

MINUTES

MONTANA SENATE
55th LEGISLATURE - REGULAR SESSION

COMMITTEE ON BUSINESS & INDUSTRY

Call to Order: By CHAIRMAN JOHN HERTEL, on February 5, 1997, at
9:00 A.M., in ROOM 410

ROLL CALL

Members Present:

Sen. John R. Hertel, Chairman (R)
Sen. Steve Benedict, Vice Chairman (R)
Sen. Debbie Bowman Shea (D)
Sen. William S. Crismore (R)
Sen. C.A. Casey Emerson (R)
Sen. Bea McCarthy (D)

Members Excused: None

Members Absent: None

Staff Present: Bart Campbell, Legislative Services Division
Mary Gay Wells, Committee Secretary

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

Committee Business Summary:

Hearing(s) & Date(s) Posted: HB 56; HB 117; HB 131; 1/24/97
Executive Action: HB 56; HB 58; SB 193
SB 74, SB 136 & SB 147 TABLED
SB 169 & SB 150 TABLED

HEARING ON HB 56

Sponsor: REP. ROYAL JOHNSON, HD 10, BILLINGS

Proponents: Bruce Brensdal, MT Board of Housing
Charles Rehbein, Governor's Advisory Council on
Aging

Opponents: None

Opening Statement by Sponsor:

REP. ROYAL JOHNSON, HD 10, BILLINGS. HB 56 will allow a number
of people to do a reverse mortgage. The Board of Housing has
been doing reverse mortgages for a number of years. We do have a

manual report that shows just how much is being done. If a person needs some additional income, you can make a reverse mortgage at low interest rates from the Board of Housing and they pay you by the month. You can get on the front on of a reverse mortgage a dollar amount in excess of those payments up to about \$3000. Though that is not primarily what we want to do. We would like to extend the availability of the program to many people. When we presented this bill to the House Committee, they suggested that we should have a definitive minimum age. That Committee took the age back to 68 years. The Board of Housing can make an exception to that age, but one exception usually leads to another. One question is what happens if the person does this for a 10 year period and they are drawing \$4000 a year and at the end of 10 years they have a bill against that house for \$40,000. There may be less for the heirs, but it has taken care of the person who owns the home and is entitled to that sort of accommodation. This bill does not start anything new, it just expands a program that is already in place. **Maureen Rude, Administrator, Department of Commerce, Housing Division**, who testified before has sent her letter (EXHIBIT 1). **Mr. Bruce Brensdaal, MT Board of Housing**, is here to answer any questions.

Proponents' Testimony:

Bruce Brensdaal, MT Board of Housing. I am here to answer any questions that you may have.

Charles Rehbein, Governor's Advisory Council on Aging. This Council is in strong support of HB 56. It is a program that has benefitted senior citizens and will continue to benefit them. We urge you to support this bill.

Opponents' Testimony: None

Questions From Committee Members and Responses:

SEN. BEA MCCARTHY asked in the new section 68 years or older that has been amended to replace the old section, does it specify if both husband and wife must be 68 years old? **Mr. Brensdaal** stated that is the language that the House Committee has put in. They left the 68 years of age qualification in there. However, they did provide an exception on a case by case basis in accordance with program guidelines established by the Board. This type of language gives us the flexibility to meet the needs of these senior citizens. Currently, the law does not allow us this flexibility--both husband and wife have to be 68 years old.

SEN. STEVE BENEDICT asked how it works if the house is paid out in that 10 years and is worth no more or is there just a lien and the Board recovers when the house is sold. **Mr. Brensdaal** replied that the initial loan that the Board can make on the house can be no more than 80% of the appraised value. If they choose to take the full amount that they are eligible for, we could have up to 80% of the equity in that 10 year period. At that point, the

Board would have a lien against the house and then we would have first lien. **SEN. BENEDICT** then asked if in that 10 year period the housing market dropped and the people live another 15-20 years, will the Board just sit there holding the lien. **Mr. Brensdal** replied that is correct and that is the reason on 80% of the value is loaned. After that point, there is a level of risk.

