

MINUTES

**MONTANA SENATE
53rd LEGISLATURE - REGULAR SESSION**

COMMITTEE ON BUSINESS & INDUSTRY

Call to Order: By J.D. Lynch, Chair, on March 25, 1993, at 10:00 a.m.

ROLL CALL

Members Present:

Sen. J.D. Lynch, Chair (D)
Sen. Chris Christiaens, Vice Chair (D)
Sen. John Brenden (R)
Sen. Betty Bruski-Maus (D)
Sen. Delwyn Gage (R)
Sen. Tom Hager (R)
Sen. Ethel Harding (R)
Sen. Ed Kennedy (D)
Sen. Terry Klampe (D)
Sen. Francis Koehnke (D)
Sen. Kenneth Mesaros (R)
Sen. Doc Rea (D)
Sen. Bill Wilson (D)

Members Excused: Senator Hager

Members Absent: None.

Staff Present: Bart Campbell, Legislative Council
Kristie Wolter, Committee Secretary

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

Committee Business Summary:

Hearing: HB 355, SB 354, SB 430
Executive Action: None.

HEARING ON HB 355

Opening Statement by Sponsor:

Representative Hal Harper, House District 44, stated HB 355 would require pharmacies to post top 20 drugs sold. He stated HB 355 would require the Board of Pharmacy to hold a public hearing and decide if the interests of the consumers would be furthered by the adoption of a rule which would allow them to decide which 20 drugs will be posted. He stated the drugs will only have to be posted in outpatient facilities. Representative Harper stated

hospitals and nursing homes would be excluded from the provisions of HB 422. He stated HB 422 would provide senior citizens with an opportunity to comparison shop for their drugs. He stated every other retail establishment posts its prices for products, so prescription drugs should also be posted. He stated HB 422 was a request and the Board of Pharmacy would determine the specifics of HB 422.

Proponents' Testimony:

Margaret Fleming, Montana Senior Citizens Association, stated HB 422 would allow for the customer to "shop around" for prescription drugs. She stated the senior citizens are not asking for special privileges, they are just asking for the opportunity to comparison shop. She stated the implementation of HB 422 would be easy with the use of a computer data base.

Elmer Fauth, Montana Senior Citizens Association, Great Falls, stated the posting of drug prices is honest and fair for the consumer.

Lloyd Anderson, Montana Senior Citizens Association, Helena, read from prepared testimony in support of HB 422 (Exhibit #1).

Bill Rostad, President, Chapter 107, National Association of Retired Federal Employees, stated his support of HB 422.

Tom Ryan, Montana Senior Citizens Association, Helena, stated his support of HB 422. He stated the cost of drugs was cause for the posting of prices. He stated many senior citizens are on limited budgets and need to be able to comparison shop for their prescription drugs.

Verner Bertelson, Montana Legacy Legislature stated HB 422 would allow for "informed choices" by the consumers.

Christian MacKay, Coordinator, Montanans for Universal Health Care, stated HB 422 would be a cost containment measure for the purchasing of prescription drugs.

Beda Lovett, Montana Medical Association, stated her support of HB 422.

Craig Young, Montana Low Income Coalition, stated his support of HB 422. He stated the low income population would also benefit from the posting drug prices.

Bonnie Tippy, Montana State Pharmaceutical Association, stated her support of HB 422. She stated the association would be proud to help senior citizens.

Dan Shea, private citizen, stated his support of HB 422.

Opponents' Testimony:

None.

Questions From Committee Members and Responses:

Senator Koehnke asked Ms. Fleming who would decide what drugs were to be posted. Ms. Fleming stated the Board of Pharmacy would decide on which drugs were to be listed.

Senator Koehnke asked Mr. Bertelson how the list of prices would be prepared. Mr. Bertelson stated a list would be prepared and then submitted to the pharmacies who would then write in their prices on the drugs.

Senator Gage asked Representative Harper how often the board would meet to decide which drugs were to be posted. Representative Harper stated there will only be one hearing.

Senator Gage asked Senator Kennedy if the pharmaceutical manufacturers supply retail prices to the pharmacists. Senator Kennedy stated the retail prices were determined by wholesale prices by individual pharmacies.

Senator Gage stated HB 422 implied that the pharmaceutical companies dictate the retail prices of prescriptions.

Closing by Sponsor:

Representative Harper closed on HB 422 asking Senator Wilson to carry it on the Senate floor.

HEARING ON SB 354**Opening Statement by Sponsor:**

Senator Chris Christiaens, Senate District 18, stated SB 354 would create continuing education programs for insurers. He stated SB 354 would assure that agents are supplied with the skills and knowledge necessary to properly advise and serve the consumers. He stated the fiscal note shows the programs will be paid for through fees to the agents.

Proponents' Testimony:

Mark O'Keefe, State Auditor and Insurance Commissioner, stated SB 354 had been formulated to provide protection for the insurance people and the consumers. He stated SB 354 would supply continuing education regulations which would comply with the laws in 40 other states. Mr. O'Keefe stated SB 354 would standardize

the licensing and regulation of agents. He stated SB 354 would allow the commissioner to set fees by rule which would cover the operating costs of the program.

Bill Olson, AARP, stated SB 354 was necessary because of the changing times.

Kendra Kawaguci, Montana Land Title Association, stated they requested a member from the Title Industry be placed on the advisory committee. She stated her support of SB 354.

Gene Bern, Cogswell Agency, Montana Association of Life Underwriters, read from prepared testimony in support of SB 354 (Exhibit #2).

Roger McGlenn, Executive Director, Independent Insurance Agents of Montana, stated his support of SB 354. He stated SB 354 would provide for adequate funding to assure regulation of the law.

Gary Knopp, continuing education provider, stated his support of SB 354.

Debbie Berney, Professional Insurance Agents of Montana, stated her support of SB 354.

Clyde Dailey, Executive Director, Montana Senior Citizens Association, stated his support of SB 354 for its affect on the consumer.

John Barker, Montana Land Title Association, stated there is a need for a member from the Title industry to be on the education panel because of the complexity of the industry.

Opponents' Testimony:

None.

Questions From Committee Members and Responses:

Referring to page 3, lines 22 through 25, Senator Gage asked Mr. O'Keefe if the changes can be part of the previous requirements for continuing education. Mr. O'Keefe answered they could be included in the previous requirements. He stated the changes would put the burden on the Commissioner to inform the industry about changes in the laws and rules.

Referring to page 4, Senator Gage asked Mr. O'Keefe if an agent could carry extra credits into the next year. Mr. O'Keefe stated that was correct, but the credits could only be carried over for one year and after that the agent must attain more credits.

Senator Gage asked Mr. O'Keefe about the clause in SB 354 which gave the Commissioner the authority to reinstate a license without the proper education requirements. Mr. O'Keefe stated the exemption of someone from the education requirements was in extreme cases only.

Senator Gage asked Mark Nelson, Administrator, Licensing Bureau, to explain the provisions on page 6, lines 9 and 10.

Senator Gage asked Mr. O'Keefe how the approval of courses is done. Mr. O'Keefe stated there would be a council which would review and approve courses for continuing education credits.

