

## 1 SENATE BILL NO. 39

2 INTRODUCED BY NELSON

3 BY REQUEST OF THE STATE AUDITOR

4

5 A BILL FOR AN ACT ENTITLED: "AN ACT APPLYING MANAGEMENT AND EXCLUSIVE AGENCY  
6 CONTRACT RESTRICTIONS TO FARM MUTUAL INSURERS; DEFINING "FARM MUTUAL INSURER";  
7 REQUIRING LICENSURE OF FARM MUTUAL MANAGING GENERAL AGENTS AND REGULATION OF FARM  
8 MUTUAL MANAGING GENERAL AGENT CONTRACTS; REQUIRING LICENSURE AND APPOINTMENT OF  
9 FARM MUTUAL INSURANCE PRODUCERS FOR THE TRANSACTION OF CROP-HAIL AND LIABILITY  
10 INSURANCE; LIMITING THE RETENTION OF CROP-HAIL RISK BY A FARM MUTUAL INSURER; AND  
11 AMENDING SECTIONS 33-4-101, 33-4-102, 33-4-312, AND 33-4-502, MCA."

12

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

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15 **Section 1.** Section 33-4-101, MCA, is amended to read:16 **"33-4-101. Scope of chapter -- provisions applicable.** (1) The chapter applies to:

17 (a) all domestic mutual hail, fire, and other casualty insurers of farm property and stock and rural  
18 buildings formed and immediately prior to January 1, 1961, lawfully transacting insurance under sections  
19 40-1501 through 40-1517 of the Revised Codes of Montana, 1947;

20 (b) all domestic mutual rural insurers formed and immediately prior to January 1, 1961, lawfully  
21 transacting insurance under sections 40-1601 through 40-1625 of the Revised Codes of Montana, 1947;

22 (c) all insurers formed under this chapter.

23 (2) ~~All insurers qualifying under subsection (1) may be referred to as "farm mutual insurers".~~

24 ~~(3)~~ The insurance laws of this state do not apply to or govern, either directly or indirectly, domestic  
25 farm mutual insurers except as contained or referred to in this chapter.

26 ~~(4)~~(3) The following chapters and sections of this title apply to farm mutual insurers to the extent  
27 applicable and not inconsistent with the express provisions of this chapter and the reasonable implications  
28 of the express provisions: ~~parts 1, 2, 3, 4, and 7 of chapter 1, parts 1 through 4 and 7;~~ 33-2-112;  
29 33-2-501; 33-2-502; 33-2-532 through 33-2-535; 33-2-708; chapter 2, ~~part~~ parts 13 and 16; 33-2-1212;  
30 33-3-218; 33-3-308; 33-3-309; 33-3-401; 33-3-402; 33-3-431; 33-3-436; and chapter 18."

INTRODUCED BILL

1           **Section 2.** Section 33-4-102, MCA, is amended to read:

2           **"33-4-102. Definitions.** (1) A ~~"county"~~ "county mutual insurer" is ~~an a farm mutual insurer~~ authorized to insure ~~only~~ property and liability risks located in the county ~~wherein is located~~ in which its principal office is located and in the counties in this state with boundaries contiguous with ~~such the~~ principal office county.

6           (2) A "farm mutual insurer" is an insurer that meets the qualifications of 33-4-101(1).

7           (3) A ~~"state"~~ "state mutual insurer" is ~~an a farm mutual insurer~~ authorized to insure property and liability risks throughout the state.

9           ~~(3)(4)~~ "Surplus" is the extent to which the value of an insurer's assets exceeds its liabilities."

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11           **Section 3.** Section 33-4-312, MCA, is amended to read:

12           **"33-4-312. Officers, insurance producers, and employees not licensed -- exception for liability insurance, crop insurance, and managing general agents.** (1) Except as provided in ~~subsection (2)~~ this section, ~~an an insurance producer of an a farm mutual insurer is not required to obtain a license or authority from any public official to transact business for such the insurer,~~ nor is the The farm mutual insurer or any of its officers, insurance producers, or employees are not required to pay any fee or license for the transaction of the business of the insurer, except as provided in this chapter.

18           (2) ~~A farm mutual insurer that offers liability insurance is required to have an insurance producer licensed by the state of Montana to transact liability insurance, and no~~ A person, including an officer or employee of a farm mutual insurer, may not offer, solicit, take applications for, procure, or place for others liability insurance by a or insurance of growing crops against loss or damage resulting from hail or other hazards on behalf of a farm mutual insurer unless he or she the person is:

23           (a) licensed under Title 33, chapter 17; and

24           (b) appointed by the farm mutual insurer pursuant to 33-17-236.

