

MINUTES OF THE MEETING
AGRICULTURE, LIVESTOCK & IRRIGATION
MONTANA STATE SENATE

February 14, 1983

The Agriculture, Livestock and Irrigation Committee meeting was called to order on the above date, in Room 415 of the State Capitol Building, at 1:00 p.m., by Chairman Galt.

ROLL CALL: All members present.

HOUSE BILL 159: Representative Orville Ellison, HD 73, explained that the bill addresses rodent districts within a county. By some error between the Senate and printing, the old county rodent control law was wiped off the books. This puts the old law back into the books. Representative Ellison then pointed out the minor changes in the bill.

Gary Gingerly, representing Keith Kelly, Department of Agriculture, supported the bill saying the committee will have another bill (HB 85), relating to this bill. The definitions in this bill are the same which makes sure of no differences. This piece of legislation would prevent a resident in a small county to be taxed twice. The effective date is immediate because some counties have rodent problems which must begin soon. Exhibit #1.

Jeanne Rankin, Montana Farm Bureau, supported the bill. Exhibit #2.

Mr. Gingerly explained to Senator Ochsner that, with HB 85, they have been carrying out the functions for two years. It has been done through the Department of Livestock and, if the bills are approved, it will automatically refer to the Department of Agriculture.

Senator Aklestad asked about the amounts of money on page 4 coming from the county general fund and if it was mandated in every county whether they have a program or not. Mr. Gingerly answered they still have to decide how many mills will go to that.

Senator Aklestad wanted to know what the Department was going to do with this money. Mr. Gingerly replied it would go for supplies, such as baits, which the county had purchased. In some cases the producer also paid for part of the program. It helps pay the board members and the employees that go out into the county to carry out the activities.

In reply to Senator Aklestad's question on how many counties have a pest control district, Mr. Gingerly answered no counties. The district portion has to be done under petition.

Senator Galt thought some counties were covered. Mr. Gingerly replied that only general county programs were but in terms of organized districts there were none. The bill is not the district

one, it is the county one. This bill reinstates the county program. When it was wiped off the books, they could no longer participate.

Senator Aklestad asked if, under this bill, it gives the department jurisdiction as far as going on to private property. Representative Ellison replied no, there is nothing compulsory about it.

Senator Ochsner asked if employees are to be transferred from one department to another. Mr. Gingerly answered that there are 4 people in rodent and predator control. The remaining 2 people worked in their department.

The hearing closed on HB 159.

SENATE BILL 317: Senator Chet Blaylock, Senate District 35, told committee members that this bill restablishes the Board of Hail Insurance sunsetted under the Sunset Law. He reviewed the bill pointing out the changes. The Board was established in 1917 because some counties were unable to get insurance. Montana is in good shape and can pay losses in one shot. Montana has paid back better than 5 million dollars to the farmers. He compared Montana's program with private programs (see page 4 of Exhibit #6).

Senator Matt Himsl, SD 9, explained that he was chairman of the audit committee which did the sunset audit on the Hail Board. The Hail Board is a small operation. In the callendar year of 1981 they only issued 2,000 policies. The state insurance rates were lower than others within the state. They collected 1.9 million dollars in premiums and paid out 1.9 million in losses. In 1981, 21 commercial agencies collected 18.1 million and paid out 12.2 million. The state program is not a great program that is invading the private sector. They could find no compelling reason why the farmers should be denied a program like this at this time. He urged support of the committee recommendation. Audit report attached as Exhibit #3.

Jim Stephens liked the uniqueness of the program and urged support. Exhibit #4.

Keith Kelly, Department of Agriculture's prepared statement was introduced. Exhibit #5.

Jack Gunderson, State Hail Board, presented the committee with a hail season summary. He called members' attention to what the program has been doing. Exhibit #6.

Mike Rasmussen, Montana Grain Growers Association, presented written testimony. Exhibit #7.

Testimony from WIFE, in favor of the bill, attached as Exhibit #8.

Further proponents:

Bill Asher, Agricultural Preservation Association
Montana Farmers Union
Joe Lamson, Montana Democratic Party
Arnold Peterson
Paul Holze
George Mattson

OPPONENTS: Phil Strobe, appearing for Crop Hail Management,
Exhibit #9.

Mike Felt, President Mountain States Insurance and President,
Crop Hail Management. Exhibit #10.

Bob Lowrey, Continental Insurance Company, said he has been in
crop insurance since 1964 as an adjuster and supervisor. He
opposed the bill saying there are 22 commercial carriers in
the state. He thought there should be some consistency in
legislation.

Dean Mitchel, Manager of Federal Group Insurance, felt private
industry was the way to go.

The following rose in opposition to the bill:

Roger McGlenn, Independent Insurance Agents Association of
Montana
Don Peterson, Kalispell, Crop Hail Management
Norman Claypend, Great American Insurance, Spokane
Francis Gift, Cimmaron Insurance Co., Great Falls
Nina Victor, Rain & Hail Ins. Service
Ken Bladow, Dornberger & Co.
Tom Samsel, Cimmaron Insurance
Tom Bramlette, Farm Bureau Insurance
Tom Holland, Farm Bureau Ins.
Mick Delaney, Insurance Agent
John McIntosh, Insurance Agent (see Exhibit #11)
Bob Burns, Insurance Agent (see Exhibit #12)

Testimony from M. E. Marquardt, Mountain West Farm Bureau
Mutual Insurance Company, in opposition to the bill, was intro-
duced. Exhibit #13.