Referring to page 7, subsection 3, Senator Gage asked Mr. O'Keefe what the definition of "successful" was when referring to the completion of a course. Mr. O'Keefe stated the goal of the council is to examine the courses and approve the education level achieved by the agents. Senator Gage then asked if a course can be approved after it has been taken. Mr. O'Keefe stated the Council would not approve a course after it had been taken without prior approval.

Closing by Sponsor:

Senator Christiaens stated the title insurance people must approach the Advisory Council about having a designated place on the Board. He stated in order to be licensed, the agents must have 40 hours of education and take a pre-licensing exam.

HEARING ON SB 430

Opening Statement by Sponsor:

Senator Chris Christiaens, Senate District 18, stated SB 430 would provide for the accreditation of the Montana State Insurance Department. He stated the Department must meet certain minimum standards and regulations to be accredited. He stated the accreditation of the Insurance Department would increase their ability to prevent insurance company insolvencies. He stated SB 430 would allow the Insurance Department to achieve accreditation standards which 19 states have already reached. Senator Christiaens concluded 30 other states have scheduled accreditation review for 1993.

Proponents' Testimony:

Mark O'Keefe, State Auditor and Insurance Commissioner, stated SB 430 was the most important piece of insurance legislation reviewed during the Session. He stated SB 430 was a pro-Montana, pro-business and a pro-consumer bill. He stated the National Association of Insurance Commissioners (NAIC) has established a

set of minimum standards for the competency of all insurance departments. He stated Montana must meet the standards if they would like to retain the ability to regulate the insurance industry. He stated Montana currently does not meet these standards. Mr. O'Keefe stated SB 430 would bring the state to the minimum level of standards to retain state control of the insurance industry. He supplied the Committee with a copy of the standards and procedures the Commission would have to go through to become accredited (Exhibit #3). He stated SB 430 would allow insurance carriers in Montana to stay in the state and would allow for the promotion of business in the state. He stated SB 430 would upgrade the Insurance Department and would allow the Department to better monitor and regulate the insurance industry. He stated SB 430 is needed or Montana will be "left behind" in the insurance industry.

Frank Cote, Deputy Insurance Commissioner, stated SB 430 would pass four new NAIC acts. He stated SB 430 would allow for the Montana Insurance Department to conduct regulatory functions of insurers. He stated SB 430 would allow for staffing to handle the increase in work load. Mr. Cote stated his support of SB 430.

Robert Minto, President, CEO, Attorney's Liability Protection Society (ALPS) stated his support of SB 430. He stated SB 430 was an "opportunity" bill which would allow for outside industry to come into the state and would allow for existing companies to remain in the state. He stated any risk retention groups must be regulated by an accredited department in the states where they are located.

Jacqueline Lenmark, American Insurance Association (AIA), read from prepared testimony in support of SB 430 (Exhibit #4). She stated there were some amendments attached to her testimony which she felt should not be addressed until later.

Kendra Kawaguci, National Association of Independent Insurers, stated her support of SB 430.

Larry Akey, Montana Association of Life Underwriters, stated his support of SB 430. He supplied the Committee with a brochure which clarified the accreditation process (Exhibit #5).

Tom Hopgood, Health Insurance Agents of America, stated his support of SB 430 .

Debbie Berney, Professional Insurance Agents of Montana, stated SB 430 is necessary and stated her support.

Bill Olson, AARP, stated his support of SB 430.

Bill Jensen, General Council, Blue Cross/Blue Shield, stated his support of SB 430.

Roger McGlenn, Executive Director, Independent Insurance Agents Association of Montana, stated his support of SB 430. He stated SB 430 was necessary for the consumers.

Clyde Dailey, Executive Director, Montana Senior Citizens Association stated SB 430 is a pro-consumer bill and would protect the people from potential insolvencies.

Patrick Driscoll, American Council of Life Insurance, stated his support of SB 430.

Opponents' Testimony:

None.

Questions From Committee Members and Responses:

Referring to Section 62, Senator Gage asked Mr. O'Keefe if the Association would fall under the regulation of the FDIC. Mr. O'Keefe stated the law was amended to bring it into compliance with the codes.

Senator Mesaros asked Mr. O'Keefe what the cost would be to implement the accreditation process. Mr. O'Keefe referred Senator Mesaros to the fiscal note. Mr. O'Keefe stated the fees will be supplied by the insurance companies. He stated the fees are earmarked.

Senator Brenden asked Mr. O'Keefe if their payment of the fees would result in an increase in cost to the consumers. Mr. O'Keefe stated the consumers will see an increase, but the fee is only \$200 per company doing business in the state so the increase will be insubstantial.

Senator Koehnke asked Mr. O'Keefe what would happen if the federal government gains control of the industry in the state. Mr. O'Keefe stated the companies would then have the option of being regulated through the federal government or through state regulators. He stated if they opted for federal regulation, the state would have no say in the insurance industry in Montana.

Closing by Sponsor:

Senator Christiaens stated SB 430 was necessary and was suggested by the insurance industry.

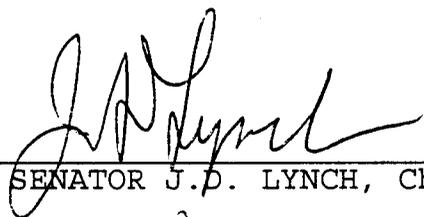
Announcement:

Senator Lynch stated a Committee letter had been drafted regarding distribution of prescription drugs in rural areas. He

stated the letter addressed the concerns raised by Senator Bruski-Maus. He read the letter to the Committee and asked they sign it (Exhibit #6).

ADJOURNMENT

Adjournment: 11:35 a.m.



SENATOR J.D. LYNCH, Chair



KRISTIE WOLTER, Secretary

JDL/klw

ROLL CALL

SENATE COMMITTEE Business and Industry DATE 3/25/98

NAME PRESENT ABSENT EXCUSED

NAME	PRESENT	ABSENT	EXCUSED
Senator Lynch	✓		
Senator Christiaens	✓		
Senator Brenden	✓		
Senator Gage	✓		
Senator Hager	✓		✓
Senator Harding	✓		
Senator Kennedy	✓		
Senator Klampe	✓		
Senator Koehnke	✓		
Senator Mesaros	✓		
Senator Rea			
Senator Bruski-Maus	✓		
Senator Wilson	✓		

Montana Senior Citizens Assn., Inc.

WITH AFFILIATED CHAPTERS THROUGHOUT THE STATE

P.O. BOX 423 - HELENA, MONTANA 59624



**TESTIMONY OF LLOYD ANDERSON
HEARD BEFORE (S) BUSINESS AND INDUSTRY
MARCH 25, 1993**

(406) 443-5341

Mr. Chairman and members of the committee, my name is Lloyd Anderson. I am president of district 8 for the Montana Senior Citizen Association. I would like to talk about why I am supporting HB 355.

About two years ago, I was having a hard time getting over an illness. Unable to get an appointment with my regular doctor, I made an appointment with a new doctor. The new doctor looked over my medicines and found I was taking a combination of drugs that were dangerous to mix together. Once I was informed by the doctor of the dangerous combination I was taking, I asked my pharmacist about the problem, and he offered no explanation of why he did not inform me of this dangerous mix.

Shortly after this episode, the Helena chapter of MSCA began our prescription drug campaign. I found I could save \$15.00 on one prescription by changing pharmacies. After discovering the price differences between pharmacies in Helena, we asked the pharmacies to post their prices.