25           (3) A person acting as a managing general agent, as defined in 33-2-1501, for a farm mutual insurer must be licensed under 33-2-1601."

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28           **Section 4.** Section 33-4-502, MCA, is amended to read:

29           **"33-4-502. Limit of risk -- retention of liability.** (1) Except as provided in subsection (3), the maximum amount of insurance ~~which that~~ an insurer shall retain on a single risk, after deduction of

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1 applicable reinsurance, may not exceed 10% of the admitted assets of the insurer or \$50,000, whichever  
2 is the larger amount.

3 (2) For the purposes of this section, a "single risk" as to insurance against fire and hazards other  
4 than windstorm, earthquake, or other catastrophic perils includes all properties insured by the same insurer  
5 ~~which that~~ are reasonably susceptible to loss or damage from the same fire or the same occurrence of ~~such~~  
6 ~~other another~~ hazard insured against.

7 (3) A farm mutual insurer:

8 (a) that insures any portion of a liability risk shall maintain a surplus of at least \$50,000;

9 (b) that retains any portion of a liability risk shall obtain reinsurance on that liability insurance with  
10 an insurer authorized to do business in this state, and the farm mutual insurer's maximum aggregate liability  
11 for incurred losses on liability coverage retained for any calendar year or contract year may not exceed the  
12 smaller of \$200,000 or 20% of the farm mutual insurer's surplus as of December 31 of the preceding year;  
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14 (c) may not retain liability risk or risk resulting from insuring growing crops against loss or damage  
15 from hail or other hazards greater than the proportional share of each limit of liability in the following  
16 schedule:

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25 -END-

STATE OF MONTANA - FISCAL NOTE

Fiscal Note for SB0039, as introduced

DESCRIPTION OF PROPOSED LEGISLATION:


An act applying management and exclusive agency contract restrictions to Farm Mutual Insurers; defining "Farm Mutual Insurer"; requiring licensure of farm mutual managing general agents and regulation of farm mutual managing general agent contracts; requiring licensure and appointment of farm mutual insurance producers for the transaction of crop-hail and liability insurance; and limiting the retention of crop-hail risk by a farm mutual insurer.

ASSUMPTIONS:

1. Most insurance agents selling crop insurance are currently licensed agents.
2. There may be a slight increase in the number of licensed agents related to crop insurance, but it should have a minimal impact to the State Auditor's Office.

FISCAL IMPACT:

None.

 1-8-97  
DAVE LEWIS, BUDGET DIRECTOR      DATE  
Office of Budget and Program Planning

 1-10-97  
LINDA NELSON, PRIMARY SPONSOR      DATE

Fiscal Note for SB0039, as introduced

SB 39

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20 (b) all domestic mutual rural insurers formed and immediately prior to January 1, 1961, lawfully  
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22 (c) all insurers formed under this chapter.

23 (2) ~~All insurers qualifying under subsection (1) may be referred to as "farm mutual insurers".~~

24 ~~(3)~~ The insurance laws of this state do not apply to or govern, either directly or indirectly, domestic  
25 farm mutual insurers except as contained or referred to in this chapter.

26 ~~(4)~~(3) The following chapters and sections of this title apply to farm mutual insurers to the extent  
27 applicable and not inconsistent with the express provisions of this chapter and the reasonable implications  
28 of the express provisions: ~~parts 1, 2, 3, 4, and 7 of chapter 1, parts 1 through 4 and 7;~~ 33-2-112;  
29 33-2-501; 33-2-502; 33-2-532 through 33-2-535; 33-2-708; chapter 2, ~~part~~ parts 13 and 16; 33-2-1212;  
30 33-3-218; 33-3-308; 33-3-309; 33-3-401; 33-3-402; 33-3-431; 33-3-436; and chapter 18."

1           **Section 2.** Section 33-4-102, MCA, is amended to read:

2           "**33-4-102. Definitions.** (1) A ~~"county"~~ "county mutual insurer" is ~~an a farm mutual insurer~~ authorized to insure ~~only property~~ and liability risks located in the county ~~wherein is located~~ in which its principal office ~~is located~~ and in the counties in this state with boundaries contiguous with ~~such the~~ principal office county.

6           (2) A "farm mutual insurer" is an insurer that meets the qualifications of 33-4-101(1).

