SENATOR GOODOVER: I feel that a person should be notified that an increase will take place.

JO DRISCOLL: This is the responsibility of the agent.

SENATOR HAZELBAKER commented that some policies have an inflation guard.

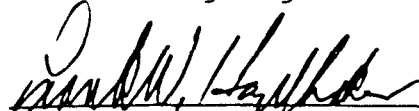
There was no further discussion on the bill and the hearing closed on Senate Joint Resolution No. 33.

ACTION TAKEN ON SENATE JOINT RESOLUTION NO. 33:

SENATOR LEE moved that SJR 33 do pass. The motion carried with the vote unanimous.

SENATOR REGAN will carry since she is the sponsor.

The meeting adjourned at 11:15 a.m.



Frank W. Hazelbaker, Chairman
MEC

ROLL CALL

BUSINESS and INDUSTRY

COMMITTEE

47th LEGISLATIVE SESSION -- 1981

Date 4/1/81

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

Each day attach to minutes.



STATE OF MONTANA

OFFICE OF

E. V. "SONNY" OMHOLT
STATE AUDITOR

COMMISSIONER OF INSURANCE
INVESTMENT COMMISSIONER
CENTRAL PAYROLL SYSTEM

HELENA, MONTANA 59601

INSURANCE DEPARTMENT STAFF

ADMINISTRATION

JO DRISCOLL	CHIEF DEPUTY INSURANCE COMMISSIONER
JIM CHEETHAM	ASSISTANT CHIEF AND ADMINISTRATIVE OFFICER
M. VALENICA LANE	CHIEF LEGAL COUNSEL
MARSHA EDDEN	SECRETARY

COMPANY SUPERVISION

TERRY MEAGHER	CHIEF EXAMINER
RENEE JACQUES	ASSISTANT EXAMINER

AGENT'S SUPERVISION

JOYCE MEAGHER	CHIEF LICENSING DIVISION
DOROTHY McENANEY	LICENSING CLERK
MITZI DEVIVIER	LICENSING CLERK

POLICY HOLDERS SERVICE REPORT

April 1979 thru March 1980	New Files Opened 2,069	Files Closed 2,236	Valid Complaints 751	\$ Recovery \$1,138,489.93
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NO. OF RESIDENT & NON-RESIDENT AGENTS LICENSED at June 30, 1980

LIFE ONLY	3,142
CASUALTY ONLY	1,297
LIFE & CASUALTY	1,114

COMPANIES AUTHORIZED June 30, 1980

No. of Companies

Life & Disability	497
Casualty/Property/Title	459
Fraternal	26
Montana Farm Mutuals	14
Benevolents	2
Motor Clubs	16
Health Service Organization	4
	<u>1018</u>

AGENTS EXAMINATIONS for year ending Dec. 31, 1979

Number of Examinations	1,247
Number Passed	855
Number Failed	392

COLLECTION / EXPENSE REPORT FOR FISCAL YEAR ENDING JUNE 30, 1979

	TOTAL FEES & TAXES COLLECTED	Number of Companies authorized	Overhead and op- erating expenses	% - Overhead and expenses to Revenue
1962	\$ 2,485,565	563	N/A	N/A
1963	2,676,971	564	N/A	N/A
1964	2,854,238	582	\$ 69,168	2.4%
1965	2,977,239	620	63,883	2.2%
1966	3,167,053	648	75,499	2.4%
1967	3,415,952	651	91,338	2.7%
1968	3,517,507	707	98,028	2.8%
1969	3,822,617	756	93,376	2.4%
1970	4,931,700	805	114,101	2.3%
1971	5,383,425	823	112,156	2.1%
1972	6,115,751	842	137,565	2.3%
1973	6,812,473	897	142,711	2.1%
1974	7,366,923	945	239,480	3.3%
1975	8,323,217	955	366,842	4.4%
1976	9,483,281	969	338,409	3.6%
1977	11,239,651	956	351,641	3.1%
1978	12,656,322	984	400,108	3.2%
1979	14,367,308	996	394,904	2.7%
1980	15,177,033.	1016	429,232.	2.8%

STATE OF MONTANA
E. V. "Sonny" Omholt
State Auditor
Commissioner of Insurance
Helena, Montana