SEN. CASEY EMERSON asked if the Board could make the loan for more than 10 years? Could the loan be written for half the value for 10 years and if the people need more money, write another loan for 10 years for the other 40%? **Mr. Brensdal** said that the way the program is structured that is not an option. One of the requirements of the program is that all applicants are required to take counseling from an independent source. We try to have an independent party go through this program with them and help them decide what is best in their individual situation.

SEN. MCCARTHY asked if the couple or individual take another loan from another source on this party also? **Mr. Brensdal** said they can, but the second loan would be in a second position to our loan. **SEN. MCCARTHY** asked if that individual needed to go into a nursing home, would the property need to be sold and the loan repaid prior to their eligibility for the nursing home. **Mr. Brensdal** stated that this has happened before in the program. If the individual had not lived in the home for over 180 days, the loan does become payable. We do not require that the home be sold at that point. If the family wishes to repay that loan, this is fine with the Board.

SEN. WILLIAM CRISMORE asked how the interest is figured. **Mr. Brensdal** replied that the interest rate is a flat 5%.

Closing by Sponsor:

REP. JOHNSON closed. This is a great program. Thank you and I urge a Do PASS.

{Tape:1; Side: A; Approx. Time Count: 9:17 AM; Comments: N/A.}

HEARING ON HB 131

Sponsor: REP. BRUCE SIMON, HD 18, BILLINGS

Proponents: Frank Cote, Deputy Insurance Commissioner
Ward Shanahan, Farmers Insurance Group
Jacqueline Lenmark, American Insurance Assoc.
Roger McGlenn, Executive Director, Independent
Insurance Agents of Montana
Susan Good, MT Assoc. of Life Underwriters
Tanya Ask, Blue Cross & Blue Shield of MT

Opponents: None

Opening Statement by Sponsor:

REP. BRUCE SIMON, HD 18, BILLINGS. HB 131 is a bill that is around every session. The Insurance Department goes through the laws to identify those that have outlived their usefulness and bring the codes up to date. We have an insurance department that is accredited. This is good but what does it mean to the consumer? As an accredited Department, our Insurance Department is allowed to go out and conduct audits on Montana domiciled insurance companies. Their audits are accepted by other commissioners around the country. Without this accreditation, our Montana domiciled companies could be subject to auditing by all those other states.

There are some amendments that have come to light. As in most bills, a couple of glitches happened and there needs to be some housekeeping amendments or clerical redo.

Proponents' Testimony:

Frank Cote, Deputy Insurance Commissioner. The sponsor has stated it correctly in that this bill is a housekeeping bill. We have talked to the industry and tried to clean the codes up while staying in compliance with accreditation. There will be two sets of amendments. We will need to coordinate these amendments with Mr. Shanahan. I would suggest that Mr. Bart Campbell, Mr. Shanahan and I would work on these amendments together. Here is a copy of our proposed amendments (EXHIBIT 2).

Ward Shanahan, Farmers Insurance Group. This is my set of amendments (EXHIBITS 3 and 4) which includes suggestions by the State Farm Insurance Co. as well as Blue Cross & Blue Shield. Some are duplicates of the ones Mr. Cote is talking about. I would be available for any questions.

Jacqueline Lenmark, American Insurance Assoc. The sponsor correctly described the process in which this bill comes to you. We will do all we can to put the correct amendments in so that the bill can be presented to you in a corrected form. We appreciate everyone's willingness to cooperate on this bill. We urge a Do Pass.

Roger McGlenn, Executive Director, Independent Insurance Agents of Montana. We thank the Department for allowing us to work on the input for this bill. We are very supportive of the amendments that have been presented. We ask your support of HB 131.

Susan Good, MT Assoc. of Life Underwriters. We stand in support of HB 131.

Tanya Ask, Blue Cross & Blue Shield of Montana. Yes to the bill and yes to the amendments.