7           (3) A ~~"state"~~ "state mutual insurer" is ~~an a farm mutual insurer~~ authorized to insure property and liability risks throughout the state.

9           ~~(3)(4)~~ "Surplus" is the extent to which the value of an insurer's assets exceeds its liabilities."

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11           **Section 3.** Section ~~33-4-312~~, MCA, is amended to read:

12           ~~"33-4-312. Officers, insurance producers, and employees not licensed -- exception for liability insurance, crop insurance, and managing general agents.~~ (1) ~~Except as provided in subsection (2) this section, no an insurance producer of an a farm mutual insurer is not required to obtain a license or authority from any public official to transact business for such the insurer, nor is the The farm mutual insurer or any of its officers, insurance producers, or employees are not required to pay any fee or license for the transaction of the business of the insurer, except as provided in this chapter.~~

18           ~~(2) A farm mutual insurer that offers liability insurance is required to have an insurance producer licensed by the state of Montana to transact liability insurance, and no A person, including an officer or employee of a farm mutual insurer, may not offer, solicit, take applications for, procure, or place for others liability insurance by a or insurance of growing crops against loss or damage resulting from hail or other hazards on behalf of a farm mutual insurer unless he or she the person is:~~

23           ~~(a) licensed under Title 33, chapter 17; and~~

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29           "**33-4-502. Limit of risk -- retention of liability.** (1) Except as provided in subsection (3), the maximum amount of insurance which that an insurer shall retain on a single risk, after deduction of

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1 applicable reinsurance, may not exceed 10% of the admitted assets of the insurer or \$50,000, whichever  
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3 (2) For the purposes of this section, a "single risk" as to insurance against fire and hazards other  
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1           **Section 2.** Section 33-4-102, MCA, is amended to read:

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11           ~~**Section 3.** Section 33-4-312, MCA, is amended to read:~~

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15 **Section 1.** Section 33-4-101, MCA, is amended to read:16 **"33-4-101. Scope of chapter -- provisions applicable.** (1) The chapter applies to:

17 (a) all domestic mutual hail, fire, and other casualty insurers of farm property and stock and rural  
 18 buildings formed and immediately prior to January 1, 1961, lawfully transacting insurance under sections  
 19 40-1501 through 40-1517 of the Revised Codes of Montana, 1947;

20 (b) all domestic mutual rural insurers formed and immediately prior to January 1, 1961, lawfully  
 21 transacting insurance under sections 40-1601 through 40-1625 of the Revised Codes of Montana, 1947;

22 (c) all insurers formed under this chapter.

23 (2) ~~All insurers qualifying under subsection (1) may be referred to as "farm mutual insurers"~~

24 ~~(3)~~ The insurance laws of this state do not apply to or govern, either directly or indirectly, domestic  
 25 farm mutual insurers except as contained or referred to in this chapter.

26 ~~(4)~~(3) The following chapters and sections of this title apply to farm mutual insurers to the extent  
 27 applicable and not inconsistent with the express provisions of this chapter and the reasonable implications  
 28 of the express provisions: ~~parts 1, 2, 3, 4, and 7 of chapter 1, parts 1 through 4 and 7;~~ 33-2-112;  
 29 33-2-501; 33-2-502; 33-2-532 through 33-2-535; 33-2-708; chapter 2, ~~part parts 13 and 16;~~ 33-2-1212;  
 30 33-3-218; 33-3-308; 33-3-309; 33-3-401; 33-3-402; 33-3-431; 33-3-436; and chapter 18."

1           **Section 2.** Section 33-4-102, MCA, is amended to read:

2           "33-4-102. **Definitions.** (1) A ~~"county"~~ "county mutual insurer" is ~~an a farm mutual insurer~~  
3 authorized to insure ~~only~~ property and liability risks located in the county ~~wherein is located~~ in which its  
4 principal office is located and in the counties in this state with boundaries contiguous with ~~such the~~  
5 principal office county.

6           (2) A "farm mutual insurer" is an insurer that meets the qualifications of 33-4-101(1).

7           (3) A ~~"state"~~ "state mutual insurer" is ~~an a farm mutual insurer~~ authorized to insure property and  
8 liability risks throughout the state.

9           ~~(3)~~(4) "Surplus" is the extent to which the value of an insurer's assets exceeds its liabilities."