Senator Aklestad asked who did the adjusting for the state. He
was told they hire one full time and 13 part time adjusters.
There are 5 people on the State Hail Board; Jim Stephens, Chair-
man, Tom Deveny, member, Adrien Long, member, the Department of
Agriculture Director and the State Auditor.

In closing, Senator Blaylock commented that it would be uncon-
ceivable for the state legislature to abolish the Hail Board

Agriculture
February 14, 1983
page 4

because 3.7 million dollars goes into the general fund. He thinks that belongs to the farmers. He said private enterprise was great, but there has not been an invasion in only this area. He compared it to highways, schools and liquor boards.

Senator Galt thanked both the opponents and the proponents for putting together a good presentation.

There being no further business, the meeting adjourned.



SENATOR JACK E. GALT, Chairman



ROLL CALL

AGRICULTURE COMMITTEE

48th LEGISLATIVE SESSION - - 19 83

Date 2-14-83

NAME	PRESENT	ABSENT	EXCUSED
GALT, Jack E.	✓		
KOLSTAD, Allen C.	✓		
AKLESTAD, Gary C.	✓		
OCHSNER, J. Donald	✓		
GRAHAM, Carroll	✓		
BOYLAN, Paul F.	✓		
CONOVER, Max	✓		
LANE, Leo	✓		
LEE, Gary	✓		

Each day attach to minutes.

SENATE AGRICULTURE COMMITTEE

BILL _____

VISITORS' REGISTER

DATE 4/14/83

NAME	REPRESENTING	BILL #	(check one)	
			SUPPORT	OPPOSE
Jim Stephens	State Hail Bd. - wife Mont. Farm Bureau - APA	SB 317	✓	
George Mattern	Farmers	SB 317	✓	
Dean McFadden	farmer	SB 317	✓	
Adrien Long	farmer	SB 317	✓	
John M. Smith	INS. AGENT	SB 317		✓
Rich Delaney	INS. AGENT	SB 317		✓
Bob Burns	INS. Agent	SB 317		✓
Robert McDonald	Ins. Adjuster	SB 317	✓	
George Peterson	Farmer	SB 317	✓	
Jack Anderson	Hate Board of Hail Inc.	SB 317	✓	
Mark Rasmussen	Mt. Grain Growers Assn.	SB 317	✓	
Paul Hoke	Farmers & Ranchers	37	✓	
DAVE GOULD	LEGISLATIVE AUDITOR	SB 317		
Jeanne Rankin	MT Farm Bureau	HB 159	✓	
Gary Ginger	MT. Dept. of Agric	HB 159	✓	
Tom SAMSEL	CIMARRON INS.	SB 317		✓
Ken Bladow	Dornberger & Co	SB 317		✓
NINA Victor	Rain Hail INS. Serv.	SB 317		✓
FRANCIS H. GIFT	CIMARRON INS. Co.	SB 317		✓
Thomas L. Clapp	Ext. American Ins.	SB 317		✓
Don Peterson	Grain Hail Mgt.	SB 317		✓
Don Mitchell	F.C.I.C.			
Harlene Brown	Grain Hail Mgt.	SB 317		

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY

, 1983

VISITORS' REGISTER

[illegible]

County Rodent Legislation

The purpose of HB 159 is to clarify several sections of the rodent district act passed during the last legislature. The most significant amendment proposed is Section 7-22-2215 identifying how the rodent board should be formed. This amendment was actually proposed and passed in committee during the last legislature but was inadvertently left out of the final bill sent to the Senate. The basic thrust is to permit the county governing body to appoint a rodent control board which may or may not be the same as the weed control board. Existing legislation requires the weed board to serve as the rodent control board.

The NEW SECTIONS of HB 159 (Sections 4-9) are essentially the same as the old county Rodent Act, passed in 1975, which was inadvertently repealed during the 1981 legislative session. A number of counties had operated rodent programs under this Act until they were cut off at the pockets after it was repealed during the 1981 session.

As with HB 85 there has been a suggested change from rodent pests to vertebrate pests. The reasons for this are as follows:

Most federal legislation and most of the surrounding states' legislation is written in terms of vertebrate pest species rather than rodent species. If the County is to enter into cooperative agreements with Federal agencies it would be much easier to do so on an equal and comparative basis.

Troublesome and nuisance pests such as jackrabbits, skunks, raccoons, bats and several bird species are not rodents and could not be covered under the rodent act. They are vertebrates, and they are pests in some areas of Montana, and can be included under the vertebrate pest designation as proposed in the bill.

Bats can be a nuisance and are known disease and rabies carriers. There are no pesticides available for use by the general public for bat control. The compound that is available is available to government personnel and PCO's only.

The bird species named are problems for producers in sunflower fields, barnyards and feed lots. Also, the past 2 years we have had problems with starlings eating leaf cutter bees in certified alfalfa seed fields. The control chemicals, once again, are available only to government agencies. The County, working through the Department, could provide assistance to the producers experiencing problems.

Starlings, house sparrows and pigeons can also be nuisances in and around public buildings in urban areas. The county could provide assistance in this area through the provisions of this bill.