Opponents' Testimony: None

Questions From Committee Members and Responses:

CHAIRMAN JOHN HERTEL asked about the repealers. Mr. Cote replied that from time to time, we find in our code sections of law that no longer make sense. There may other laws that replace the older law, etc. so we repeal them.

Closing by Sponsor:

REP. SIMON closed. This bill contains no new law. It merely strikes out old laws or maybe only a word or two that no longer are pertinent for one reason or another. I thank you for the hearing today and appreciate your indulgence in having the time to make this a clean and cohesive bill.

{Tape: 1; Side: A; Approx. Time Count: 9:33 AM; Comments: A 3
MINUTE BREAK WAS TAKEN. THE HEARING RESUMED AT 9:36 AM.}

HEARING ON HB 117

Sponsor: REP. ROBERT PAVLOVICH, HD 37, BUTTE

Proponents: Frank Cote, Deputy Insurance Commissioner
Bob Pyfer, MT Credit Unions League
Tom Hopgood, Health Insurance Assoc. of America

Opponents: None

Opening Statement by Sponsor:

REP. ROBERT PAVLOVICH, HD 37, BUTTE. HB 117 is a consumer bill. It clarifies the minimum benefits a credit disability insurer must provide in the event that the insured becomes disabled. This disability insurance is generally sold through a credit card company and provides for the payment of the regularly scheduled minimum credit card payments in the event there is a balance due. We have some amendments (EXHIBIT 5).

Proponents' Testimony:

Frank Cote, Deputy Insurance Commissioner. HB 117 is a good bill. When you have a credit card and purchase credit card insurance, this bill clarifies what the insurance company must pay when you become disabled. Quite often people thought they were going to get everything paid for if they became disabled. This help will help this confusion. I do have another handout that might be easier to read (EXHIBIT 6). I will be happy to answer any questions.

Bob Pyfer, Senior Vice President, MT Credit Unions League. We did have some concerns with the bill as originally drafted, but

we have worked our the amendments that were put in the House and those are acceptable to us. The amendments that the Insurance Commissioner's office are offering, are also acceptable to us. We do support this bill.

Tom Hopgood, Health Insurance Assoc. of America. We support the bill and the amendments that have been placed on it.

Opponents' Testimony: None

Questions From Committee Members and Responses: None

Closing by Sponsor:

REP. PAVLOVICH closed. Thank you for the good hearing.

{Tape: 1; Side: A; Approx. Time Count: 9:42 AM; Comments: N/A.}

EXECUTIVE ACTION ON HB 56

Motion/Vote: SEN. BEA MCCARTHY MOVED DO CONCUR HB 56. The motion CARRIED UNANIMOUSLY.

EXECUTIVE ACTION ON SB 74

Motion: SEN. DEBBIE SHEA MOVED SB 74 DO PASS.

Amendments: SEN. SHEA introduced amendments (EXHIBIT 7). SEN. SHEA moved to AMEND SB 74. The motion to AMEND SB 74 CARRIED UNANIMOUSLY.

Motion: SEN. WILLIAM CRISMORE moved to TABLE SB 74.

Vote: The motion to TABLE SB 74 CARRIED with Senators McCarthy and Shea voting no.

EXECUTIVE ACTION ON SB 136

Motion: SEN. STEVE BENEDICT MOVED DO PASS SB 136.

Amendments: SEN. BENEDICT introduced amendments (EXHIBIT 8). SEN. BENEDICT moved to AMEND SB 136. The motion to AMEND SB 136 CARRIED UNANIMOUSLY.

Motion: SEN. BEA MCCARTHY MOVED TO TABLE SB 136. The motion to TABLE SB 136 CARRIED UNANIMOUSLY.

EXECUTIVE ACTION ON SB 147

Motion: SEN. STEVE BENEDICT MOVED DO PASS SB 147.