SENATE BUSINESS & INDUSTRY

EXHIBIT NO. 1

DATE 3/25/93

BILL NO. HB 355

I personally asked the pharmacist at Gibsons six times to post his prices. He gave me the run around five times, and the sixth time he said "NO."

My experience is not the exception but the rule. The members in Helena asked every pharmacy in town to post their prices on the twenty most commonly prescribed drugs they sell, and all said no.

The current form of the bill is not what we originally intended, but we are willing to work with the board of pharmacy. Posting of prescription drug prices is necessary for making informed decisions when choosing what pharmacy to do business with.

Thank you Mr. Chairman and members of the Committee.

3/24/93

Testimony in favor of: SB 354

Continuing Education Requirement for Insurance Producers

To: Business and Industry Committee

Mr. Chairman and Senators

There are two primary issues to be considered: first and foremost consumer protection, second economy and efficiency of Montana insurance Producers who are required to hold non-resident licenses in neighboring states.

New agents are required to complete 40 hours of education before they apply for a licensing exam. However, once a license is acquired, there is no requirement that an insurance Producer maintain his knowledge of the Montana insurance code or regulation. The lack of continuing education shows up only when, by error or omission, a Montana insurance consumer is injured and brings that injury to the attention of the Insurance Commissioner's office. This legislation will help eliminate a significant portion of this type of problem. As you know, Mr. O'Keefe included a requirement that at least one hour of continuing education cover Montana Insurance Law and Regulation. During this session, there were 64 pieces of legislation proposed and/or introduced dealing with or affecting insurance. Continuing education through SB 354 can be expected to control the investigation and enforcement, work load of the Commissioner's office.

The greatest economic benefit of SB 354 may well be a better informed Producer providing more effective insurance protection to Montana consumers.

The second issue that SB 354 will address is the problem of maintaining insurance licenses in neighboring states, all of which have continuing education requirements. Most states have a reciprocal provision that if a non-resident Producer is required to meet continuing education requirements by his state of residence, then he/she is exempt from continuing education requirements of the non-resident licensor. The cost of this non-resident continuing education requirement runs to several hundred dollars per year, not for the cost of the education, but the cost to comply with each of various states that a Producer is required to be licensed in to serve their Montana customers who have employees in multiple states.

Finally, I wish to pose a rhetorical question. Will all Producers have access to affordable education in order to comply with SB 354? Answer: There are many organizations that provide quality, continuing education both classroom and/or correspondence:

- LUTC - Life Underwriter Training Council
- CLU - American College/American Society CLU & ChFC
- CIC - Society of Certified Insurance Counselors
- C.P.C.U. - Chartered Property Casualty Underwriters
- Montana Insurance Foundation - Independent Agents Association
Education Arm
- Montana Association of Life Underwriters
- Pictorial Publishers

The cost of certifiable, continuing education from the list of organizations and publishers range between \$3.00 and \$30.00 per hour. None of these organizations require membership to participate in their education programs.

3-25-93
SB-354

I urge you to recommend a "do pass" on SB 354 to the Montana Senate for the benefit of Montanan's who buy insurance and the Montana Producers who sell insurance.

Submitted by:



Eugene L. Bern, C.L.U.

Education Chairman, Montana Association of Life Underwriters

Education Chairman, Western Montana Chapter, American Society of CLU & ChFC

Member of the Agents Task Force on Continuing Education consisting of PIA - Professional Insurance Agents, Independent Agents Association, MALU - Montana Association of Life Underwriters

FINANCIAL REGULATION
STANDARDS AND ACCREDITATION
PROGRAM
of the

NATIONAL ASSOCIATION
OF
INSURANCE COMMISSIONERS

December 15, 1992

SENATE BUSINESS & INDUSTRY
EXHIBIT NO. 3
DATE 3/25/93
BILL NO. SB 430

The National Association of Insurance Commissioners is a non-profit organization of the chief insurance regulators of the fifty states, the District of Columbia, and four U.S. territories.

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THE NAIC FINANCIAL REGULATION STANDARDS AND ACCREDITATION PROGRAM

Introduction

A system of effective solvency regulation has certain basic components. It requires that regulators have adequate statutory and administrative authority to regulate an insurer's corporate and financial affairs. It requires that regulators have the necessary resources to carry out that authority. Finally, it requires that insurance departments have in place organizational and personnel practices designed for effective regulation.

To guide state legislatures and state insurance departments in the development of effective solvency regulation, the NAIC began, in 1988, the process which led to the adoption of the NAIC's Financial Regulation Standards in June 1989. These standards, discussed in greater detail below, establish minimum requirements for an effective regulatory system in each state.

To provide guidance to the states regarding the minimum standards and an incentive to put them in place, the NAIC adopted in June 1990 a formal certification program. Under this plan, each state's insurance department will be reviewed by an independent review team whose job is to assess that department's compliance with the NAIC's Financial Regulation Standards. Departments meeting the NAIC Standards will be publicly acknowledged, while departments not in compliance will be given guidance by the NAIC to bring the department into compliance. Furthermore, beginning in January 1994, accredited states will not accept reports of zone examinations from unaccredited states except under limited circumstances, providing further impetus for states to adopt the minimum standards. It is likely that states will pass similar provisions to act as incentives for state insurance departments to become accredited. For example, a state may decide not to license a company domiciled in a non-accredited state.

To help states assess their compliance with the standards, the NAIC has performed a review of each state's laws and regulations addressing insurer solvency, in order to alert states to differences between the NAIC models that are a part of the Financial Regulation Standards and each state's statutes and regulations.

Nineteen states--Alaska, Colorado, Florida, Illinois, Iowa, Kansas, Minnesota, Missouri, Nebraska, New Hampshire, New York, North Carolina, North Dakota, Ohio, South Carolina, Texas, Utah, Virginia and Wisconsin, have undergone the formal certification process and have been accredited as being in compliance with the Financial Regulation Standards. Additional states will be reviewed in the second half of 1992.

How The Accreditation Program Works

The NAIC Accreditation Program establishes requirements under which a state insurance department may seek initial accreditation. Additionally, the Program establishes guidelines for states already accredited to maintain that accreditation over time.

Initial Accreditation Review

1. State requests an accreditation review by contacting the Support and Services Office (SSO) of the NAIC.
2. NAIC/SSO confirms with the state that the Financial Regulation Standards Self-Evaluation Guide on file at the SSO is current and complete or requests the state to submit an updated Self-Evaluation Guide.
3. NAIC/SSO notifies the Financial Regulation Standards and Accreditation Committee (FRSAC) that the state has requested an accreditation review and provides the FRSAC with a list of qualified Review Team candidates, comprised of experts in insurance regulation with no present ties to either the industry or an insurance department.
4. FRSAC selects the Review Team and the Review Team Leader from the qualified list. The Review Team consists of three to six individuals depending on the size of the state. At least one of the Review Team members is required to be a disinterested former executive level regulator.
5. NAIC/SSO notifies the state of the Review Team selected by the FRSAC.

