

## MINUTES

### MONTANA HOUSE OF REPRESENTATIVES 53rd LEGISLATURE - REGULAR SESSION

#### COMMITTEE ON BUSINESS & ECONOMIC DEVELOPMENT

Call to Order: By CHAIRMAN STEVE BENEDICT, on February 19, 1993,  
at 11:00 A.M.

#### ROLL CALL

##### Members Present:

Rep. Steve Benedict, Chair (R)  
Rep. Sonny Hanson, Vice Chair (R)  
Rep. Bob Bachini (D)  
Rep. Joe Barnett (R)  
Rep. Ray Brandewie (R)  
Rep. Vicki Cocchiarella (D)  
Rep. Fritz Daily (D)  
Rep. Tim Dowell (D)  
Rep. Alvin Ellis (R)  
Rep. Stella Jean Hansen (D)  
Rep. Jack Herron (R)  
Rep. Dick Knox (R)  
Rep. Don Larson (D)  
Rep. Norm Mills (R)  
Rep. Bob Pavlovich (D)  
Rep. Bruce Simon (R)  
Rep. Carley Tuss (D)  
Rep. Doug Wagner (R)

Members Excused: All Present

Members Absent: None

Staff Present: Paul Verdon, Legislative Council  
Claudia Johnson, Committee Secretary

Please Note: These are summary minutes. Testimony and  
discussion are paraphrased and condensed.

##### Committee Business Summary:

Hearing: HB 637  
Executive Action: HB 637

#### HEARING ON HB 637

##### Opening Statement by Sponsor:

REP. WILLIAM RYAN, House District 38, Great Falls, said HB 637 is  
an act establishing minimum policy language standards for  
property and casualty policies delivered in the state of Montana

and providing an applicability date. This bill simplifies language so other than doctors and lawyers can read it. He said HB 637 does the same thing that was done in prior legislation to simplify language for life and health disability insurance. The National Association of Insurance Commissioners started working on this language in 1979 to bring the states together and into compliance. In 1989, the association came up with the final draft with modifications and this is the bill before the committee today. **Rep. Ryan** read a list of states that have already adopted these standards. On page 1, sections 1 through 7 are not intended to increase the risk assumed under policies subjected to nor intended to impede flexibility and innovation in the development of policy forms or content.

#### Proponents' Testimony:

**Frank Cote, Chief Deputy of Insurance Commissioner**, said HB 627 is a consumer protection bill. It would require property casualty companies to write their policies in such a manner that a lay person may understand them. By passing HB 627, the committee will be giving Montana consumers the ability to read and understand their property casualty contracts and will also give the property casualty agents the ability to easily review the contracts with their clients. He distributed written testimony. SEE EXHIBIT 1

#### Opponents' Testimony:

**Jacqueline Lenmark, American Insurance Association (AIA)**, said she was also speaking on behalf of Greg Van Horssen for State Farm Insurance, Gene Phillips with the National Association of Independent Insurers and Ron Waterman with Farmers Insurance. **Ms. Lenmark** said she and the other opponents she is speaking for are reluctant with the bill, but generally support the concept contained in HB 637. They oppose the bill because they received it so late and none of the principals have had the opportunity to review it. They felt the bill was a cut and paste product compared to the draft that was originally given to them. She went through the bill to show the committee where she could see potential problems. On page 3, subsection 3, it states that each section must be self-contained and independent. She said it sounds like a logical provision, but it is contrary to general contract law principles. Contract law principles require that a contract be interpreted as a whole, unless there is something in the contract that specifically provides that. In subsection (4), she did not know what was meant by 10-point type, or a 1-point leaded. She said that many of the forms used are standardized and approved by the insurance commissioner of Montana and other states. In subsection 6, policy must be written in everyday common language, a concept that the American Insurance Association endorses. State Farm has a pro-active program to make their policies readable. As a lawyer working in the insurance area, she said there are terms that have developed over time that are well established. If this is changed, she did not know what impact it would have on a body of law that is already established. She said it may be a cost to the consumer instead

of benefiting the consumer. **Ms. Lenmark** wanted to know why part of the codification of the chapter wasn't amended in to properly address property/casualty policies. She recommended that HB 637 be given a do not pass. The opponents she mentioned asked to be given more time to work on the language to achieve the goal of this bill, and be less than an inadvertent cost to the consumer because of a good intention.

**Questions From Committee Members and Responses:**

**Rep. Bachini** asked **Jacqueline Lenmark** if she was mainly opposed because they did not have the time to go through the bill, and if the committee passes the bill out to the floor of the House, would she and the others be able to work out the small details? **Ms. Lenmark** replied yes.