There are a number of counties on the west side of the divide which consider the new sections of this bill critical if they are going to have a vertebrate pest program. Since they no longer have the statutory authority to appropriate funds their programs will be defunct, while the problem pests will continue to thrive on the producer's crops.

Point of Clarification: The district rodent bill, which is presently on the books, was intended as a way to help a group of producers in a localized situation that were experiencing a similar rodent problem. Because of the way in which a district can be established under this legislation, it would be virtually impossible for a county to become a district.

The proposed new sections in HB 159 allows those counties who experience rodent and other vertebrate pest problems to set up a systematic and organized program at the county level to address those problems.

NAME: Janice Rankin

DATE: Feb 14 -83

ADDRESS: 502 S. 19th Bozeman, MT

PHONE: ~~442~~ 442-1770 & 2306

REPRESENTING WHOM? MT Farm Bureau

APPEARING ON WHICH PROPOSAL: HB-159

DO YOU: SUPPORT? X AMEND? _____ OPPOSE? _____

COMMENTS: The MT Farm Bureau would like to go on
record in support of HB 159. Our members believe
in being allowed to utilize Federal Control in the
order to achieve proper livestock controlled land
management. I wish your support of HB 159

Janice M Rankin
2-14-83

PLEASE LEAVE ANY PREPARED STATEMENTS WITH THE COMMITTEE SECRETARY.

Exhibit 2
Agriculture
2-15-73

State of Montana

REPORT TO THE LEGISLATURE

Sunset Audit

BOARD OF HAIL INSURANCE

The 1977 Sunset Law terminates the Board on July 1, 1980. This report provides information to assist the legislature in making the decision to continue or modify the Board.

This report presents 14 areas for legislative consideration (page 10) including:

General State Insurance

Montana's current status

Montana's current rating

Comparison of Montana's rating with other states

Comparison of Montana's rating with other states

EX #4
2-14-83
AG.

TESTIMONY OF JIM STEPHENS
SENATE COMMITTEE OF STATE AGRICULTURE
February 14, 1983

Mr. Chairman and Members of the Committee:

My name is Jim Stephens, I am the chairman of the Board of
of Hail Insurance.

I have a wheat farm at Dutton, Montana, and have been a user
of the State Hail Insurance program for the past 30 years.

The Hail Insurance program is one of the best pieces of self
help legislation that has ever came about. The Program implimented
in 1917 has run successfully ever since with some modifications.

As you know, the farmer is allowed a maximum coverage of \$24.00
per acre on dry land and \$48.00 on irrigated land. He applies for
his coverage through the county assessor in the county where the
grain is produced. The assessor writes up the contract, the county
collects the premium either thru direct payment or addition to land
taxes. The county sends the premium to the State Treasurer. For
this service the county is paid 1% of the premium.

The State Treasurer takes in all funds, writes all warrents for
hail loss and administrative costs. For this service the state is
paid 2% of all premiums. All excess and reserve funds are invested
through the State Investment program.

In addition the State Hail Board pays its pro rate share of
all expenses and services rendered by the state. So you can see the
program costs the state absolutly nothing. In fact the state actu-
ally makes money on the program.

As far as the producers are concerned this past year, all
participating producers received a 40% refund on their premium, as
the insurance is sold to them at cost after administrative costs,

hail losses and reserve set aside.

To put the figures in perspective our reserve is approximately 3 1/2 million, this is invested at approximately 12% bringing in about \$400,000; our cost of operation including administrative costs and the 1% and 2% paid to the county and state is approximately \$250,000 leaving approximately \$150,000 profit on the interest.

This past year we had 2,138 policies with a risk coverage of \$25,299,338.00, premium charge was \$2,179,349.00. Losses paid were \$1,230,694.00. This shows a savings of \$948,655.00 on premiums and approximately \$150,000.00 interest income after taking out all expenses. This allowed approximately a \$871,739.00 return to the producers in 1982.

This is a good program for our Montana farmers, I hope you will vote yes on this bill. I will answer any questions. Please don't Hail us out.

Thank you.



TED SCHWINDEN
GOVERNOR

STATE OF MONTANA
DEPARTMENT OF AGRICULTURE

OFFICE OF THE DIRECTOR
AGRICULTURE/LIVESTOCK BLDG.
CAPITOL STATION
HELENA, MONTANA 59620-0201

Agric.
Exhibit #5
2-14-83

TELEPHONE:
AREA CODE 406
449-3144

KEITH KELLY
DIRECTOR



Testimony of Keith Kelly,

before the Senate Committee on State Agriculture

February 14, 1983

Mr. Chairman, Members of the Committee:

For the record, my name is Keith Kelly. I am Director of the Montana Department of Agriculture.

Mr. Chairman, I want to express my full support for Senate Bill 317 to re-establish the State Board of Hail Insurance. This program is completely self-supporting, even to the extent of paying rent to the State for office space.

The Board has stood the tests of time and review under the Sunset Law. The Legislative Audit Committee has recommended numerous changes, which will clear up the administrative areas that have been called to our attention. The small increase in coverage is certainly in line with the increased cost of production and follows through on the original philosophy of providing basic insurance at cost.