6. NAIC/SSO notifies the Review Team members. The Review Team members are paid by the NAIC/SSO at a set hourly rate for the time plus reasonable actual expenses incurred.
7. NAIC/SSO works with the state to schedule the site visit and notifies the Review Team of the timing. Generally, a site visit takes three to five days depending on the size of the state.
8. NAIC/SSO sends copies of the state's completed Financial Regulation Standards Self-Evaluation Guide plus any applicable supporting documentation and the NAIC/SSO staff's synopsis of the Self-Evaluation Guide and detailed review of the Laws and Regulations section, including any concerns and potential problems to each Review Team member to enable the Review Team to plan and prepare for the site visit.
9. NAIC/SSO notifies the state of the data, other information, and interview needs of the Review Team for its on-site review.
10. Review Team performs the on-site review following a general outline of procedures to be performed to allow for uniformity among the site visits at the different states. In addition, an NAIC/SSO representative is an observer on each site visit to help ensure uniformity and consistency in each on-site review. Before the on-site review, there is an initial meeting of the team members to discuss comments and concerns from review of the Financial Regulation Standards Self-Evaluation Guide and supporting documentation and the NAIC staff's synopsis of the Self-Evaluation Guide.
11. The on-site review consists of the following:
 - i. Interviews with department personnel.
 - ii. Review of laws and regulations.
 - iii. Review of prior examination reports and supporting work papers and analytical reviews.
 - iv. Inspection of regulatory files for selected companies.
 - v. Review of organizational and personnel policies.

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- vi. Walk-through of the department to gain an understanding of document and communication flows.
 - vii. Meeting of the team members to discuss comments and findings from the review.
 - viii. Closing conference with the state to discuss findings.
12. As a result of the site visit, a report is prepared by the Review Team and submitted to the FRSAC by the Team Leader. The report summarizes the scope of the procedures performed during the site visit, documents the findings on an exception basis, highlights major recommendations as a result of the review, and concludes with the Review Team's opinion as to whether the Team believes that the state should be accredited by the FRSAC.
 13. FRSAC meets to discuss the Review Team's report. FRSAC also has copies of state's Financial Regulation Standards Self-Evaluation Guide and supporting documentation available. In addition, the Review Team and/or the Team Leader is present at the meeting as needed. The NAIC/SSO representative who served as an observer on the on-site review also attends the meeting.
 14. As a result of this meeting, the FRSAC makes a decision whether or not the state should be accredited. Except in unusual circumstances, the recommendation of the Review Team will be adopted by the FRSAC.
 15. FRSAC informs the state of its decision. If the decision is favorable, the state receives an accreditation award at the next scheduled NAIC national or zone meeting and a press release acknowledging the accreditation will be issued. If the decision is unfavorable, the state has three options: withdraw its request for accreditation; ask FRSAC to hold its decision in abeyance pending legislative or other corrective action to bring the state into compliance with the standards; or ask the FRSAC to reconsider the decision.
 16. If the state requests reconsideration, FRSAC meets to hear the state's appeal. As a result of this meeting, FRSAC makes a final decision regarding whether to accredit the state and inform the state of this decision.

17. Accreditation is for a five-year period, subject to annual reviews of the state's Financial Regulation Standards Self-Evaluation Guide. If information comes to the attention of FRSAC which suggests that a state may no longer meet the standards, a special review may be conducted.
18. If FRSAC concludes that the state should not be accredited, the specific reasons are documented in a report to the state.

Interim Annual Reviews

1. Annually, on the first four anniversaries of the state's accreditation, the state shall submit updated Financial Regulation Standards Self-Evaluation Guides along with a report which summarizes the changes from the prior year to the NAIC/SSO.
2. The state's report in the first interim year after accreditation shall also respond to all recommendations made in the Review Team's report which was prepared during the accreditation process.
3. NAIC/SSO will review the documentation submitted by the state and summarize for presentation to FRSAC.
4. After hearing the report from the NAIC/SSO, FRSAC will determine whether the state still complies with the Financial Regulation Standards. (FRSAC can request that a representative of the state be present to answer questions, if desired.)
5. If FRSAC finds the state to be in non-compliance with the Financial Regulation Standards, the specific reasons would be documented in a letter to the state and the accreditation would be revoked.
6. On the fifth anniversary of the state's accreditation, the state would be subject to a full accreditation review following the steps outlined for an initial accreditation review above.

A Closer Look At The Minimum Standards

The Financial Regulation Standards have been divided into three major categories: laws and regulations; regulatory practices and procedures; and organizational and personnel practices.

Laws and Regulations**1. Examination Authority**

The department should have the authority to examine companies whenever it is deemed necessary. Such authority should include complete access to the company's books and records and, if necessary, the records of any affiliated company, agent, and/or managing general agent. Such authority should extend not only to inspect books and records but also to examine officers, employees, and agents of the company under oath when deemed necessary with respect to transactions directly or indirectly related to the company under examination.

2. Capital and Surplus Requirement

The department should have the ability to require that insurers have and maintain a minimum level of capital and surplus to transact business. The department should have the authority to require additional capital and surplus based upon the type, volume and nature of insurance business transacted.

3. NAIC Accounting Practices and Procedures

The department should require that all companies reporting to the department file the appropriate NAIC annual statement blank which should be prepared in accordance with the NAIC's instructions handbook and follow those accounting procedures and practices prescribed by the NAIC's *Accounting Practices and Procedures Manual*.

4. Corrective Action

State law should contain the NAIC's Model Regulation to Define Standards and Commissioner's Authority for Companies Deemed to be in a Hazardous Financial Condition or a substantially similar provision that authorizes the department to order a company to take necessary corrective action or cease and desist certain practices which, if not corrected, could place the company in a hazardous financial condition.

5. Valuation of Investments

The department should require that securities owned by insurance companies be valued in accordance with those standards promulgated by the NAIC's Securities Valuation Office (SVO). Other invested assets should be required to be valued in accordance with the procedures promulgated by the NAIC's Financial Condition (EX4) Subcommittee.

6. Holding Company Systems

State law should contain the NAIC Model Holding Company Systems Act or an Act substantially similar and the department should have adopted the NAIC's model regulation relating to this law.

7. Risk Limitation

State law should prescribe the maximum net amount of risk to be retained by a property and liability company for an individual risk based upon the company's capital and surplus which should be no larger than 10% of the company's capital and surplus.

8. Investment Regulations

State statute should require a diversified investment portfolio for all domestic insurers both as to type and issue and include a requirement for liquidity.

9. Admitted Assets

State statute should describe those assets that may be admitted, authorized or allowed as assets in the statutory financial statement of insurers.

10. Liabilities and Reserves

State statute should prescribe minimum standards for the establishment of liabilities and reserves resulting from insurance contracts issued by an insurer; including, life reserves, active life reserves, and unearned premium reserves and liabilities for claims and losses unpaid and incurred but not reported claims.

11. Reinsurance Ceded

State law should contain the NAIC Model Law on Credit for Reinsurance and the Model Regulation for Life Reinsurance Agreements or substantially similar laws.

12. CPA Audits

State statute or regulation should contain a requirement for annual audits of domestic insurance companies by independent certified public accountants, such as contained in the NAIC's Model Requiring Annual Audited Financial Reports.

13. Actuarial Opinion

State statute or regulation should contain a requirement for an opinion on life and health policy and claim reserves and property and liability loss and loss adjustment expense reserves by a qualified actuary or specialist on an annual basis for all domestic insurance companies.

14. Receivership

State law should set forth a receivership scheme for the administration, by the insurance commissioner, of insurance companies found to be insolvent as set forth in the NAIC's Insurers Rehabilitation and Liquidation Model Act.

