

HOUSE BILL NO. 453

INTRODUCED BY W. MCKAMEY

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A BILL FOR AN ACT ENTITLED: "AN ACT ALLOWING THE BOARD OF HAIL INSURANCE TO OBTAIN A LINE OF CREDIT OR A LOAN AS AN ALTERNATIVE TO REINSURANCE; REQUIRING A 5-YEAR RESERVE; CAPPING THE LINE OF CREDIT OR LOAN VALUE; AMENDING SECTIONS 80-2-209, 80-2-222, AND 80-2-228, MCA; AND PROVIDING AN IMMEDIATE EFFECTIVE DATE."

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

Section 1. Section 80-2-209, MCA, is amended to read:

"80-2-209. Reinsurance Damage payment options. (1) Because of the unusual or unexpected variation in the severity of damage to crops that occurs from year to year and in order to enable the hail insurance board to spread the effect of these variations more evenly over all years, the board may negotiate for and secure reinsurance of a part of the risk in any year when the need for reinsurance appears advisable to the board.

(2) ~~The~~ IF THE MAXIMUM PERMISSIBLE RESERVE FUND AMOUNT ESTABLISHED IN 80-2-228 HAS BEEN MET, THE board may negotiate and secure a line of credit or a loan OF UP TO \$100,000 from the board of investments as an alternative or supplement to reinsurance. The state may not impair outstanding obligations arising from loan agreements between the board and the board of investments.

(3) The board may use money from hail insurance fees for the purchase of reinsurance ~~or the repayment of a line of credit or a loan pursuant to this section whenever~~ ONLY WHEN it appears to the board that reinsurance, a line of credit, or a loan is necessary and advisable."

Section 2. Section 80-2-222, MCA, is amended to read:

"80-2-222. Board to establish amount of rates -- disposition of funds. (1) The board of hail insurance may, when it considers it advisable, establish as many districts as it considers advisable and may maintain maximum rates in various parts of the state. The rates must be commensurate with the risk incurred as nearly as it can determine from past experiences or from any records available.

(2) Notice of the various rates established for any year must be plainly printed on the application for hail insurance, and the rates for the year must be determined and imposed by the board of hail insurance for each

1 of the various districts as established, in proportions that will in the board's judgment be fair and equitable.

2 (3) The department may accept and expend all funds received by it, including amounts repaid as
3 principal and interest on investments. The funds are statutorily appropriated, as provided in 17-7-502, to the board
4 of hail insurance for the purposes of this chapter. Expenditures for actual and necessary expenses required for
5 the efficient administration of this part must be made from temporary appropriations, as described in 17-7-501(1)
6 or (2), made for that purpose.

7 (4) In establishing the rates provided in this section, the board of hail insurance shall provide for:

8 (a) the payment of all expenses of administration, together with all interest owed or to be owing on
9 registered warrants;

10 (b) that portion of the losses incurred during the current year that are not paid from funds drawn from
11 the reserve;

12 (c) the maintenance of the reserve, a part or all of which may be used in any 1 year for the purpose of
13 paying the costs of administration, interest on the warrants, and losses as settled and adjusted by the board,
14 including the losses sustained in any prior year or years under the hail insurance law that have not been paid.

15 (5) If at the end of any hail insurance season the board determines that more funds are accumulating
16 from the current year's rates than were estimated when the rates were established and are in excess of the need
17 for the payment of losses, ~~and expenses, loan interest and principal currently due,~~ and maintenance of the
18 reserve, the board may, at its discretion, refund the excess to the persons insured for the year on a pro rata or
19 percentage basis.

20 (6) The board of hail insurance may direct the board of investments to invest funds from the enterprise
21 fund pursuant to the provisions of the unified investment program for state funds. The income from the
22 investments must be credited to the board of hail insurance account in the enterprise fund."

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24 **Section 3.** Section 80-2-228, MCA, is amended to read:

25 **"80-2-228. Reserve fund.** (1) Each year when the hail board sets its annual fee for the payment of
26 current losses, for expenses of administration, for payment of loan interest and principal currently due, and for
27 an addition to the reserve if conditions permit, it may not increase the fee enough in any year so that the addition
28 to the reserve will exceed 5% of the maximum risk written for that year.

29 (2) The board may engage the services of a qualified actuary to conduct an actuarial valuation of the
30 reserve. This valuation may include the actuary's determination of the amount of reserve necessary to absorb

1 all reasonably anticipated catastrophic losses for the present year and the next year 4 YEARS. This amount is the
2 maximum permissible reserve fund for the next year.

3 (3) The reserve must be deposited in an enterprise fund.

4 (4) The board may not draw on the reserve for any purpose unless the amount required for the payment
5 of losses for the current year, including interest on warrants, payment of loan interest and principal currently due,
6 and costs of administration, exceeds the amount of the estimate made by the board for the current year pursuant
7 to 80-2-221."

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9 NEW SECTION. **Section 4. Effective date.** [This act] is effective on passage and approval.

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