

## MINUTES

### MONTANA SENATE 51st LEGISLATURE - REGULAR SESSION COMMITTEE ON BUSINESS AND INDUSTRY

Call to Order: By CHAIRMAN GENE THAYER, on JANUARY 11,  
1989, at 10:00 A.M.

#### ROLL CALL

Members Present: Chairman Thayer, Vice Chairman Meyer,  
Senator Boylan, Senator Noble, Senator Williams,  
Senator Hager, Senator McLane, Senator Weeding, Senator  
Lynch.

Members Excused: None

Members Absent: None

Staff Present: Mary McCue, Legislative Council

Announcements/Discussion: SB 64 and SB 76

#### HEARING ON SENATE BILL 76

Presentation and Opening Statement by Sponsor: Senator  
Regan, District 47, stated she was sponsoring the bill  
at the request of the Insurance Commissioner. "The  
bill concerns the standards for those insurance  
companies offering variable life insurance or variable  
annuities contracts. Life insurance is usually  
purchased to minimize, or eliminate risk. When you  
introduce the element of variable life or variable  
annuities, she felt you were introducing considerable  
risk. The products can be sold in the state of  
Montana, but there is no standard recognizing this  
particular type of product."

Senator Regan cited Section 2 as providing a separate  
account for life insurance and annuities. She stressed  
the stipulation of separate accounts as restricting  
insurers to normal contract investment law.

Section 3 on page 4 line 21 was outlined as requiring  
such policies to state clearly, ways in which the  
variable benefits would be determined. Any variation  
in benefits, according to investment experience of the  
insurer, must be stated on the front page of the  
policy.

Section 4, page 5 was cited as allowing the insurance department to review the financial condition of the insurer.

Section 5, page 6 was outlined as giving the insurance commissioner power to regulate and adopt rules for variable contracts.

Section 6, page 6 was depicted as restricting the insurer to insurance contract requirements.

Section 9, page 7 - line 18 was referred to as providing a grandfather clause. Therefore the bill does not affect proceedings that were begun before the effective date of this act.

List of Testifying Proponents and What Group They Represent:

Tanya Ask - Montana Insurance Department  
Ken Hassler - Montana Association Life Underwriters  
Patrick M. Driscoll - American Council of Life  
Insurance  
Pete Sullivan - Himself

List of Testifying Opponents and What Group They Represent:

None

Testimony:

Tanya Ask indicated the Montana Insurance Department wanted to go on record in support of SB 76. She cited availability of variable products already in Montana, had created a need for restrictions. She expressed the importance of the provisions in this bill. (Exhibit #1)

Ken Hassler said he was licensed to sell variable contracts in Montana, but chose not to sell them because of the high risk. He expressed a need for the bill to regulate the reputability of companies involved in variable contract sales. The Montana Underwriters Association wanted to go on record in support of SB 76 as a consumer protection measure. (Exhibit #2).

Peter Sullivan stated he has been selling the product because of client preference. He cited all provisions, in SB 76, should be in the applications and policies. He urged passage.

Patrick Driscoll said the American Council of Life Insurance was in support of the bill. He said the provisions of the bill would assist in making more facts available to

consumers in Montana.

List of Testifying Opponents and What Group They Represent:  
None

Questions From Committee Members: Sen. McLane asked if this bill provided protection for the consumers. Sen. Regan stated she didn't feel any bill could provide protection, but it at least, provided an avenue for the Insurance Commissioner to more closely examine such products.

Closing by Sponsor: Sen. Regan said she closed the hearing.

DISPOSITION OF SENATE BILL 76

Discussion: None

Amendments and Votes: Senator Lynch moved the statement of intent of SB 76 DO PASS.  
Senator McLane seconded.  
Question.  
Motion carried unanimously.

Recommendation and Vote:  
Senator Lynch moved SB 76 DO PASS.  
Seconded by Senator McLane.  
Question.  
Motion carried unanimously.