15. Guaranty Funds

State law should provide for a statutory mechanism, such as that contained in the NAIC's model acts on the subject, to ensure the payment of policyholders obligations subject to appropriate restrictions and limitations when a company is deemed insolvent.

16. Other

- i. State statute should contain a provision similar to the NAIC model act requiring domestic insurance companies to participate in the NAIC Insurance Regulatory Information System (IRIS).

- ii. State law should contain a provision similar to the NAIC's Model Risk Retention Act for the regulation of risk retention groups and purchasing groups.
- iii. State statute should contain the NAIC's Model Law for Business Transacted with Producer Controlled Property/Casualty Insurer Act or a similar provision. This Model was amended in June 1991 and will not be required for accreditation until June 1993.

17. Managing General Agents

State law should contain the NAIC Managing General Agents Act or an Act substantially similar.

18. Reinsurance Intermediaries

State law should contain the NAIC Reinsurance Intermediaries Act or an Act substantially similar.

19. Examinations

State law should contain the NAIC Model Law on Examination or an Act substantially similar.

**Regulatory Practices
and Procedures**

1. Financial Analysis

- i. Department should have a sufficient staff of financial analysts with the capacity to effectively review the financial statements as well as other information and data to discern potential and actual financial problems of domestic insurance companies.
- ii. Department should have an intra-department communication and reporting system that assures that all relevant information and data received by the department that may assist in the financial analysis process is directed to the financial analysis staff.
- iii. The internal financial analysis process should provide for levels of review and reporting.

- iv. The financial analysis procedure should be priority-based to ensure that potential problem companies are reviewed promptly. Such a prioritization scheme should utilize the NAIC's Insurance Regulatory Information System and/or a state's own system.

2. Financial Examinations

- i. The department should have the resources to examine all domestic companies on a periodic basis that is commensurate with the financial strengths and position of the insurer.
- ii. The department's examination staff should consist of a variety of specialists with training and/or experience in the following areas or otherwise have available qualified specialists that will permit the department to effectively examine any insurer: computer audit specialist, reinsurance specialist, life and health company examiners, property and liability examiners, life and health actuarial examiners, property and liability actuarial examiners, and property and liability claims examiners.
- iii. The department's procedures for examinations shall provide for supervisory review within the department of examination work papers and reports to ensure that the examination procedures and findings are appropriate and complete and that the examination was conducted in an efficient and timely manner.
- iv. The department's policy and procedures for examinations should follow those that are set forth in the NAIC's *Examiners Handbook*.
- v. In scheduling financial examinations the department should follow those procedures set forth in the NAIC's *Examiners Handbook*. The schedule should provide for the periodic examination of all domestic companies on a timely basis. This system should accord priority to companies that are having adverse financial trends or otherwise demonstrate a need for examination such as determinations of the NAIC IRIS Examiner Team.

- vi. The department's procedures require that all examination reports that contain material adverse findings be promptly presented to the Commissioner or his or her designee for a determination and implementation of appropriate regulatory action.
- vii. The department's reports of examination should be prepared in accordance with the format adopted by the NAIC and should be sent to other states in which the company transacts business in a timely fashion.

3. Other

The department should generally follow and observe the procedures set forth in the NAIC's *Troubled Insurance Company Handbook* regarding domestic insurance companies identified as troubled, including communication to other insurance departments in jurisdictions in which the carrier transacts business.

Organizational and Personnel Practices

1. Professional Development

The department should have a policy that requires the professional development of staff through job-related college courses, professional programs, and/or other training programs funded by the department.

2. Organization

All financial regulation and surveillance activities are the responsibility of an individual who shall report to the Commissioner or his or her designee.

3. Evaluation of Staff

The department's staff and contractual staff involved in financial regulation and surveillance should all be periodically evaluated by the department to ensure that job duties and responsibilities are being discharged in a satisfactory manner.

4. Minimum Educational and Experience Requirements

The department should establish minimum educational and experience requirements for all professional employees and contractual staff positions in the financial surveillance and regulation area which are commensurate with the duties and responsibilities of the position.

5. Pay Structure

The department's pay structure for those positions involved with financial surveillance and regulation should be competitively based to attract and retain qualified personnel.

6. Funding

The department's funding should be sufficient to allow for the financial surveillance and regulation staff's participation as appropriate in the meetings and training sessions of the NAIC and meetings relating to the review, coordination, and the development and implementation of action for troubled insurers.

Evolving Standards: The Impact of Changes in the Financial Regulation Standards

As insurance industry practices evolve, so must solvency regulation. In recognition of this, the NAIC has anticipated that the original Financial Regulation Standards, outlined above, would not be static, but would be changed from time to time. The Accreditation Program reflects this concept by allowing for additional minimum standards. In the event additional standards are established by the NAIC, state insurance departments seeking to acquire or retain accreditation will have two years from the date the NAIC established the new standards to implement them.

In December 1991, the NAIC adopted formal procedures to encourage input from public officials, consumers, academics and industry representatives in the process when making changes in the NAIC's Financial Regulation Standards and Accreditation Program.

The procedures identify four ways in which the solvency standards may be modified:

1. The development of new models;
2. Amendments to existing models already included in the standards;
3. Addition of more, or more specific requirements in any part of the standards; or
4. Modification of current requirements already generically included in the standards, such as modification of the annual statement blank required to be filed by all companies.

The procedures for the development of a new model that the Executive Committee foresees will be considered for incorporation into the Standards and amendments to models already included in the standards are much the same. In both cases, the Executive Committee, either upon request or of its own initiative, will note the potential impact on the standards in its charge to the panel responsible for development of the model. That panel will then notify all insurance regulators, the National Conference of State Legislatures (NCSL), National Governors Association (NGA), National Conference of Insurance Legislators (NCOIL), and others, both of the potential change in the Standards and of meeting times and places.

Once the new or amended model is received by the Executive Committee, it will be referred to the Financial Regulation Standards and Accreditation Committee (FRSAC) for a recommendation on whether the model is appropriate for inclusion in the Standards.

Should any member of the NAIC or FRSAC propose additional requirements in parts A, B, or C of the Standards, initial review of that proposal will be conducted by FRSAC, and the procedures for notice to and participation by public officials and members of the public shall be the same as for other changes in the Standards.

Additions to the Standards will be required for certification as of two years from the January 1 after adoption as a new standard by the NAIC.

Finally, the new procedures adopt similar notice and comment requirements should an NAIC panel recognize that work it is doing might have an indirect impact on the Standards.

WHAT THE FUTURE HOLDS: A STRONG SYSTEM OF SOLVENCY REGULATION

In its present state, the regulation of the insurance industry for solvency stands as a unique example of how a national regulatory system can be built with its foundation at the state - not federal level. The strength of that system resides in the interdependence of independent state regulators, each responsible to his or her own constituencies, yet jointly responsible for the financial health of an entire industry.

State insurance regulators, not content to rest on the historic success of the current regime, have devised, in the Financial Regulation Standards Accreditation Program, a powerful means of achieving the necessary degree of uniformity among states without sacrificing the multistate diversity that has been instrumental to that success. At this writing, state legislatures and insurance departments across the nation are moving at an unprecedented pace to bring their respective solvency regulation into compliance with the NAIC's standards. In fact, in 1991 alone, 42 states adopted legislative packages designed to bring their departments of insurance into compliance with the Financial Regulation Standards. Four other states and the District of Columbia considered similar packages.

