



IMPLEMENT-DEALER LEASE AGREEMENTS

JOHN J. NEAL, ATTORNEY

WILLENBRING, DAHL, WOCKEN & ZIMMERMANN, PLLC

The membership is often faced with insuring short-term rental equipment for its insureds. This includes, but is not limited to, rental tractors, combines, and bailers from implement dealers. As part of the rental transaction with the implement dealer, the insured often signs a lease agreement, containing many terms the insured may or may not appreciate, much less read. Almost certainly, the lease agreement requires the insured to provide insurance on the piece of equipment. To this end, the implement dealer sends a request to the member company to bind insurance for the rental equipment. However, the implement dealer may not send the lease agreement with the request. Accordingly, the member company is left in the dark as to the lease terms.

Would you agree to insure the rental equipment if you knew the lease agreement contained a venue clause, requiring you or the insured to litigate claims in another state? Would you agree to insure this piece of equipment if you knew your insured assumed all responsibility/liability in connection with its use? Would you agree to insure the piece of rental equipment if you knew the lease agreement allowed the implement dealer to recover attorney fees and other costs in connection with any claims arising out of the rental equipment?

Unfortunately, many of the terms within the rental agreement will apply to the member company once our insured signs the document and coverage is bound on the rental equipment. This may apply not only from a liability standpoint, to the extent the insured is ever sued, but it also may apply in any subrogation suit the company may later bring.

By way of example—from a liability standpoint—assume the rental equipment's motor seizes due to oil loss. The oil leak was the result of the implement dealer's faulty maintenance. The terms of the rental agreement discussed above may have shifted responsibility entirely to the member company's insured for the seized motor. And, the implement dealer may be able to bring suit in another state for the damages.

Again, by way of example—this time from a subrogation standpoint—assume the implement dealer failed to clean debris from the rental equipment's engine compartment before renting the tractor. The member company's insured uses the tractor to bale hay. The debris ignites and the fire spreads to the insured's attached baler. The baler, which the member company also insures, is a total loss to the tune of \$85,000. While the implement dealer may be responsible for the fire, the terms of the rental agreement discussed above may affect the member company's ability to subrogate against the implement dealer for the baler loss.

Finally, the lease agreement will likely require replacement cost for any damage to the rental equipment. What if the member company's policy with the insured provides payment on an actual-cash-value basis only? By agreeing to bind coverage on the rental equipment, have you now agreed to pay replacement cost as allowed by the lease agreement?

While the membership has no control over the lease terms or negotiations between the implement dealer and the insured, it does have control over binding insurance on the piece of equipment. For this reason, it would be best for any member company to review the terms of any lease agreement between its insured and the implement dealer before agreeing to bind coverage for that piece of rental equipment.

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December 2019 Board Meeting Synopsis *Greg Parent, Secretary-Treasurer*

The MAFMIC Board of Directors held their final quarterly meeting of the year on December 19 at the MAFMIC office in St. Joseph. In addition to the financial and management reports, district updates, and committee reports, the board took action on several items requiring approval.

Chairman Mark Nelson announced the hiring of the new MAFMIC President/CEO Adam Axvig. Adam will officially start at MAFMIC on December 30. Adam attended the board dinner the night before and met most of the officers and directors.

It was reported that Angela Campbell was elected to take over for Eric Johnson as the new District 2 director and Laurie Wellnitz was elected to take over for Roger Miller as the new District 3 director in February 2020 when their four-year terms expire.

Immediate Past Chairman Mikel Nelson provided an update on the nominations for the Vice-Chairman and Secretary-Treasurer positions for 2020. Larry Johnson has been nominated for Vice-Chairman and once again Greg Parent for Secretary-Treasurer. The board also discussed the recipient of the Robert C. Seipp Service Award. There were two nominations. Linda Jaskowiak received the most votes for the Robert C. Seipp Service Award which will be presented at the convention in February 2020.

The board established the Scholarship Committee which will consist of five members. The MAFMIC Chairman will appoint the Scholarship Committee Chairman and the remaining members of the committee for three-year rotating terms. The committee will administer the scholarship application process and the award the scholarships including the newly established Jim Barta Memorial Scholarship which will go to the highest scored application each year.

Office Manager Dani Hennen provided an update on the purchase of the new MAFMIC association management software and the purchase of new computers for the office staff. Dani indicated it would take a while to transfer all of the information from the old IMIS system to the new Wild Apricot system, but the process was underway.

The board reviewed the 2020 MAFMIC Dues document and approved the 2020 MAFMIC Budget.

The board discussed and approved several changes to a variety of items regarding how MAFMIC will handle things going forward for the staff and President/CEO position including tracking vacation time, office spending limits, computer hardware replacement schedule, cell phone plans, the distribution of the annual audit report, staff expense review, staff conference attendance, the MAFMIC employee benefit package, the use of MAFMIC credit cards, meal allowance for the staff and the replacement of the MAFMIC vehicle along with personal use guidelines.