Amendments: SEN. BENEDICT introduced amendments (EXHIBIT 9). SEN. BENEDICT moved to AMEND SB 147. The motion to AMEND SB 147 CARRIED UNANIMOUSLY.

Motion: SEN. BENEDICT MOVED DO PASS AS AMENDED SB 147.

Motion: SEN. BEA MCCARTHY MOVED TO TABLE SB 147. The motion to TABLE SB 147 CARRIED UNANIMOUSLY.

EXECUTIVE ACTION ON HB 58

Motion: SEN. BEA MCCARTHY MOVED BE CONCURRED IN HB 58

Discussion: SEN. MCCARTHY stated that she had discussed this bill with Annie Bartos and felt that with the passing of this bill it would open up Montana to schools of all kinds with no oversight and felt that this would be poor policy for the state. SEN. STEVE BENEDICT agreed to a point, but why have laws on the books if we cannot enforce them and felt that there should be fewer laws controlling the people of Montana. SEN. WILLIAM CRISMORE asked if the Department could come back and ask for money and build a bureaucracy around it.

Amendments: SEN. BENEDICT offered amendments (EXHIBIT 10). SEN. BENEDICT moved to AMEND HB 58. The motion to amend HB 58 CARRIED UNANIMOUSLY.

Motion: SEN. MCCARTHY MOVED TO TABLE HB 58 AS AMENDED. The motion to TABLE HB 58 FAILED with SENATORS HERTEL, CRISMORE, BENEDICT AND EMERSON voting NO.

Motion/Vote: SEN. BENEDICT MOVED HB 58 BE CONCURRED IN AS AMENDED. The motion CARRIED with SENATORS MCCARTHY and SHEA voting NO.

EXECUTIVE ACTION ON SB 169

Amendments: SEN. STEVE BENEDICT offered amendments (EXHIBIT 11) SEN. BENEDICT moved to AMEND SB 169. The motion CARRIED UNANIMOUSLY.

Motion: SEN. BENEDICT MOVED DO PASS ON SB 169.

Motion: SEN. BEA MCCARTHY MOVED TO TABLE SB 169. The motion CARRIED UNANIMOUSLY.

EXECUTIVE ACTION ON SB 150

Motion: SEN. STEVE BENEDICT MOVED DO PASS SB 150.

Discussion: SEN. WILLIAM CRISMORE asked if someone can go to the high risk pool with the state and get in at 137% increase of cost. SEN. BENEDICT responded that he was not sure if 137% is the correct figure. SEN. CRISMORE stated that if this bill did not pass, we still are not putting someone in jeopardy of not getting insurance without paying the 200% cost increase of their old insurance policy. SEN. BENEDICT said that, in trying to be objective, we would be forcing them into the Montana Comprehensive Health Plan and his thought on that is that MCHP has improved their plan greatly. SEN. BEA MCCARTHY hoped that she understood that the bill was forcing an insurance company to offer a different policy to a terminated person and that policy had to be offered at no more than a 200% increase. Mr. Coty was asked to respond and he said that the law does not affect that portion and is already in statute of a guaranteed conversion ability. This law would reduce the cap on the conversion from 200% to 150%.

Motion: SEN. CRISMORE MOVED TO TABLE SB 150. The motion CARRIED with SENATORS HERTEL and SHEA voting NO.

EXECUTIVE ACTION ON SB 193

Motion: SEN. STEVE BENEDICT MOVED DO PASS SB 193.

Discussion: CHAIRMAN JOHN HERTEL asked for clarification on the one apprentice to three journeymen. SEN. WILLIAM CRISMORE stated that the opponents are protecting their jobs and want to keep it as it is. And for the proponents, they are seeking the possibility of increasing their shop at a faster rate.

Vote: The motion of DO PASS SB 193 CARRIED with Senators McCarthy and Shea voting NO.

ADJOURNMENT

Adjournment: 10:30 A.M.



SEN. JOHN R. HERTEL, Chairman



MARY GAY WELLS, Secretary

JH/MGW