DISPOSITION OF SENATE BILL 4

Discussion: Mary McCue, Legislative Council, explained the two amendments under consideration. Sen. Noble asked for clarification on the minimum container size of bulk storage. Senator Hager explained the 50 gallon minimum was set in the desire to include 55 gallon drums as bulk storage.

Amendments and Votes: Sen. Hager moved to amend SB 4 as follows (SEE EXHIBIT #3). Senator Lynch seconded.  
Question called. Amendment carried.

Recommendation and Vote: Sen. Lynch moved SB 4 be PASSED AS AMENDED. Sen. Hager seconded. Question. Motion carried unanimously.

DISPOSITION OF SENATE BILL 64

Discussion: Mary McCue, Legislative Council reviewed the

amendments as to the language change necessary and contents of the continuation statement. She disclosed having spoken with Cort Harrington concerning his testimony on the continuation statement needs. She further stated, Riley Johnson was present during her telephone conversation with Cort and this amendment is what Mr. Johnson recommended.


Amendments and Votes: Senator Lynch moved the amendments (SEE EXHIBIT #4).

Senator Weeding seconded. Question. Amendments carried.

Recommendation and Vote: Senator Williams moved SB 64 DO PASS AS AMENDED. Seconded by Senator Lynch. Question. Motion carried unanimously.

ADJOURNMENT

Adjournment At: 10:34 a.m.

  
SENATOR GENE THAYER, Chairman

GT/ct

senmin.111

ROLL CALL

BUSINESS & INDUSTRY COMMITTEE

DATE 1/11/89

51st LEGISLATIVE SESSION 1989

NAME	PRESENT	ABSENT	EXCUSED
SENATOR DARRYL MEYER	✓		
SENATOR PAUL BOYLAN	✓		
SENATOR JERRY NOBLE	✓		
SENATOR BOB WILLIAMS	✓		
SENATOR TOM HAGER	✓		
SENATOR HARRY MC LANE	✓		
SENATOR CECIL WEEDING	✓		
SENATOR JOHN "J.D." LYNCH	✓		
SENATOR GENE THAYER	✓		

Each day attach to minutes.

STANDING COMMITTEE REPORT

January 11, 1989

MR. PRESIDENT:

Re, your committee on Business and Industry, having had under consideration SB 76 (first reading copy -- white), respectfully report that SB 76 do pass.

DO PASS

Signed: *Gene Thayer*  
Gene Thayer, Chairman

Statement of Intent attached.

*HI-84  
28.00  
3.*

STANDING COMMITTEE REPORT

January 11, 1969

MR. PRESIDENT:

We, your committee on Business and Industry, having had under consideration SB 4 (first reading copy - white), respectfully report that SB 4 be amended and as so amended do pass:

1. Title, line 6.

Strike: "GASOLINE"

Insert: "SPECIAL FUEL"

2. Page 2, line 1.

Following: "means storage"

Insert: "of at least 50 gallons of special fuel"

AND AS SO AMENDED DO PASS

Signed: \_\_\_\_\_  
Gene Thayer, Chairman

1-11-69  
310

STANDING COMMITTEE REPORT

January 11, 1989

HON. PRESIDENT:

We, your committee on Business and Industry, having had under consideration SB 64 (first reading copy -- white), respectfully report that SB 64 be amended and as so amended do pass:

1. Page 2, line 5.

Strike: "shall expunge"

Insert: "may remove"

2. Page 3, following line 6.

Insert: "(c) The continuation statement must include:

- (i) the clerk and recorder's file number of the notice; and
- (ii) the date on which the notice originally was filed."

Number: subsequent subsection

AND AS SO AMENDED DO PASS

Signed:   
Gene Thayer, Chairman



(This sheet to be used by those testifying on a bill)

EXHIBIT NO: 1

DATE: 4/11/89

BILL NO: SB 76

DATE: 1/11/89

NAME: Tanya Ask

ADDRESS: PO. Box 4009 Helena 59604

PHONE: 444-2040

REPRESENTING WHOM? Montana Ins. Dept

APPEARING ON WHICH PROPOSAL: SB 76

DO YOU: SUPPORT?  AMEND?  OPPOSE?