This flurry of legislative and administrative activity runs counter to the prediction of some critics of the Accreditation Program, that the incentives for compliance with the Standards would prove to be inadequate to motivate legislatures and insurance departments to upgrade their solvency regulatory approach. As can be seen from this activity, the blend of peer pressure among state regulators, political support from multistate domestic insurers, the sanction imposed by the new Model Law on Examination (see discussion at page 1), and the likelihood of the future adoption of even more severe incentives, has proven to be a potent force in encouraging legislators and regulators to strive to attain the NAIC's standards.

STATEMENT OF
AMERICAN INSURANCE ASSOCIATION
BY
JACQUELINE TERRELL LENMARK
RE SB 430 NAIC Accreditation Package

Mr. Chairman and members of the committee:

My name is Jacqueline Lenmark. I am a lawyer from Helena and a lobbyist for the American Insurance Association. The American Insurance Association is a national trade association that promotes the economic, legislative, and public standing of its some 250-member property-casualty insurance companies. The Association represents its participating companies before federal and state legislatures on matters of industry concern.

As many dealing with insurance topics are well aware, the National Association of Insurance Commissioners (NAIC) has established an accreditation program for state insurance departments. The program contains numerous and detailed elements that continue to be revised, refined, and adjusted. The American Insurance Association (AIA) has been strongly supportive of stronger state solvency regulation and with very few and, usually, minor exceptions, has supported the NAIC accreditation package. For that reason, AIA strongly supports the passage of Senate Bill 430.

AIA, however, does note that there are two areas in which it would request amendment of Senate Bill 430 as an improvement of the NAIC model or a more appropriate selection of NAIC model options.

First, the NAIC's definition and treatment of "extraordinary dividends" is one area in which differences between the NAIC, AIA, NAII, and other insurance concerns exist. AIA would request amendment of Senate Bill 430 as shown in amendment No. 3 of the amendments attached as a part of this statement.

Further, with respect to sections relating to managing general agents, AIA would request amendment as shown in amendments Nos. 1 and 2 of the requested amendments attached.

1. The definition of "extraordinary dividends."

Under the NAIC model, "extraordinary dividends" require prior approval of the Commissioner of Insurance before they may be paid. The problem with prior approval of dividends is most acute for companies which are stockholder-owned liked many of those that belong to the AIA.

Companies seeking to attract capital in the stock markets must be capable of paying dividends to stockholders. To the extent that insurers are precluded from doing so, they become a much less attractive investment alternative than stocks of companies such as General Motors, AT&T, or other entities that provide a predictable stream of income through dividends as well as an opportunity for appreciation in stock value. Investors often look to a stock's dividend history before making the all-important investment decision. While insurers have been subject to some dividend payment restrictions in the past, the definition of "extraordinary dividends" contained in Senate Bill 430 poses a threat of interruption to steady and predictable dividend payments by major insurers and a real risk that capital will only be attracted by insurer stocks in the marketplace at higher costs.

The amendments in Senate Bill 430 to present Montana law propose to limit dividends to 10% of surplus of the preceding calendar year and requires 30 days prior notice. AIA prefers language adopted in Washington which is NAIC approved that provides for limiting dividends to the greater of 10% of a company surplus or net gain from operations of the company (for life insurance companies) or net income for companies (for property and casualty companies) for the preceding year, maintaining the 30-day notice. The practical effect of the language is that stock insurance companies can operate in the same competitive position as virtually every other business enterprise in America. If limitations are to be applied to dividend payments, and those limitations related to solvency, any limitation should be applied only to a company that the Insurance Commissioner determines to be in a hazardous financial condition. The Washington language proposed, in the opinion of the AIA, will meet the statement of intent in Senate Bill 430. While AIA recognizes that Montana has no domestic insurers, there is interest in this by AIA member companies as part of an overall national strategy. The amendments proposed are not a major departure from current language, and will encourage the domestication of insurers in Montana.

2. Managing General Agents:

Many insurance companies rely on managing general agents (MGAs) for production and underwriting expertise in the management of all or a part of their business. The suspected culpability of a few MGAs in the demise of several insurance companies in the 1980s convinced many regulators that improved oversight of MGA activities was necessary to assure the safety of their operations. Consequently, the National Association of Insurance Commissioners (NAIC) adopted a revised Managing General Agent Model Act in October, 1989.

Again, the AIA generally supports the NAIC Model Act, incorporated as part of Senate Bill 430, and worked closely with regulators during its evolution. The wording of many of the provisions are very particular in their import. Notable in their importance to AIA members are the precise definitions of "MGA" and the exceptions to the definition. AIA supports these definitions and would oppose any effort to change them in any detrimental way.

It is in these sections, however, in which AIA would advocate one particular improvement. The AIA supports any amendment to the exclusion from the definition of "MGA" of MGA-like entities that operate within a holding company system, as requested in the amendments Nos. 1 and 2 attached. The amendment would eliminate the requirement that an MGA manage all of the operations of an insurer under common management and control.

There are instances of MGA-like entities which meet the NAIC definition of "MGA" but are actually operating divisions of regulated insurers or their holding companies. Such divisions are open to the scrutiny of regulators under the holding company act and cannot commit the abuses that led the regulators to adopt the NAIC Model Act. These MGAs typically control all the operations of an insurer or certain combinations of critical functions that have been delegated to them, and for which the insurer's own management remains accountable.

Additionally, some MGA-like entities within large insurer groups manage some insurance operations within a holding system but not others managed by the insurer itself. In such instances the insurer gives the "MGA" broad authority in certain activities but retains the actual management of certain lines of business or control of other critical functions. Again, such "MGAs" as well as the other insurer-controlled entities within the holding company system are subject to regulation under the existing state insurance holding company act.

Both kinds of MGA-like entities are typically specialized operations that focus on particular products (e.g. Medical Malpractice, Directors and Officers Liability, Excess and Umbrella Coverages). They are established as separate subsidiaries in order to create a separate identity and expertise within the subsidiary to handle specialized business. Requiring the MGA-like entity within the system to manage all the operations of an insurer, including those operated by the insurer itself, in order to exempt itself from the MGA statutory requirements is counterproductive and serves no regulator purpose. If such a subsidiary is required to manage all of a large insurer's business, then the company management must decide to:

3-25-93

SB-430

(a) write more specialized business through the subsidiary even though market conditions and underwriting profitability would not otherwise suggest a more aggressive stance; or

(b) transfer authority for managing other kinds of insurance to the specialized subsidiary even though the personnel have not been trained and lack the expertise in other areas such as commercial general liability or commercial automobile insurance.

In either event, the requirement would encourage management decisions that might be different if decisions were made solely on the basis of underwriting and management judgment. The requirement that all of the operations be managed by the subsidiary, therefore, is inconsistent with the purpose of the MGA Model Act to control and properly monitor the operations of MGAs and similar entities. Clearly, an "MGA"-like entity should not lose its exemptions just because it manages less rather than more of its affiliates' operations. For these reasons, AIA advocates adoption of amendments Nos. 1 and 2 attached. See also white paper attached.

Submitted to Senate Business and Industry Committee for hearing on Senate Bill 430, Thursday, March 25, 1993, 10:00 o'clock a.m.