**Rep. Ellis** asked **Frank Cote** why wasn't language amended in to simplify property/casualty like the health and life disability insurance. **Mr. Cote** deferred the question to **Dave Drynan, Insurance Commissioner**, said all the bills presented for drafting go before the NAIC, National Association of Insurance Commission. In conjunction with the National Association, there is the ISO (Interstate Office) in New York, a private enterprise, that creates forms and rates for the industry, which a great majority of the industry adopts. Independent agents adopt the forms and develop their own language based on the recommendations. He said life and health disability insurance and property and casualty insurance are two distinct areas of insurance. There are sections in the codes that address life and health, and codes that address property and casualty. **Rep. Ellis** said it was suggested that this bill was not modeled after the modeled codes, but rather after the Florida laws and other pacific states, why was that attack taken? **Mr. Drynan** said this is based beyond the NAIC modeled codes and the Florida codes. The NAIC codes were incorporated, and the only difference with this bill and what is currently being used throughout the state, will allow the commissioner to make an exception.

**Rep. Ellis** asked **Jacqueline Lenmark** to answer the same question. **Ms. Lenmark** said without the opportunity to compare this bill with the NAIC model, if this is in fact the only difference, it is perfectly acceptable. She said their reservations are based on the fact that they simply do not know and have not had the opportunity to work on the bill.

**Rep. Pavlovich** asked **Jacqueline Lenmark** about a bill that was before the committee in the 1987 to simplify language, and if this wasn't it? **Ms. Lenmark** said that life and health language is included in Title 33, but was enacted on in 1981. She said there is also a general contract simplification language that was codified in Title 28, and thought maybe this was what he was referring to.

**Rep. Cocchiarella** said she has a life insurance policy and learned at that time about the policy Language Simplification Act. When she reads through the HB 637, the language is the same

that she has in her policy, and asked **Dave Drynan** if this is correct? **Mr. Drynan** said it is. He said most of the life and health policies written in the state of Montana and the United States are domicile to the United States. Much of the property and casualty policy business is written outside of the United States, and the most popular is Lloyds of London. Most of the Lloyds of London forms are popular throughout the world. He said Lloyds of London is not going to change their forms for the state of Montana. **Rep. Cocchiarella** asked if it was unreasonable for Montana to write simplified language for property/casualty policies when other insurance companies are complying with the act? **Mr. Drynan** said it wasn't unreasonable. He said State Farm Insurance is coming out with the simplified language. The policies that are currently in place will meet or exceed the language required in this bill.

**Rep. Ellis** asked **Frank Cote** what enforcement do they have to deny the insurance companies the opportunity to do business in this state? **Mr. Cote** said they can deny the particular rate and form. He said all the rates and forms need to be improved for all insurance companies that do business in Montana. If these insurance companies come into Montana and their policies do not meet Montana's specifications, they can deny that particular form, if they don't use Montana's form they will be in violation and can be fined.

**Closing by Sponsor:**

**Rep. Ryan** closed stating the opponents that were heard did not have any real objections to the bill other than the time element. He offered to work with them so the bill could be heard in the Senate. He said this bill is not unreasonable, and mentioned that State Farm, Farmer's Insurance Group, and Allstate Insurance all have easy reader policies. He asked the committee to give HB 637 a do pass.

**EXECUTIVE ACTION ON HB 637**

**Motion:** **REP. COCCHIARELLA MOVED HB 637 DO PASS.**

**Discussion:** **Rep. Cocchiarella** said her life insurance policy has incorporated simplification language, and this bill will protect the consumer by allowing them to read and understand their policies. The General Simplification Act passed in 1981 by the House and Senate has made it easier for the insurance agents to work with the public and are thankful for it. This bill should not be an anti-industry issue, but a consumer issue. This bill doesn't do anything more than the life insurance language does.

**Rep. Sonny Hanson** said the problem he has with the bill is the language that requires each section to be self-contained. He suggested to table the bill and let the industry come back later with some common language, but rest of the committee members were against the request.

**Rep. Larson** said HB 637 is a good bill and tries to bring Montana into the real world and follows the national standards. He said the precedence is already there to do this with life and health insurance.

**Rep. Bachini** said he would vote against the table motion, because Jacqueline Lenmark said she would be willing to work out the details with the auditor's office before it went to the Senate. They did not have an opportunity to look the bill over prior to this committee hearing.

**Rep. Simon** proposed to amend the bill by changing the date from 1995 to 1996. If there is a problem in two years, the committee will have the opportunity to come back and correct it. This is a national trend and wanted the date to read April 1, 1996.

Motion/Vote: REP. SIMON MOVED TO ADOPT AN AMENDMENT TO READ APRIL 1, 1996. Rep. Bachini called the question. Voice Vote was taken. Motion CARRIED 16 - 2 with Reps. Stella Jean Hansen and Cocchiarella voting no.

Motion/Vote: REP. BACHINI MOVED HB 637 DO PASS AS AMENDED. Question was called. Voice vote was taken. Motion CARRIED 15 - 3 with Reps. Barnett, Sonny Hanson and Brandewie voting no.

