

HOUSE BILL NO. 575
INTRODUCED BY DEBRUYCKER

IN THE HOUSE

FEBRUARY 10, 1993	INTRODUCED AND REFERRED TO COMMITTEE ON BUSINESS & ECONOMIC DEVELOPMENT.
	FIRST READING.
FEBRUARY 16, 1993	COMMITTEE RECOMMEND BILL DO PASS. REPORT ADOPTED.
FEBRUARY 17, 1993	PRINTING REPORT.
	SECOND READING, DO PASS.
FEBRUARY 18, 1993	ENGROSSING REPORT.
FEBRUARY 19, 1993	THIRD READING, PASSED. AYES, 94; NOES, 2.
FEBRUARY 22, 1993	TRANSMITTED TO SENATE.

IN THE SENATE

FEBRUARY 22, 1993	INTRODUCED AND REFERRED TO COMMITTEE ON BUSINESS & INDUSTRY.
	FIRST READING.
MARCH 26, 1993	COMMITTEE RECOMMEND BILL BE CONCURRED IN. REPORT ADOPTED.
MARCH 27, 1993	SECOND READING, CONCURRED IN.
MARCH 29, 1993	THIRD READING, CONCURRED IN. AYES, 47; NOES, 0.
	RETURNED TO HOUSE.

IN THE HOUSE

MARCH 30, 1993	RECEIVED FROM SENATE.
	SENT TO ENROLLING.
	REPORTED CORRECTLY ENROLLED.

1 House BILL NO. 575
 2 INTRODUCED BY Phil Brinkman
 3
 4 A BILL FOR AN ACT ENTITLED: "AN ACT REVISING THE LAWS
 5 RELATING TO FARM MUTUAL INSURERS; REMOVING THE REQUIREMENT
 6 FOR DEPARTMENT OF COMMERCE APPROVAL OF INVESTMENTS IN
 7 GENERAL OBLIGATION BONDS OR WARRANTS; ALLOWING A FARM MUTUAL
 8 INSURER TO INVEST IN CORPORATE BONDS AND MONEY MARKET FUNDS;
 9 REVISING THE TYPES OF BUILDINGS ON WHICH A FARM MUTUAL
 10 INSURER MAY PROVIDE COVERAGE; AND AMENDING SECTIONS 33-4-403
 11 AND 33-4-501, MCA."
 12

13 STATEMENT OF INTENT

14 This bill requires a statement of intent because
 15 33-4-303(1)(g) directs the commissioner of insurance to
 16 define money market fund by administrative rule. In defining
 17 the term, the commissioner should take into consideration
 18 liquidity, duration, security, and rate of return.
 19

20 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

21 **Section 1.** Section 33-4-403, MCA, is amended to read:

22 "33-4-403. Investments. (1) When so directed by a
 23 majority vote of its members present at a duly--called--and
 24 held meeting of members, the directors of a farm mutual
 25 insurer shall--have-power-to may invest the insurer's funds

1 or any part thereof of the funds in any of the following:

2 (a) bonds or other securities issued by the United
 3 States government or by any agency thereof of the United
 4 States;

5 (b) bonds or other obligations the payment of the
 6 interest and principal of which is assumed or guaranteed by
 7 the United States government or any agency thereof of the
 8 United States;

9 (c) general obligation bonds or warrants of any state,
 10 county, or city, when recommended approved by the
 11 commissioner and approved-by-the-department-of-commerce;

12 (d) loans secured by a first mortgage on real estate
 13 situated in the state of Montana but subject to the
 14 provisions of subsection (3) below;

15 (e) common stock of a domestic insurer formed as an
 16 affiliate company to two or more farm mutual insurers for
 17 the purpose of offering companion insurance products that
 18 farm mutual insurers are prohibited from selling. Such The
 19 investment may not exceed one-third of the assets of the
 20 farm mutual insurer.