Jacqueline Terrell Lenmark

Amendments to Senate Bill No. 430
Introduced Copy
(NAIC Accreditation)

Prepared by Jacqueline Lenmark
American Insurance Association
March 19, 1993

1. Page 5, line 8
Following: "all"
Insert: "or part of"

2. Page 5, line 10
Following: "based"
Insert: "solely"

3. Page 81
Following: line 6
Strike: subsections (2) and (3) in their entirety
Insert: "(2) For purposes of this section, an

extraordinary dividend or distribution is a dividend or distribution of cash or other property whose fair market value, together with that of other dividends or distributions made within the period of 12 consecutive months ending on the date on which the proposed dividend is scheduled for payment or distribution, exceeds the greater of:

(a) 10% of the company's surplus as regards policyholders as of the 31st day of the previous December; or

(b) the net gain from operations of the company if the company is a life insurance company, or the net income if the company is not a life insurance company, for the 12 month period ending the 31st day of the previous December, but does not include pro rata distributions of any class of the company's own securities.

(3) Notwithstanding any other provision of law, an insurer may declare an extraordinary dividend or distribution that is

conditional upon the commissioner's approval. The declaration confers no rights upon shareholders until:

(a) the commissioner has approved the payment of the dividend or distribution; or

(b) the commissioner has not disapproved the payment within the 30-day period referred to in (1) of this subsection."

Exhibit 4
3-25-93
SB-430

WHITE PAPER

NAIC MODEL MGA BILL/UNDERWRITING MANAGER EXCLUSION

The Model Act defines managing general agent as any person or entity that produces gross direct written premium for the insurer that exceeds 5% of surplus and either adjusts or pays claims or negotiates reinsurance. The NAIC Model Act creates an exclusion for MGA-like entities that operate within a holding company system and which perform insurance operations on behalf of an insurer under common management and control.

In creating this exclusion, the NAIC recognized that the activities of MGA-like entities that operate within a holding company system are clearly distinguishable from those performed by independent MGA's. A true MGA is a firm that represents more than one insurer with authority to make final underwriting decisions for these companies. The evil sought to be addressed is those situations where the MGA's who have final say in deciding whether to bind the company to a risk and without review by the insurer, places poor business with the insurer. This previously unregulated activity has been identified as a significant factor in many insurer insolvencies. In contrast, the MGA operating within a holding company system places all of its business with affiliated insurers, and the holding company is able to exercise control over the MGA's underwriting decisions.

The Model as adopted, creates two exclusions which contemplate these types of entities. The first exempts employees of the insurer. The second exempts underwriting managers. This second exclusion is, however, inadequate for basically two reasons. The underwriting manager exclusion requires underwriting managers to manage "all" of the insurance operations of an insurer. In many holding company systems, an insurer is not designated to one underwriting manager and more than one underwriting manager may place business with an insurer. This occurs because the insurer's management may not want to devote all of the insurer's capital to an MGA especially if the MGA underwrites specialty lines such as professional liability which are perceived as riskier. As a result, an underwriting manager may contract to manage only part of an insurer's operations. We believe that this is consistent with prudent management. However, the current language would discourage the exercise of that prudence by not extending the exemption for underwriting managers to MGA's who manage part of the insurer's business. For this reason, we are suggesting that the definition be clarified to allow an underwriting manager to manage a part of the insurance operations of the insurer.

Exhibit # 4

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- 2 -

A second concern with this exclusion is an apparent prohibition on the ability of a company to use the volume of premium written as a basis for compensating an underwriting manager. The volume of business written is a standard and appropriate measure of performance. Business plans are developed which set targets based on growth. It is also standard business practice to reward an employee who meets stated growth targets. Yet, the current language would completely preclude use of premium volume growth as a factor in establishing MGA compensation.

We agree that regulators should be concerned with underwriting managers whose compensation is fixed on the basis of the volume of premium written without regard to whether or not business written is good or bad and we do not seek to exclude these types of entities from the MGA regulation. We would, however, suggest that the underwriting manager exclusion be amended to preserve an insurer's ability to compensate its underwriting managers based upon their performance which is properly evaluated based on the volume as well as profitability of the business written.

STATE BUSINESS & INDUSTRY
 REPORT NO. 5
 DATE 3/25/99
 BILL NO. 80430

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 learn to assure
 financial stability
 through
 insurance
 and bad.*



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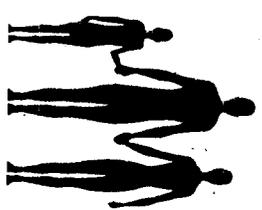


The National Association of Life Underwriters
 1922 F Street, N.W.
 Washington, D.C. 20006

01/93



HOW YOU
 CAN HELP
 MAKE YOUR
 LIFE INSURANCE
 EVEN SAFER



Life insurance in force in our country now exceeds the staggering amount of 10 trillion dollars — ample evidence that the American people have a strong belief in providing financial security for themselves and their families. This vast amount of life insurance also shows an explicit faith in the long-term financial stability of the nation's life insurance companies to pay life insurance dollars when they are critically needed — to make good on their contractual promises.

That's why safeguards are necessary to assure the financial stability of life insurance companies through good times and bad.

State insurance regulators have the responsibility for overseeing the solvency of insurance companies. Their tools for doing this are the laws and regulations that give them the power to license only those companies that are sound and, on a continuing basis, to look into the management and financial affairs of insurance companies to make sure that they are always able to pay the benefits promised their policies.

But in the decade of the 1980's, some life insurance companies, like other business enterprises, were attracted to the high interest rates promised by investments that were more speculative than usual, including risky commercial real estate investments, and the purchase of bonds that were below investment grade quality. The result was that a number of insurance companies suffered financial impairment and some had to be taken over by state regulators.

As this occurred, the National Association of Insurance Commissioners — the central advisory body made up of all state insurance regulators — was the first to identify the problem that current state insurance laws and regulatory practices, although adequate for the past, are simply not sophisticated enough to anticipate — much less prevent — the insurance company solvency problems that can be caused

by the kind of undesirable risk-taking that occurred in the past decade. The NAIC concluded that it isn't just insurance companies that need examining, but that the states themselves needed a solvency regulation checkup to bring their regulatory machinery up to par.

The NAIC made insurance company solvency its number one agenda item and created a process designed to insure that every state has the necessary insurance laws, regulations, budget, and personnel that will be essential to the proper supervision of insurance company solvency as we approach the next century. The process is called the "NAIC Financial Regulation Standards and Accreditation Program" and here's how it works:

Each state insurance department is reviewed by an independent review team of the NAIC to assess that department's compliance with the NAIC's Financial Regulation Standards. These standards require each state to have in place certain statutes and regulations, and require the state insurance department to be adequately staffed and funded to enable it to rigorously examine the financial stability of insurance companies. States that meet these rigid standards are then "accredited" by the NAIC and are publicly acknowledged as having done so. And that's not the end of the process. Each state, once accredited, is subject to a yearly review. A full examination is required every five years to assure that each accredited state keeps current in complying with the NAIC's exacting and comprehensive standards.

Many states have already been accredited by the NAIC and many more have most of the necessary elements of accreditation already in place. What else is needed to earn accreditation is determined for each state through the NAIC accreditation review or auditing process.