Senator Dan Shae of Carbon County sponsored this legislation in 1917. At that time wheat yields were 10.5 bu. per acre and a total production of 29.3 million bushels. In 1982 yield average is 34.3 bu. per acre with total production at 183.6 million bushels. While there have been dramatic changes in our agricultural economy in the last 60 years, one thing

has remained the same as when Senator Shae proposed the State Hail Board . . . that Agriculture must still work with Mother Nature, and in the final analysis she determines what our harvest will be.

That is why the need for a State Hail Insurance program at reasonable costs is just as important today as it was in 1917.

The administrative cost of the State Hail Program is very reasonable in that it comprises only 6% of the total budget.

Jack Gunderson, Administrator of the State Hail Board is present and can respond to any of your questions.

I ask you to pass SB 317, which will serve the best interests of Agriculture, and in turn will help all Montana citizens.

STATE BOARD OF HAIL INSURANCE

EX # 6
2/14/83
Agric.

1982 Hail Season Summary

Policies	2,138
Premium Charge	\$ 2,179,349.93
Risk	\$25,299,343.56
Dollar Losses Paid	\$ 1,230,694.46
Premium over Losses	\$ 948,655.47
Interest from Investments	\$ 393,122.58
Gross Income	\$ 1,341,788.05
3% to State & Counties	\$ 65,380.50
83 FY Operating Expense	\$ 153,260.00
40% Refund to Producers	\$ 871,739.97
To Investments for Reserve	\$ 251,397.58

#

65 YEAR SUMMARY INFORMATION

1917 - 1982 ----- TOTAL RISK \$388,018,214.37

Total Levy 65 Years	\$33,679,282.89
Total Losses paid 65 years	<u>\$25,315,237.98</u>
Levy over losses in 65 years	\$ 8,364,044.91
Total Refunds 65 years	\$ 5,111,197.04
Total in Reserves 1/14/83	<u>\$ 3,709,808.36</u>
Total	\$ 8,709,005.40

The reserve is money held in trust for producer to insure payment of losses in years that losses exceed the levy. This would have been refunded if not held in reserve.

Refunds & Reserves	\$ 8,709,005.40
Levy over Loss	<u>\$ 8,364,044.91</u>
Profit to producers (which is now part of the reserve, so in reality only \$3,252,847.87 is producer money)	\$ 344,960.49

SUMMARY OF LEGISLATIVE AUDIT COMMITTEE RECOMMENDATIONS

BOARD OF HAIL INSURANCE

1. Reestablish the board and retain present board make-up.
-- Page 1, Sec. 1, line 25; Page 6, Sec. 3, lines 16 to 21
2. Repeal the statutory requirement that board members must be selected from names submitted by farm organizations.
-- Page 6, Sec. 3, lines 21 & 22
3. Require senate confirmation of board member appointments.
-- Page 6, Sec. 3, lines 22 & 23
4. Repeal the statutory requirement that the board inform all farmers of the state hail insurance program through a brochure to be distributed with property tax assessment notices.
-- Page 16, Sec. 6, line 16; Page 17, Sec. 6, lines 6 through 18
5. Increase coverage limits to \$30 per acre for dryland crops and \$60 per acre for irrigated crops.
-- Page 18, Sec. 8, line 22 to line 24
6. Repeal the present statutory rate limits of 5-10 percent
-- Page 19, Sec. 9, line 21 through Page 20 line 24

and require the rates be based on historical loss ratios.
-- Page 20, Sec. 10, lines 10 - 16
7. Increase the present statutory loss reporting deadline to 14 days.
-- Page 23, Sec. 13, lines 24 & 25 through Page 24 line 9
8. Clarify statutes so that the Department of Agriculture has sole responsibility for hiring hail unit adjusters.
-- Page 24, Sec. 14, lines 12 & 13
9. Clarify by statute the independent contractor status of hail unit adjusters.
-- Page 24, Sec. 14, line 14

-- Page 7, Sec. 4, line 15 through Page 12 line 5; Exempts adjuster from minimum wage and overtime law.

-- Page 12, Sec. 5, line 6 through Page 16 line 15; Exempts adjusters from employee definition.
10. Repeal the statutory requirement that adjusters be selected from names submitted by farm organizations.
-- Page 24, Sec. 14, lines 20 through 25
11. Repeal the statutory requirement that hail loss payments be paid in two parts.
-- Page 25, Sec. 15, lines 22 through Page 26 line 2

PROPOSED HAIL BOARD AMENDMENTS TO SB-317

Amend the title line 12 by adding "80-2-210" and 80-2-232"
on line 13 add "80-2-243"

80-2-210

Page 19 -- add a new section 80-2-210

"Hail insurance coverage may include loss by fire on unharvested grain and any loss of grain while being moved from the field to the first place of storage. An additional charge may be assessed if the producer desires this coverage."

Renumber all following sections

This will enable state policy holders to participate with Federal Crop Insurance if they chose to do so.

80-2-232

Page 23 -- after line 23

We would like to amend 80-2-232 by paying the counties 2% rather than 1% of the levy and paying the State 1 1/2% instead of 2%.

This would give the counties an additional \$21,683 which would more equitably reimburse their costs in relation to the services they provide. The State would recieve 1/2% less but it would increase the amount we pay to the State and Counties to the same rate as the private companies pay in premium taxes. In addition to the 1 1/2% that we would pay the State they make a considerable amount from interest by handling our treasury account.