21 (f) corporate bonds that are rated A3 or better by
 22 Moody's investor service, inc., or A- or better by Standard
 23 and Poor's corporation and that are issued with the full
 24 credit of the parent corporation. An investment in corporate
 25 bonds may not exceed 20% of the total assets of the mutual

insurer, and no more than 5% of the total assets of the mutual insurer may be invested with one corporation.

(g) money market funds as defined by rules adopted by the commissioner. An investment in money market funds may not exceed 20% of the total assets of the mutual insurer, and no more than 5% of the total assets of the mutual insurer may be invested in a single money market fund.

(2) At the time of making any such an investment the document evidencing the same investment must be stamped with the name of the insurer with the following notation printed or written thereon on the document: "Negotiable only upon the order of the Board of Directors of (naming the insurer)."

(3) No A real estate loan shall may not be for more than 60% of the appraised value of the real estate securing the loan, and the appraisal must have been made within 30 days prior to the date of the loan. No-such The loan shall may not be for a term longer than 10 years. The-foregoing provisions-shall This subsection does not be--deemed--to prevent the renewal or extension of loans already made and shall does not apply to real estate loans which that are insured under the provisions of any act of the congress of the United States or to the making, extension, or renewal of any loans which that are made under subchapter II of the act of congress known as the "Servicemen's Readjustment Act of

1944", or any amendment thereof or supplement thereto, as to any part of such the loans; nor-shall-such-provisions-be deemed-to This subsection does not prevent an insurer from taking another and immediately subsequent mortgage or deed of trust when it already holds a first mortgage or deed of trust on the same real estate or from accepting a second lien on real estate to secure the payment of a debt previously contracted in good faith; nor-shall-it This subsection does not prevent subsequent liens of any kind from being taken to secure the payment of a debt previously contracted in good faith when in the judgment of the insurer's board of directors such the subsequent liens are necessary further to further secure the payment of any debts and save the insurer from loss."

Section 2. Section 33-4-501, MCA, is amended to read:

"33-4-501. Insuring powers in general. (1) In respect to property insurance as defined in 33-1-210, a farm mutual insurer shall insure against loss or damage by fire or other casualty only:

(a) farm rural dwellings and buildings, including the usual contents therein, farm livestock, machinery, vehicles, growing crops, and other forms of farm property owned by a member of such the insurer or by his the member's spouse;

(b) residential dwellings, appurtenant structures, and personal property owned by a member of the insurer or by the

1 member's spouse and located outside the boundaries of an
 2 incorporated city or town;

3 (b)(c) dwellings and related buildings designed for
 4 occupancy by not over two families, together with the usual
 5 contents thereof, situated in an incorporated city or town
 6 if such the property is owned by a member of the insurer or
 7 by his the member's spouse and if such the member has other
 8 insurance of farm rural property with the insurer for a
 9 ~~substantial amount~~;

10 (c)(d) rural schoolhouses and buildings used in
 11 connection therewith with the schoolhouse, rural community
 12 houses, or rural churches, or other rural public buildings.

13 (2) A farm mutual insurer may insure against the
 14 liability risks provided in 33-1-206(1)(b) only to the
 15 extent of the limit of risks provided in 33-4-502(3) and
 16 only if every policy bears on its face in boldface type a
 17 statement that each member of the farm mutual insurer is
 18 subject to a contingent liability under 33-3-411.

19 (3) Except as provided in subsection (1)(c) above, an
 20 insurer may not insure any property not owned by a member or
 21 by his the member's spouse.

22 (4) An insurer may not insure any property situated
 23 within the limits of incorporated towns or cities except as
 24 provided in subsection ~~(1)(b)~~ (1)(c) above and may not so
 25 insure the property unless it has and maintains the surplus

1 funds as required under 33-4-401."

-End-

APPROVED BY COMM. ON BUSINESS
AND ECONOMIC DEVELOPMENT

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2 INTRODUCED BY Pat Baugher
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15 33-4-303(1)(g) directs the commissioner of insurance to
16 define money market fund by administrative rule. In defining
17 the term, the commissioner should take into consideration
18 liquidity, duration, security, and rate of return.