You can help get your own state accredited and thereby make life insurance an even safer buy than it already is.

It's worth your effort. Households across the country now have an average of well over \$100,000 of life insurance in force. Prestigious independent firms that analyze businesses for their financial strength say that, second only to obligations of the U.S. Government, the safest place for your money is life insurance. We need to make sure that this will always be so.

The very best way to do this is through the NAIC's State Accreditation process. Help get your state accredited by contacting your state insurance department and your state legislators, urging them to take immediate action to adopt the NAIC funding and regulatory requirements that will make your life insurance even more secure than it is now.

Montana State Senate



The Big Sky Country

SENATE BUSINESS & INDUSTRY

EXHIBIT NO. 6

DATE 3/25/93

BILL NO. Committee Bill

To: The Board of Pharmacy

From: The Senate Business and Industry Committee

To Whom It May Concern:

It has come to the Committee's attention that a problem exists with respect to the delivery of prescription medicine to persons residing in rural areas. Most rural communities do not have pharmacies, and rural residents must rely on pharmacies in other areas.

The only timely and cost-effective ways to have the prescriptions delivered are by having a person who resides in the rural area obtain prescriptions for different residents of the area and deliver the prescriptions to a central point or by having the prescribing pharmacist deliver the prescriptions to a central point where they can subsequently be obtained by the person using the medication. The problem is that the Board of Pharmacy does not presently allow either alternative described above.

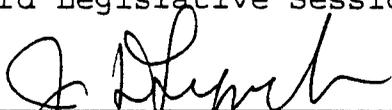
Therefore, the Senate Business and Industry Committee is requesting that the Board of Pharmacy adopt rules to allow for the safe and convenient delivery of prescription medicine in

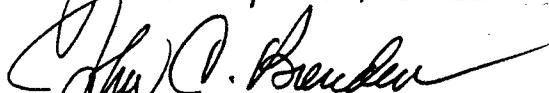
Board of Pharmacy
March 25, 1993
page 2

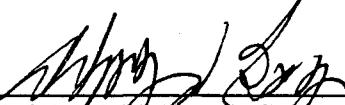
rural areas. Action by the Board will alleviate the necessity for the 1995 Legislature to adopt specific legislation to address the delivery of medicine in rural areas.

Sincerely,

Senate Business and Industry Committee
53rd Legislative Session


SENATOR J.D. LYNCH, CHAIR


SENATOR JOHN BRENDEN


SENATOR DELWIN GAGE


SENATOR ETHYL HARDING

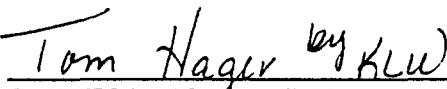

SENATOR TERRY KLAMPE

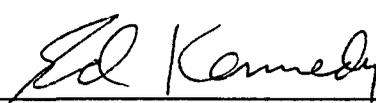

SENATOR KENNETH MESAROS

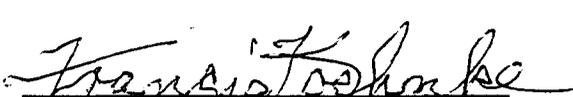

SENATOR WILLIAM WILSON

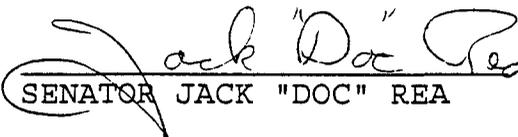

SENATOR CHRIS CHRISTIAENS


SENATOR BETTY BRUSKI-MAUS


SENATOR TOM HAGER


SENATOR ED KENNEDY


SENATOR FRANCIS KOEHNKE


SENATOR JACK "DOC" REA

DATE 3/25/93

SENATE COMMITTEE ON Business and Industry

BILLS BEING HEARD TODAY: HB 355, SB 354, SB 430

Name	Representing	Bill No.	Check One	
			Support	Oppose
<i>Roy Anderson</i>	<i>NSCA</i>	<i>355</i>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
<i>TOM RYAN</i>	<i>MSCA - Ret Teachers</i>	<i>355</i>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
<i>Eunice Eckhart</i>	<i>MSEA</i>	<i>355</i>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
<i>Jennie Costy</i>	<i>MSCA</i>	<i>355</i>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
<i>Margaret Fleming</i>	<i>NARFE, MSEA</i>	<i>355</i>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
<i>Theresa Bartelme</i>	<i>Legis. Legislation</i>	<i>355</i>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
<i>Marie Cassidy</i>	<i>NARFE, MSEA</i>	<i>355</i>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
<i>Tom Hopgood</i>	<i>Health Ins. Assoc</i>	<i>430</i>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
<i>Edna Kovitt</i>	<i>mt. med. Ass</i>	<i>355</i>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
<i>Dan Shea</i>	<i>A Citizen's Private Perspective</i>	<i>355</i>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
<i>Craig Young</i>	<i>MLIC</i>	<i>355</i>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
<i>Christian Mackay</i>	<i>MTHS for Universal Health Care</i>	<i>355</i>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
<i>Diana Durlanec</i>	<i>MT Land Till Assoc</i>	<i>HB 430 SB 354</i>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
<i>W. K. Rufe</i>	<i>St. Annetta</i>	<i>354, 430</i>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
<i>Adrienne Bernick</i>	<i>Professional Ins. Assn of MT</i>	<i>354+ 430</i>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
<i>John R. Barber</i>	<i>mt Land Till Assoc</i>	<i>HB 354</i>	<input type="checkbox"/>	<input type="checkbox"/>

VISITOR REGISTER

PLEASE LEAVE PREPARED STATEMENT WITH COMMITTEE SECRETARY

DATE 3/25/93

SENATE COMMITTEE ON Business and Industry

BILLS BEING HEARD TODAY: _____

Name	Representing	Bill No.	Check One	
			Support	Oppose
Roger Mcbledin	IIAM	354 430	<input checked="" type="checkbox"/>	<input type="checkbox"/>
LARRY AXEY	MT ASSOC OF LIFE UNDERWRITERS	354 430	<input type="checkbox"/>	<input type="checkbox"/>
Jacqueline Benmark	Am. Ins. Assoc.	430	<input checked="" type="checkbox"/>	<input type="checkbox"/>
JOHN KINSEY	M S C A - ^{OLD NUGGETS} MLIC	355	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Martha B. McLee	self - M S C A - Nuggets	355	<input type="checkbox"/>	<input type="checkbox"/>
Elmer Fauth	M S C A CT FALLS	355	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Groner Rusted	Pres. NARFE Chap 107	355	<input checked="" type="checkbox"/>	<input type="checkbox"/>
B: 11 Olson	AARP	354 355 430	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Robert M. Lee	M S C A	355	<input checked="" type="checkbox"/>	<input type="checkbox"/>
ROBERT W. MINTO, JR.	ALPS	430	<input checked="" type="checkbox"/>	<input type="checkbox"/>
GARY D. KNOPP	Ins. Institute	354	<input type="checkbox"/>	<input checked="" type="checkbox"/>
MARK E NELSON	St Auditor / Ins Dept	354 430	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Bill Jonson	Rheum & Rheum	430	<input checked="" type="checkbox"/>	<input type="checkbox"/>

VISITOR REGISTER

PLEASE LEAVE PREPARED STATEMENT WITH COMMITTEE SECRETARY