10  
11           **Section 3.** Section ~~33-4-312~~, MCA, is amended to read:

12           ~~"33-4-312. **Officers, insurance producers, and employees not licensed — exception for liability**~~  
13 ~~**insurance, crop insurance, and managing general agents.** (1) Except as provided in subsection (2) this~~  
14 ~~section, no an insurance producer of an a farm mutual insurer is not required to obtain a license or authority~~  
15 ~~from any public official to transact business for such the insurer, nor is the The farm mutual insurer or any~~  
16 ~~of its officers, insurance producers, or employees are not required to pay any fee or license for the~~  
17 ~~transaction of the business of the insurer, except as provided in this chapter.~~

18           ~~(2) A farm mutual insurer that offers liability insurance is required to have an insurance producer~~  
19 ~~licensed by the state of Montana to transact liability insurance, and no A person, including an officer or~~  
20 ~~employee of a farm mutual insurer, may not offer, solicit, take applications for, procure, or place for others~~  
21 ~~liability insurance by a or insurance of growing crops against loss or damage resulting from hail or other~~  
22 ~~hazards on behalf of a farm mutual insurer unless he or she the person is:~~

23           ~~(a) licensed under Title 33, chapter 17, and~~

24           ~~(b) appointed by the farm mutual insurer pursuant to 33-17-236.~~

25           ~~(3) A person acting as a managing general agent, as defined in 33-2-1501, for a farm mutual insurer~~  
26 ~~must be licensed under 33-2-1601."~~

27  
28           **Section 3.** Section 33-4-502, MCA, is amended to read:

29           "33-4-502. **Limit of risk -- retention of liability.** (1) Except as provided in subsection (3), the  
30 maximum amount of insurance which that an insurer shall retain on a single risk, after deduction of

1 applicable reinsurance, may not exceed 10% of the admitted assets of the insurer or \$50,000, whichever  
2 is the larger amount.

3 (2) For the purposes of this section, a "single risk" as to insurance against fire and hazards other  
4 than windstorm, earthquake, or other catastrophic perils includes all properties insured by the same insurer  
5 which that are reasonably susceptible to loss or damage from the same fire or the same occurrence of such  
6 other another hazard insured against.

7 (3) A farm mutual insurer:

8 (a) that insures any portion of a liability risk shall maintain a surplus of at least \$50,000;

9 (b) that retains any portion of a liability risk shall obtain reinsurance on that liability insurance with  
10 an insurer authorized to do business in this state, and the farm mutual insurer's maximum aggregate liability  
11 for incurred losses on liability coverage retained for any calendar year or contract year may not exceed the  
12 smaller of \$200,000 or 20% of the farm mutual insurer's surplus as of December 31 of the preceding year;  
13 and

14 (c) may not retain liability risk or risk resulting from insuring growing crops against loss or damage  
15 from hail or other hazards greater than the proportional share of each limit of liability in the following  
16 schedule:

17 Surplus as of the	Proportional Share of Each
18 Preceding December 31:	Limit of Liability Retained:
19 \$1,000,000 or greater	15%
20 \$800,000 to \$999,999	12%
21 \$600,000 to \$799,999	9%
22 \$400,000 to \$599,999	6%
23 \$200,000 to \$399,999	3%
24 Under \$200,000	0"

25 -END-



## 1 SENATE BILL NO. 39

2 INTRODUCED BY NELSON

3 BY REQUEST OF THE STATE AUDITOR

4

5 A BILL FOR AN ACT ENTITLED: "AN ACT APPLYING MANAGEMENT AND EXCLUSIVE AGENCY  
6 CONTRACT RESTRICTIONS TO FARM MUTUAL INSURERS; DEFINING "FARM MUTUAL INSURER";  
7 REQUIRING LICENSURE OF FARM MUTUAL MANAGING GENERAL AGENTS AND REGULATION OF FARM  
8 MUTUAL MANAGING GENERAL AGENT CONTRACTS; ~~REQUIRING LICENSURE AND APPOINTMENT OF~~  
9 ~~FARM MUTUAL INSURANCE PRODUCERS FOR THE TRANSACTION OF CROP-HAIL AND LIABILITY~~  
10 ~~INSURANCE~~; LIMITING THE RETENTION OF CROP-HAIL RISK BY A FARM MUTUAL INSURER; AND  
11 AMENDING SECTIONS 33-4-101, 33-4-102, ~~33-4-312~~, AND 33-4-502, MCA."

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5 principal office county.

6           (2) A "farm mutual insurer" is an insurer that meets the qualifications of 33-4-101(1).

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16 ~~**of its officers, insurance producers, or employees are not required to pay any fee or license for the**~~  
17 ~~**transaction of the business of the insurer, except as provided in this chapter.**~~

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