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21 **Section 1.** Section 33-4-403, MCA, is amended to read:

22 "33-4-403. Investments. (1) When so directed by a
23 majority vote of its members present at a duly--called--and
24 held meeting of members, the directors of a farm mutual
25 insurer ~~shall have power to~~ may invest the insurer's funds

1 or any part thereof of the funds in any of the following:

2 (a) bonds or other securities issued by the United
3 States government or by any agency thereof of the United
4 States;

5 (b) bonds or other obligations the payment of the
6 interest and principal of which is assumed or guaranteed by
7 the United States government or any agency thereof of the
8 United States;

9 (c) general obligation bonds or warrants of any state,
10 county, or city, when recommended approved by the
11 commissioner ~~and approved by the department of commerce;~~

12 (d) loans secured by a first mortgage on real estate
13 situated in the state of Montana but subject to the
14 provisions of subsection (3) below;

15 (e) common stock of a domestic insurer formed as an
16 affiliate company to two or more farm mutual insurers for
17 the purpose of offering companion insurance products that
18 farm mutual insurers are prohibited from selling. Such The
19 investment ~~may~~ not exceed one-third of the assets of the
20 farm mutual insurer.

21 (f) corporate bonds that are rated A3 or better by
22 Moody's investor service, inc., or A- or better by Standard
23 and Poor's corporation and that are issued with the full
24 credit of the parent corporation. An investment in corporate
25 bonds may not exceed 20% of the total assets of the mutual

1 insurer, and no more than 5% of the total assets of the
2 mutual insurer may be invested with one corporation.

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4 the commissioner. An investment in money market funds may
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9 document evidencing the same investment must be stamped with
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11 or written thereon on the document: "Negotiable only upon
12 the order of the Board of Directors of (naming the
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14 (3) No A real estate loan shall may not be for more
15 than 60% of the appraised value of the real estate securing
16 the loan, and the appraisal must have been made within 30
17 days prior to the date of the loan. No-such The loan shall
18 may not be for a term longer than 10 years. The-foregoing
19 provisions-shall This subsection does not be--deemed--to
20 prevent the renewal or extension of loans already made and
21 shall does not apply to real estate loans which that are
22 insured under the provisions of any act of the congress of
23 the United States or to the making, extension, or renewal of
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25 of congress known as the "Servicemen's Readjustment Act of

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6 trust on the same real estate or from accepting a second
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10 from being taken to secure the payment of a debt previously
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12 insurer's board of directors such the subsequent liens are
13 necessary further to further secure the payment of any debts
14 and save the insurer from loss."

15 **Section 2.** Section 33-4-501, MCA, is amended to read:

16 "33-4-501. Insuring powers in general. (1) In respect
17 to property insurance as defined in 33-1-210, a farm mutual
18 insurer shall insure against loss or damage by fire or other
19 casualty only:

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21 usual contents therein, farm livestock, machinery, vehicles,
22 growing crops, and other forms of farm property owned by a
23 member of such the insurer or by his the member's spouse;

24 (b) residential dwellings, appurtenant structures, and
25 personal property owned by a member of the insurer or by the

1 member's spouse and located outside the boundaries of an
 2 incorporated city or town;

3 ~~(b)~~(c) dwellings and related buildings designed for
 4 occupancy by not over two families, together with the usual
 5 contents thereof, situated in an incorporated city or town
 6 if such the property is owned by a member of the insurer or
 7 by his the member's spouse and if such the member has other
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13 (2) A farm mutual insurer may insure against the
 14 liability risks provided in 33-1-206(1)(b) only to the
 15 extent of the limit of risks provided in 33-4-502(3) and
 16 only if every policy bears on its face in boldface type a
 17 statement that each member of the farm mutual insurer is
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 24 provided in subsection ~~(1)~~(b) (1)(c) above and may not so
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THERE ARE NO CHANGES IN THIS BILL
AND WILL NOT BE REPRINTED. PLEASE
REFER TO YELLOW COPY FOR COMPLETE TEXT.

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