80-2-243

Page 25 -- 80-2-243 increase bond amount from \$10 to \$25 in two places and \$25 to \$50 in two places.

This is an inflationary increase and helps hold down disputed appraisals.

80-2-244

Page 26 -- Line 10, We would like to increase irrigated hay coverage to the same coverage as other irrigated crops. This can be done by striking on line 10 and 11 the following "and \$24 \$30 per acre on hay crops"

This will end discrimination against irrigated hay producers.

TESTIMONY GIVEN BY MARK RASMUSSEN
ON BEHALF OF THE MONTANA GRAIN GROWERS ASSOCIATION
BEFORE THE SENATE AGRICULTURE COMMITTEE
FEBRUARY 14, 1983

E_x #7
SB 317
2-14-83

MR. CHAIRMAN, MEMBERS OF THE COMMITTEE;

For the record, my name is Mark Rasmussen. I am a wheat farmer from Hogeland, Montana, and I am the Secretary of the Montana Grain Growers Association. I am here today to testify on behalf of MGGA in favor of SB 317, to retain the State Board of Hail Insurance.

The Montana Grain Growers Association is a voluntary, non-profit agricultural commodity organization, representing approximately 3500 Montana wheat and barley producers. Our organization strongly supports the retention of the State Board of Hail Insurance. The State hail program has a long history of providing Montana producers with minimum-coverage hail insurance at reasonable rates. The program has done this for many years at very little cost to the State. At present, the Hail Board is totally self-funding, operating entirely on the premiums collected from participating producers. The Hail Board has accumulated a reserve fund which has been sufficient to pay all claims in years when claims have exceeded premiums collected. In years when claims are lower, the Board has been able to refund a percentage of the producers' premiums. The reserve fund, which currently totals some 3.5 million dollars, is invested in the State's short-term investment pool. The interest thus earned is returned to the fund. This interest has enabled the reserve fund to increase, even in years when claims paid have exceeded premiums paid.

Critics of the State Hail Board say that the State has no business competing with private insurance companies for crop-hail insurance business. We would question whether the State's share of the crop-hail business, which totaled some 2.5 million dollars this past year, is all that large.

The maximum coverage available under the State hail insurance program has been \$24 dollars per acre for dryland crops and \$48 per acre for irrigated crops. Even though this bill would raise those figures to \$30 and \$60 per acre, respectively, those dollar amounts are a small portion of the cost of raising the crops most commonly grown in Montana. To use my family's farm as an example, in 1982, we raised spring wheat, winter wheat and barley. Our average cost of production for those three crops was \$112 per acre. At the \$24 per acre maximum coverage available from the State Hail Insurance program last year, if we had been completely hailed out, we could have recovered the cost of our seed, fuel, real estate taxes, and not much else. Obviously, a producer wishing to cover a higher percentage of his or her production costs must purchase additional insurance. The only other source is the private insurance companies, especially since Federal Crop Insurance is now sold only through private insurance agents. We don't disagree with the argument that the insurance business is highly competitive. We do not believe, however, that the State Board of Hail Insurance is taking bread out of the mouths of the children of Montana's private insurance agents and salesmen.

The other issue we would like to bring to the attention of this committee is the aforementioned 3.5 million dollar reserve fund held by the Hail Board. Consideration should be given as to what happens to this money if the Hail Board is not retained. We believe that the reversion of this money to the State's general fund would be a just or appropriate conclusion to a program that has been funded by farmers for the benefit of farmers. It is not often that a State agency has the opportunity to provide a valuable service to an important sector of the State's economy at no cost to the State's taxpayers. The Montana Grain Growers Association believes that the interests of the citizens of Montana can be best served, overall, by retaining the State Board of Hail Insurance.



WIFE Women Involved In Farm Economics

Ex. #8

NAME JO BRUNNER BILL NO. SB 317

ADDRESS 563 3rd SE. HAILHFA DATE Feb 14/83

REPRESENT WOMEN INVOLVED IN FARM ECONOMICS

SUPPORT X OPPOSE AMEND

COMMENTS:

MR. CHAIRMAN MEMBERS OF THE COMMITTEE, MY NAME IS JO BRUNNER AND I AM TESTIFYING TODAY FOR THE MEMBERS OF THE WOMEN INVOLVED IN FARM ECONOMICS ORGANIZATION IN SUPPORT OF SB 317

AS A WHOLE WE ARE IN AGREEMENT WITH THE CHANGES PROPOSED IN THIS BILL, BUT WE DO HAVE RESERVATIONS ABOUT SECTION 3, PAGE 6, LINES 21-22-23. OUR CONCERN IS THAT WE WILL HAVE PEOPLE APPOINTED ON THE BOARD THAT WILL NOT BE ACQUAINTED WITH THE NECESSITY OF THE CONTINUAL OPERATION OF THE BOARD AND WILL THUS NOT BE SYMPATHETIC TO THE NEEDS OF AGRICULTURE IN THIS AREA.

I WILL NOT GO THROUGH THE REST OF THE CHANGES WITH YOU. WE ARE IN AGREEMENT WITH THE INTENT OF THEM.