COMMENT: Testimony attached. Statement of intent needed - exhibit 1

PLEASE LEAVE ANY PREPARED STATEMENTS WITH THE COMMITTEE SECRETARY.

## TESTIMONY

Senate Bill 76

Prepared by Tanya Ask

Montana Insurance Department

January 11, 1989

Variable life and annuity products appeared on the scene in the late 1970's. These products offer both traditional life insurance protection and growth potential through equity investments. Since equity investments are a major component of the insurance coverage, specialized regulation is necessary.

Variable products are currently available in the state. There is no statutory prohibition against their offer and sale. There is also no statutory recognition of their unique characteristics, so existing law is applied.

We would like to see these additional requirement which recognized the equity side of the product. The proposal before you should not be very controversial since 48 states and the District of Columbia and Puerto Rico already have similar laws on the books.

The requirements impose obligations of disclosure to the applicant or insured, impose limitations on the handling of the separate accounts which control the equity or investment portion of the life policy or annuity, and allow the commissioner to take an extra look at a company's ability to offer an equity type product, realizing this requires specialized expertise.

INS 503-5

(This sheet to be used by those testifying on a Bill)

EXHIBIT NO. 2

DATE 1/11/89

BILL NO. SB 76

NAME: Ken Hassler LUTCF

DATE: 1/11/88

ADDRESS: Box 43, Blue Sky Heights Clancy Mt

PHONE: 933-8201 (H) 442-5745 (O)

REPRESENTING WHOM? Montana Assn. Life Underwriters

APPEARING ON WHICH PROPOSAL: SB 76

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

COMMENT: Contracts available in state now. Not regulated at present time.  
Exhibit #2 attached

PLEASE LEAVE ANY PREPARED STATEMENTS WITH THE COMMITTEE SECRETARY.

Carla Turk Business & Industry

Variable Life Insurance contracts and variable annuities

are now being offered and issued to the citizens of Montana.

The inherent nature of these contracts shifts the investment risk from the insurance company to the insured.

Currently there are no regulations or rules that control these types of contracts. This legislation

would address this issue. The Montana Assn. of Life Underwriters support SB76 and recommend its

adoption and passage.

Ken Hassler

Amendments to SB Bill No. 4  
First Reading Copy

Requested by the Senate Business & Industry Committee

Prepared by Mary McCue  
January 10, 1989

1. Title, line 6.

Strike: "GASOLINE"

Insert: "SPECIAL FUEL"

2. Page 2, line 1.

Following: "means storage"

Insert: "of at least 50 gallons of special fuel"

January 11, 1989

## STANDING COMMITTEE REPORT

MR. PRESIDENT:

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Re-number: subsequent subsection

AND AS SO AMENDED DO PASS

Signed: Gene Thayer  
Gene Thayer, Chairman

DATE June - 11 - 1989COMMITTEE ON Business of Industry

## VISITORS' REGISTER

NAME	REPRESENTING	BILL #	Check One	
			Support	Oppose
Tampa Ash	Montan Ins. Dept	76	<input checked="checked" type="checkbox"/>	<input type="checkbox"/>
Ken Haseler	Mont Assn Life Underwriters	76	<input checked="checked" type="checkbox"/>	<input type="checkbox"/>
<b>LARRY AKEY</b>	<b>MONT ASSOC LIFE UNDERWRITERS</b>	<b>76</b>	<input checked="checked" type="checkbox"/>	<input type="checkbox"/>
<del>Patrick M. Driscoll</del>	<del>American Council of Life Insurance</del>	<del>76</del>	<del><input checked="checked" type="checkbox"/></del>	<del><input type="checkbox"/></del>
PATRICK M. DRISCOLL	AMERICAN Council of Life Insurance	76	<input checked="checked" type="checkbox"/>	<input type="checkbox"/>
Pete Sullivan	Myself	76	<input checked="checked" type="checkbox"/>	<input type="checkbox"/>

(Please leave prepared statement with Secretary)