INSURANCE DEPARTMENT COLLECTIONS FOR FISCAL YEAR ENDING JUNE 30TH:

1962	1963	1964	1965	1966	1967	1968	1969	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980	% OF OPER. EXP. TO REVENUE
\$101,165	\$120,955	\$91,153	\$89,746	\$90,004	\$89,444	\$91,092	\$91,037	\$99,760	\$102,890	\$106,524	\$116,202	\$126,619	\$279,201	\$274,750	\$268,138	\$344,201	\$556,908	\$417,808	N/A
\$48,302	\$43,225	\$59,897	\$47,196	\$55,246	\$51,316	\$56,418	\$56,537	\$253,806	\$261,364	\$267,131	\$292,854	\$301,538	\$319,064	\$309,253	\$311,295	\$324,678	\$338,501	\$336,024	N/A
\$27,512	\$27,313	\$27,818	\$28,722	\$29,881	\$31,860	\$29,972	\$34,902	\$66,952	\$72,487	\$129,231	\$147,829	\$158,521	\$182,858	\$191,133	\$236,459	\$274,848	\$310,103	\$342,138	N/A
\$1,182,296	\$1,290,876	\$1,331,861	\$1,377,099	\$1,480,737	\$1,605,392	\$1,643,372	\$1,786,786	\$2,239,370	\$2,483,581	\$2,921,201	\$3,221,340	\$3,519,525	\$4,013,822	\$4,591,501	\$5,804,292	\$6,541,861	\$7,380,643	\$8,049,699	N/A
\$1,086,353	\$1,154,144	\$1,303,426	\$1,388,658	\$1,460,357	\$1,583,304	\$1,643,098	\$1,774,334	\$2,245,201	\$2,445,508	\$2,665,545	\$3,005,581	\$3,222,842	\$3,487,943	\$3,690,125	\$4,054,309	\$4,513,215	\$5,059,252	\$5,232,148	N/A
\$39,937	\$40,458	\$40,083	\$45,818	\$50,828	\$54,636	\$53,555	\$79,021	\$26,611	\$17,595	\$26,119	\$28,667	\$37,878	\$40,329	\$44,835	\$67,425	\$84,519	\$77,113	\$88,253	N/A
\$2,485,565	\$2,676,971	\$2,854,238	\$2,977,239	\$3,167,053	\$3,415,952	\$3,517,507	\$3,822,617	\$4,931,700	\$5,383,425	\$6,115,751	\$6,812,473	\$7,366,923	\$8,323,217	\$9,483,281	\$11,239,651	\$12,656,322	\$14,367,308	\$15,177,033*	N/A
\$24,809	\$23,330	\$25,706	\$26,686																
\$69,168	\$63,883	\$75,499	\$91,338	\$98,028	\$93,376	\$104,101	\$112,156	\$137,565	\$142,711	\$239,480	\$366,842	\$338,409	\$351,641	\$400,108	\$394,904	\$429,232			N/A
563	564	582	620	648	651	707	756	805	823	842	897	945	955	969	956	985	996	1018**	
2.4	2.2	2.4	2.7	2.8	2.4	2.3	2.1	2.3	2.3	2.1	3.3	4.4	3.6	3.1	3.2	2.7	2.8		

*611% of 1962

**180% of 1962

1018 Actual Companies authorized at 6/30/80 (includes Health Service Corporations, Motor Clubs, Fraternal, Farm Mutuals etc.)

STANDING COMMITTEE REPORT

April 1,

19 81

MR. **PRESIDENT:**

We, your committee on **BUSINESS AND INDUSTRY**

having had under consideration **SENATE JOINT RESOLUTION**

Bill No. **33**

Respectfully report as follows: That **SENATE JOINT RESOLUTION**

33 Bill No.

DO PASS

11/11
Frank W. Hazelbaker,

B.A.
Chairman.

MINUTES OF THE MEETING
BUSINESS AND INDUSTRY COMMITTEE
MONTANA STATE SENATE

April 13, 1981

The meeting was cancelled because of lack of a quorum and rescheduled for Wednesday, April 15, at 10 a.m. in room 404 of the Capitol Building.