I WILL STRESS THE IMPORTANCE THAT W.I.F.E. PUTS ON THE CONTINUANCE OF THE HAIL BOARD. WE FEEL IT IS A VERY NECESSARY INGREDIANT TO THE SURVIVAL OF A GREAT MANY FARMERS WHO UTILIZE IT., AND WHILE WE HEAR OFTEN THAT THE CIRCUMSTANCES THAT BROUGHT ABOUT THE ORIGIN OF THE MONTANA STATE HAIL BOARD WILL NOT OCCUR AGAIN, WE BELIEVE THAT WITHOUT THIS INSURANCE, IT IS HIGHLY PROBABLY THAT THERE WOULD BE AREAS IN OUR STATE THAT WOULD RECEIVE LITTLE OR NO COVERAGE FROM PRIVATE HAIL INSURANCE COMPANIES.

WE KNOW THAT THE STATE HAIL BOARD DOES PAY ITS WAY IN THE OVERALL GOVERNMENTAL PROCESS AND IT IS NOT COSTLY TO TAXPAYERS OF MONTANA. AGAIN, WE ARE OF THE FIRM CONVICTION THAT THE STATE HAIL BOARD IS A GREAT INFLUENCE ON PRIVATE HAIL INSURANCE COMPANIES IN SETTING THEIR RATES AND PAYMENTS AND IF IT EXISTED FOR NO OTHER REASON, IT WOULD BE BENEFICIAL TO THE AGRICULTURE COMMUNITY FOR THAT REASON ALONE. WE DO REALIZE THAT IS A BENEFICIAL PROGRAM IN ITS OWN RIGHT, COMING INTO EXISTENCE FOR OUR BENEFIT AND WE ASK THAT IT BE CONTINUED FOR THE SAME REASON.

WE ASK A DO PASS FOR SB 317.

THANK YOU.

"Hell has no fury like a woman scorned"

PHILIP W. STROPE

ATTORNEY AT LAW

Ex # 9
2-14-83
Agriculture

P.O. BOX 874
501 N. SANDERS
HELENA, MT 59601
406/442-6570

February 3, 1983

Senator Pete Story
Chairman
State Administration Committee
State Capitol
Helena, MT 59620

RE: Senate Bill 317
State Hail Board

Dear Senator Story:

Thank you for allowing me to present the opposition of Crop Hail Management to SB 317 when it was heard by your committee on February 3. Crop Hail Management is a Montana insurance company with administrative offices in Kalispell. The president and chief stockholder is M.K. Felt. Crop Hail Management writes hail insurance. It does not write general fire and casualty coverages. It has been in business in the state of Montana for more than 25 years.

SB 317 would reestablish the state hail board for another six years. Crop Hail Management opposes continuing the state in the hail business. Montana has been in the business of writing hail insurance for about 65 years. During that period of time, 15 other states joined Montana and at one time or another wrote hail insurance. The federal government until 1980 sold coverage directly to growers under the federal crop insurance program. That program of the federal government has now been terminated and in its place, the government provides catastrophic reinsurance to private insurance companies that write the kind of insurance offered under the federal crop insurance program. Every state in the Union that was in the business of writing hail insurance has terminated the state program except Montana. The last state to terminate its state hail insurance program was North Dakota. The program was terminated in 1965.

Crop Hail Management submits that the facts found by the legislative council during the hearings on the question of whether to continue the state of Montana in the hail business do not support the conclusion of the legislative council that the state's hail board should be continued in business. For example, the council found that there are 22 commercial carriers in addition

to Crop Hail Management writing hail insurance in the state of Montana (page 13), that the rates charged by the commercial carriers in the state of Montana are comparable to the rates that are charged in the surrounding states of North Dakota, South Dakota, Wyoming, Idaho, Washington, and Oregon (page 18), and that only 11% of Montana's farms used the state program in 1981 (page 17).

The state hail board writes a policy of insurance that covers the grower for a loss due to hail. Private companies write two policies. The first policy is a policy that covers the grower for a loss due to hail, fire or loss in transit to the point of first storage. The second policy is a broader policy, a multiple peril policy and is called a production guarantee policy. This policy covers the grower for not only hail, fire, in transit losses, but also drought and insects. The difference between the loss percentage policy and the production guaranteed policy is that the loss percentage policy pay the growers a percentage of the damage done by hail whereas, the production guaranteed policy pays the grower a loss of the production guaranteed by the policy.

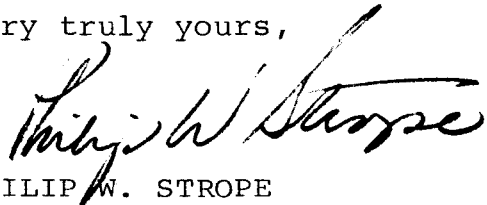
Although the state hail board does in many ways pay some or all of the cost of doing business, it does not pay into the state general fund a premium tax or the assessment for the fire marshall as provided by state law. Both of these taxes are assess against the full amount of the premiums. The premium tax is 2 3/4% and the fire marshall is 3/4 of 1%. If SB 317 becomes law with the amendments offered by Mr. Gunderson during the hearing, the amount of premium tax that will be lost to the state fund will be about \$90,000 per year. 3 3/4% of 2.5 million premium dollars. In addition, the state will lose the state income tax that it would earn on the commission's paid to insurance salesman who could sell the \$2.5 million worth of coverage the state will write if SB317 becomes law. It is unfair and unnecessary competition by the state of Montana. It is estimated that this group would earn commissions of about 17 1/2% on \$2.5 million and that they would pay a state income tax not less than 7% on the commissions earned. This loss in revenue would be an additional \$30,000. The net effect of continuing the state in the business of writing hail insurance is that the state is losing revenue to the general fund of about \$120,000 per year in addition to losing the opportunity to have a one-time transfer to the general fund of about \$3.5 million dollars. This sum of money is the reserves held by the state hail board at the present time. It would be available to the general fund if the state hail board was allowed to go out of business on June 30, 1983.

