

HOUSE BUSINESS & INDUSTRY COMMITTEE

Rep. Jerry Metcalf, Chairman, called the Business & Industry Committee to order on March 3, 1983, in Room 420 of the Capitol Building, Helena, Montana, at 9:00 a.m.

SENATE BILL 249

SEN. TOWE, District 34, sponsor, opened by saying this bill comes from a problem we created because of usuary laws in Montana. In 1975 the usuary limit was set at 3% above the federal discount rate. It was a floating rate to realistically recognize that 10% usuary rate was probably low. That was fine until interest rates went to 21% and the federal discount rate was 12%. We came back and said regulated lenders shall have no usuary rate. This year we passed a law making that permanent. What about everybody else? We are back at 3% above the discount rate. The typical bank rate is usually above the 3% usuary rate. There should be an upper limit on usuary to protect the public from loan sharks. We suggest we go back to 10% with a floater which would correct the problem of the 1975 bill. Instead of using the federal discount rate, we use the average prevailing interest rate used by the State of Montana but not lower than 10% as determined by the Department of Commerce. Every 120 days they will publish the rate. I also have a proposed Statement of Intent. (Exhibit #1)

PROPOSERS:

GEORGE ALLEN, Montana Retail Association: We originally opposed this bill but with the amendments, we will support it.

OPPOSERS:

LES ALKE, Commissioner of Financial Institutions, Department of Commerce: My concern is that there may be an administrative nightmare involved here in determining the average interest rate of regulated lenders. The rulemaking procedure is quite time consuming. I agree that this bill should be amended but I hoped it could have a more certain and less controversial means of adjusting - like being pegged to the national rate.

SEN. TOWE, in closing, said he did not care what method was chosen to correct the problem. A suggestion would be 2% above the recognized prime throughout the United States.

QUESTIONS:

REP. FAGG: Why put the 10% floor on it? Sen. Towe: It's always been the case in Montana and the Senate liked it.

REP. ELLISON: Is it necessary to adjust it three times a year? Sen. Towe: My concern was that it not fluctuate too often.

REP. HARPER: What purpose does the 10% serve? Sen. Towe:

People assume there is a bottom floor, but we don't need it.
REP. HARPER: It seems the department would have to go through rulemaking every time they proposed a different rate. Could we get them out of that and just mandate they post it somewhere or state it in the register? Sen. Towe: That's a good idea. One rule should be adopted for procedure for determining the rate and then the rule may be amended without a full rule making procedure. Mr. Alke: That would be much better.
REP. HARPER: If we give them the authority to set it, we would not need a Statement of Intent.
REP. JENSEN: I think we should peg this to prime. 4% above prime would be good. Sen. Towe: If you peg it to prime you must remember that the federal discount rate does not fluctuate as often and it doesn't necessarily reflect the federal discount rate. Prime moves every day. I think the Department of Commerce should determine what the prime was for a particular day.

SENATE BILL 11

SEN. ED SMITH, District #1, sponsor, opened by saying this bill is at the request of Farm Mutual Insurance Companies who came up with a resolution that they be allowed to sell farm liability insurance. Presently, they can only sell fire insurance. They want to set up a stock corporation and sell farm liability insurance. The bill has been amended.

PROPOSERS:

TERRY MEAGHER, Chief Examiner, Montana Insurance Department: We are in support of SB 11. There are about 12 county farm mutuals. They can only sell to themselves. There are two state farm mutuals who can sell across the state but only to farmers and ranchers. They cannot sell to the general public. These mutuals were formed when times were tough and their insurance is very limited. They came to the department and asked for our help which resulted in this bill.

NORMA SEIFFERT, Chief Deputy, Montana Insurance Department: The Commissioner sends his support of this bill and so do I.

SEN. SMITH, in closing, said this will give the farm mutuals an opportunity to be in a more competitive position.

QUESTIONS:

REP. METCALF: Would someone from this committee like to carry this bill on the floor if it passes? Rep. Schultz: I will.

EXECUTIVE SESSION:

SENATE BILL 11

REP. ELLISON: I move Senate Bill 11 BE CONCURRED IN.
QUESTION: Motion carried unanimously.

SENATE BILL 249

REP. FAGG: I think this should be tied to the prime rate and the 10% floor taken out.

REP. METCALF: Sen. Towe had some concerns about it being tied to prime.

REP. SCHULTZ: Tie it to prime and make the plus factor variable.

REP. HARPER: Put the lid of 20% back on it.

REP. SCHULTZ: Some place up in the high prime, it should just go to prime.

REP. HARPER: I have some suggested amendments that would put it 4% above prime and put a 20% lid on it.

REP. METCALF: We will have Paul Verdon work out Rep. Harper's amendments and report back to committee tomorrow.

The hearing adjourned at 10:00 a.m.



REP. JERRY METCALF, CHAIRMAN

Linda Palmer, Secretary

STANDING COMMITTEE REPORT

MARCH 3

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SPEAKER:

MR.

BUSINESS & INDUSTRY

We, your committee on

SENATE

11

having had under consideration Bill No.

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A BILL FOR AN ACT ENTITLED: "AN ACT TO ALLOW A FARM MUTUAL INSURER TO INVEST IN THE COMMON STOCK OF AN AFFILIATE DOMESTIC STOCK INSURER IN AN AMOUNT NOT TO EXCEED ONE-THIRD OF THE ASSETS OF THE FARM MUTUAL INSURER; TO PROVIDE FOR ISSUANCE UPON LIMITED EXAMINATION OF A RESTRICTED AGENT'S LICENSE TO TRANSACT FARM LIABILITY INSURANCE OF THE AFFILIATE DOMESTIC STOCK INSURER, AMENDING SECTIONS SECTION 33-4-403 AND 33-17-212, MCA."

SENATE

11

Respectfully report as follows: That Bill No.

BE CONCURRED IN
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STATEMENT OF INTENT RE: SB 249

Section 1. A statement of intent is required for SB 249 because of the rule making authority granted in section 1 (2).

Section 2. It is the intent of the legislature that the department of Commerce determine the average prevailing rate of interest used by regulated lenders in Montana by contacting a sample number of regulated lenders representative of large urban areas and rural areas throughout the state. The department shall ascertain the highest rate of interest normally charged by such lenders and average the rates so ascertained from each sample lender to determine the adjusted maximum rate of interest to be promulgated by rule under section 1 (2).

Section 3. The department of Commerce may not promulgate a rule adjusting the maximum interest rate as provided by this act any more often than once every 120 days. If there has been no substantial change in the average rate, the department may delay an adjustment beyond 120 days.

Bus. & Ind

COMMITTEE

SB 249

DATE 6-1-68

SPONSOR

[illegible]

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

WHEN TESTIFYING PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

Bus. & Ind.

COMMITTEE

SB 11

3-3

SPONSOR

NAME	RESIDENCE	REF REPRESENTING	SHIP PORT
Norma Scaffart	Helena	Mt. Ins Dept	✓
Benny McLaughlin	Helena	Mont. Ins. Dept.	X

WHEN TESTIFYING PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.