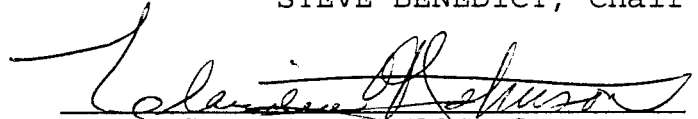
Vote: HB 637 DO PASS AS AMENDED. Motion CARRIED 15 - 3.

ADJOURNMENT

Adjournment: 11:50 A.M.



STEVE BENEDICT, Chair



CLAUDIA JOHNSON, Secretary

SB/cj

HOUSE OF REPRESENTATIVES  
53RD LEGISLATURE - 1993  
BUSINESS AND ECONOMIC DEVELOPMENT COMMITTEE

ROLL CALL

DATE 2-19-93

NAME	PRESENT	ABSENT	EXCUSED
REP. ALVIN ELLIS	✓		
REP. DICK KNOX	✓		
REP. NORM MILLS	✓		
REP. JOE BARNETT	✓		
REP. RAY BRANDEWIE	✓		
REP. JACK HERRON	✓		
REP. TIM DOWELL	✓		
REP. CARLEY TUSS	✓		
REP. STELLA JEAN HANSEN	✓		
REP. BOB PAVLOVICH	✓		
REP. VICKI COCCHIARELLA	✓		
REP. FRITZ DAILY	✓		
REP. BOB BACHINI	✓		
REP. DON LARSON	✓		
REP. BRUCE SIMON	✓		
REP. DOUG WAGNER	✓		
REP. SONNY HANSON, VICE CHAIRMAN	✓		
REP. STEVE BENEDICT, CHAIRMAN	✓		

HR:1993

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HOUSE STANDING COMMITTEE REPORT

February 19, 1993

Page 1 of 1

Mr. Speaker: We, the committee on Business and Economic Development report that House Bill 637 (first reading copy -- white) do pass as amended .

Signed: \_\_\_\_\_  
Steve Benedict, Chair

And, that such amendments read:

1. Page 6, line 24.  
Strike: "1995"  
Insert: "1996"

-END-

STATE AUDITOR  
STATE OF MONTANA

EXHIBIT 1  
DATE 2-19-93  
HB 637



Mark O'Keefe  
STATE AUDITOR

COMMISSIONER OF INSURANCE  
COMMISSIONER OF SECURITIES

HB637

February 19, 1993

House bill 637 is truly a consumer protection bill. It is a consumer protection bill in that it would require property casualty companies to write their policies in such a manner that a lay person may understand them.

In my life before the State Auditors office, I was a life insurance agent. As a life agent, I had many opportunities to review contracts with policyholders. In fact, I did not deliver a contract without reading through the provisions with the owner page by page. When I left my clients' homes and businesses, they understood what they had purchased. They understood not because I was a communicator who took the time, but rather they understood because life insurance policies are required to have easy to read provisions such as the ones we are offering for property casualty today.

This bill is not a particularly onerous one for insurance companies. This bill would allow companies over two years to come into compliance with the regulations.

I'm sure most of you have some form of property casualty insurance. Have you ever read the contract? Has your agent ever reviewed it with you upon delivery or did you receive your policy in the mail? I know I have never read my property casualty contracts. My agent, who is one of the finest in the industry, has never taken the time to review the policy with me. At this point in time, I could not even tell you what my deductible is.

By passing HB637, you will be giving Montana consumers the ability to read and understand their property casualty contracts and you will also give property casualty agents the ability to easily review those contracts with their clients.

EXHIBIT 2  
DATE 2-19-93  
HB 637

Amendments to House Bill No. 637  
First Reading Copy

For the Committee on Business and Economic Development

Prepared by Paul Verdon  
February 19, 1993

1. Page 6, line 24.  
Strike: "1995"  
Insert: "1996"

HOUSE OF REPRESENTATIVES  
VISITOR'S REGISTER

Business and Economic COMMITTEE BILL NO. HB 637  
DATE 2/19/93 SPONSOR(S) Rep. Ryan

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NAME AND ADDRESS	REPRESENTING	SUPPORT	OPPOSE
Jacqueline Denmark	Am. Ins. Assoc		✓
Greg Tan Horssen	State Farm Ins		✓
Gene Phillips	NAII		✓
Ron Waterman	Farmers Ins.		✓
FRANK Cote	S. A. O.	✓	
Rene Dryman	S A O	✓	
DEBBIE BERNEY	Prof. Ins. Agts. of MT		

PLEASE LEAVE PREPARED TESTIMONY WITH SECRETARY. WITNESS STATEMENT FORMS  
ARE AVAILABLE IF YOU CARE TO SUBMIT WRITTEN TESTIMONY.