Senator Story
February 3, 1983
Page 3

No evidence was offered during the hearing and Crop Hail Management respectfully submits that the amendments to existing law coupled with the amendments offered by Mr. Gunderson to increase the dollar amount of the coverage offered by the state of Montana, would place in jeopardy the security of the existing reserve of approximately \$3.5 million dollars. The reason being is that the increased coverage would expose the fund to additional and possibly greater losses. It should be noted from the report on the state hail board that in 1981, the board showed a net cash flow of \$320,000 but that \$312,000 of that was interest on investments. Only \$8,000 was net cash flow of premiums paid over losses paid out.

Therefore, Crop Hail Management respectfully submits that 1983 is the year for Montana to join all 49 of the rest of the states of the Union and get out of the business of writing hail insurance. The 11% of Montana farms that now use the state hail board for some or all of their coverage can easily find comparable coverage in the commercial markets. There are 22 commercial carriers and as the Sunset committee said, the rates of the commercial carriers in Montana are comparable to the rates in surrounding states. The advantage to the state of Montana would be that for the foreseeable future the general fund would earn approximately \$120,000 a year in increased income and the general fund would receive a one-time lump sum transfer of about \$3.5 million dollars, being the reserve account held by the state hail board.

Very truly yours,



PHILIP W. STROPE

PS/vkf

cc: Bob Lowry
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M. K. Felt
Crop Hail Management
P.O. Box 1059
Kalispell, MT 59901



EX #10
2/14/83
agric.

CROP HAIL MANAGEMENT

TESTIMONY OF M. K. FELT AT PUBLIC HEARING, HELENA, MONTANA,
FEBRUARY 14, 1983

My name is Mike Felt - I am President of Crop Hail Management which is a general agency domiciled in Montana and writing business in approximately 30 states. I am also President of Mountain States Insurance Company which is one of two Montana chartered insurance companies domiciled in the State of Montana. I have been in the crop insurance business since 1955 and have built our organization to where we write \$37 in hail premiums nationally with 5 million of those premiums being in Montana. We employ 26 full-time people in our offices in Kalispell and Great Falls and these offices, along with our branch offices around the country, process and handle \$51 million in crop insurance premiums. All of this business is financed and losses paid from banking institutions in the State of Montana. We started Crop Hail Management in 1964 and at that time we were writing business only in the State of Montana. We have used Montana as a base to develop the largest crop insurance general agency in the country.

I was here in 1961 when Governor Nutter proposed doing away with the State Hail Fund. I've been involved at various times since - when political efforts have been made to enlarge the Fund and expand its scope of operation. The State Hail Fund has the obvious advantage of a 25% to 30% expense saving in the cost of doing business and therefore is able to offer a reduced cost to the State's Farmers. It was the assumption by some a few years back that the State Hail Fund was necessary to keep the big insurance companies in line, and keep them competitive in the market place. That may have been true 25 years ago, but is is now as outmoded as the horse and buggy. When a farmer could buy \$12 coverage from the State and had to drive to the County Assessor to do it, he often did not bother because it was a small part of his needed insurance coverage. Therefore, it had not infringed to any great extent on the Private Sector and the Fund was not writing a very large percentage of the Montana business.

In 1975 this body passed legislation allowing an increase in coverage up to the \$24 coverage it writes today. As a result the fund has doubled and is already infringing into the Private Sector coverage.

This legislation, however, is a completely different ball-game, and the attempt to raise this coverage to \$30 an acre on dry land and \$60 an acre on irrigated is ludicrous. If the intent of those people backing this legislation is to drive private industry out of Montana, they are going to accomplish their purpose if this bill is enacted. This will be the start of a heavy infringement into the private sector and in a few years additional legislation will be introduced to increase it to \$50 or \$100 an acre and the competitive edge offered to Montana farmers by private industry will be long gone. Increasing the coverage will defeat the very intent for which the law

was enacted many years ago. There are many companies operating in Montana and many with a small premium volume. It is logical to assume that, if this bill is enacted, many of these companies will drop by the way-side because the cost of doing business on a small volume is entirely too great. Montana ranks 9th in Crop Hail premium written by private companies in the United States. States such as Illinois, Iowa, Kansas, Minnesota, Nebraska and North Dakota all write volumes that are at least double and in some cases three times the volume written in Montana. None of these states have a State Hail Fund and, in fact, we all know that Montana is the only state that operates a state-owned crop insurance entity.

Private companies will contribute over half a million dollars to the State coffers in premium tax on Crop Hail business written in the 1982 season. The amount of personal property taxes and benefits from the private industry sector is hard to evaluate, but certainly is a considerable contribution to the State's economy.

Our company, alone, will pay over \$190,000 in State premium taxes and will pay over \$20,000 in personal property taxes in the State of Montana this year.

Montana tax laws are much more stringent than most other States. North Dakota has 12 domestic chartered insurance companies because a local company pays no State Premium Tax. This provides competition in the market place for the Farmer. Arizona has over 300 domestic companies. Montana has 2 Stock Companies and 2 Mutuals.

I assure you that if our Montana premium base is taken from us it is logical to assume we would look elsewhere for basing our insurance operations and would eventually move our administrative offices to a more beneficial economic climate. The same thing will happen to the other companies operating in the State and any business written here by private companies will be administrated and serviced from places such as Spokane, Denver, Fargo or Minneapolis.

There is absolutely no need for a State Hail Fund in Montana anymore and even the Federal Government is getting out of the crop insurance business as the Federal Crop Insurance Act of 1980 clearly mandates that private insurance companies can process, service and handle crop insurance business cheaper and more efficiently than the Federal Government. This administration has made it clear that it wants the Federal Crop Insurance Corporation to eventually be a rate-making and catastrophe reinsuring entity for the Multiple-Peril Crop Insurance Business. It further intends to replace several federal programs that are not administered by the USDA to our American Farmers with a sound insurance program that will not only cover his yield, but cover his price as well.

I have with me today, Mr. Dean Mitchell, Manager of the Federal Crop Insurance Corporation in Kansas City, and he would be happy to tell you the intent of the Administration regarding the Crop Insurance Program and is available for any questions you may have.

M. K. Felt, President
Crop Hail Management
Mountain States Insurance Company

NAME: John McDONALD Exhibit #11
Agriculture Comm
DATE: 2-14-83

ADDRESS: Ft. Benton Mt

PHONE: 622-3821

REPRESENTING WHOM? MTN. WEST FARM Bureau + GLACIER General
INS. CO.

APPEARING ON WHICH PROPOSAL: SR 317

DO YOU: SUPPORT? AMEND? OPPOSE? ✓

COMMENTS: STATE DOESN'T BELONG IN
Competition with PRIVATE BUSINESS -
I'm in FAVOR OF FREE ENTERPRISE.
RATE ARE NOT COMPETITIVE.

PLEASE LEAVE ANY PREPARED STATEMENTS WITH THE COMMITTEE SECRETARY.

NAME: Bob Burns DATE: Exhibit #12
Ag. 8/8/83

ADDRESS: 2300 N. Montana Helena

PHONE: 442-8988

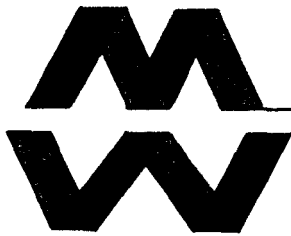
REPRESENTING WHOM? Mtn West Farm Bureau

APPEARING ON WHICH PROPOSAL: SB 317

DO YOU: SUPPORT? _____ AMEND? _____ OPPOSE? ☒

COMMENTS: This should be dealt with the
Free Enterprise system regarding Hail Insurance.
Passage of this ~~business~~ bill would be
competing with private business -

PLEASE LEAVE ANY PREPARED STATEMENTS WITH THE COMMITTEE SECRETARY.



EX # 13
2-17-83
Agric.

MOUNTAIN WEST FARM BUREAU MUTUAL
INSURANCE COMPANY



M. E. Marquardt, C.L.U.
Executive Vice-President



406 south 21st street
LARAMIE, WYO. 82070
tel. 307-745-4835

February 10, 1983

TO: William Brown
FROM: M. E. Marquardt
SUBJECT: Senate Bill 317

It just came to our attention that the bill to "reestablish the Board of Hail Insurance" is sailing through the Senate and on to the House with no opposition from Montana Farm Bureau. This is very difficult for management of Mountain West to understand for several reasons:

1. Montana Farm Bureau has historically favored free enterprise as opposed to a government agency.
2. Montana Farm Bureau officers testified in favor of sunseting this Board.
3. S.B. 317 greatly expands the activity of the Board and will put the state of Montana into a position of being the major writer of hail insurance in the state of Montana.
4. It will have serious financial impact on all of Farm Bureau.

To illustrate #4 -- Mountain West wrote \$720,000 hail premium in Montana in 1982. It is our goal to triple this figure in 5 years. \$2,160,000 of premium would:

1. Provide about \$324,000/year income to agents and sales management.
2. Provide about \$27,000/year income to county Farm Bureau offices.
3. Provide \$10,800/year services rendered income to Montana Farm Bureau.
4. Help reduce over-all expense ratio for Mountain West.

If Montana Farm Bureau, for some reason, cannot aggressively oppose the bill, it would appear the least that should be done is add an amendment that would restore the Board to its original status.

CC: T. M. Quinn
Gene Chapel
Pat Underwood

MEM/jo



APPOINTIVE AND ADMINISTRATIVE OFFICIALS

BOARD OF HAIL INSURANCE

		<u>Term Expires</u>
James W. Stephens, Chairman	Dutton	April 1982
Thomas A. Deveny, Member	Forsyth	April 1983
Adrien R. Long, Member	Wolf Point	April 1984
W. Gordon McOmber, Director, Department of Agriculture	Helena	Ex officio
E.V. "Sonny" Omholt, State Auditor	Helena	Ex officio

DEPARTMENT OF AGRICULTURE

W. Gordon McOmber	Director
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HAIL INSURANCE UNIT

Jack E. Gunderson	Administrative Officer
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