The next scheduled board meeting is the annual financial review meeting held at the MAFMIC Convention on February 9, 2020. Please contact your district director, an association officer or the MAFMIC staff if you have any items of concern for board consideration.

Greg Parent

MAFMIC Secretary-Treasurer



Membership Dues

Dues must be *paid in full* in order for a member to vote during the Annual Meeting at the MAFMIC Convention, February 9-11, 2020

Please submit your
Membership Dues to:

MAFMIC
P.O. Box 880
St. Joseph, MN

Editorial Advisory Committee

Vicki Hongerholt - *Chairman*, Mound Prairie Mutual
 Ben Berg - Headwaters Mutual
 Alex Coulter - Schluchter Investment Group
 Erica Johnson - Southeast Mutual
 Dan McCue - Grinnell Re
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 Sandy Walstrom - Farmers Mutual
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 Dani Hennen - *Staff Liaison* - MAFMIC
 Arlette Twedt - *Staff Liaison* - MAFMIC



MAFMIC welcomes our new CEO, Adam Axvig. Adam joins MAFMIC from the Minnesota Senate where he served as Committee Administrator for the Commerce and Consumer Protection Committee currently chaired by Senator Gary Dahms, R- Redwood Falls.

At the Minnesota Senate, the Commerce Committee handles all legislation pertaining to insurance, banking, real estate, retail sales, franchise law, and liquor, among other issues. During Adam's tenure, the Commerce Committee passed legislation that created the state-based reinsurance program for the individual health insurance market, reformed the state's market conduct exam process, and increased funding for the Department of Commerce's Fraud Bureau.

Adam's past professional experience includes working on numerous statewide and local legislative races. Adam also served as a member of Leadership Staff in a previous majority at the Minnesota Senate, during which time he also served as Committee Administrator for the Subcommittee on Redistricting. Adam has private sector experience working as Communications Director for the Minnesota Agrigrowth Council, a trade organization representing agriculture in Minnesota. He also has experience working at two different public relations firms consulting for clients including the Mayo Clinic, Polymet Mining, and Xcel Energy.

Adam grew up on a little lake near Rollag in West Central Minnesota. He attended the University of Minnesota in Minneapolis where he studied Political Science and met his wife Amanda. They have a six-year old daughter Molly and reside in the east metro. Adam's personal interests include BBQ, kayaking, fly-fishing, fishing, photography, cruising in his pontoon, and vacationing in the British Virgin Islands.

MAFMIC Welcomes You Adam

MAFMIC Executive Board & District Directors

Mark Nelson,	MAFMIC Chairman , Norwegian Mutual
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Roger Miller,	District 3 , Lake Park & Cuba
Jenny Einyck,	District 4 , St. Joseph Mutual
Jen Visser,	District 5 , Bird Island-Hawk Creek
Nick Hager,	District 6 , MinnValley Mutual
Vicki Hongerholt,	District 7 , Mound Prairie Mutual
Todd Bossuyt,	Statewide , North Star Mutual

Please join our MAFMIC Chairman, Mark Nelson and his wife, Cindy for the 2020 Chairman's Reception. Mark & Cindy invite you to proudly wear your company colors.



"Cindy and I look forward to seeing you at the Chairman's Reception on Sunday night. Thank you all for your help and support this past year. It has been an honor to serve as the Chairman of such a great association made up of excellent people and strong companies."

"Reliability - Accountability - Trust"

*Mark Nelson
 MAFMIC Chairman
 2019-2020*

Member Profile ~ Pioneer Lake Mutual



Our company was founded in 1902 by local farmers who needed to insure their farms and hay stacks. Our company writes the broad form perils as authorized by the Minnesota Commissioner of Commerce under Chapter 67.



Pioneer Lake Mutual is contracted with 12 agencies. We have one office manager, three CSR'S and one loss control person. Our company philosophy is to provide the coverage that is spelled out in our insured's policy at the time of loss. We look for ways to pay claims ...not to deny them. Always be fair and honest.

Our goal is to sustain growth in a fair and equitable way and expenses do not slow down. We must keep grown in a profitable way to spread the expenses out over more policies.

Our company's biggest challenge is growth and staying competitive. Pioneer Lake Mutual supports the community at many levels all year long through local events, school events and various church events.

The word that describes our company would be **Dependable**.



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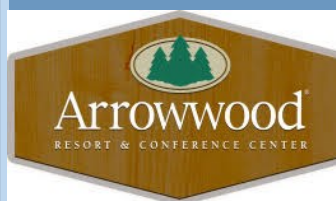
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Highlights from Short Course ~ November 2019



Mark your Calendar for
The 2020 MAFMIC
Short Course
held Nov. 18-19 at
Arrowwood in Alexandria

Highlights from Short Course ~ November 2019



Winners of the Bean Bag Contest

Tony Hughes - Claremont Farmers Mutual &
Brad Kullot - Dakota-Stanton Mutual /
Mid-State Mutual



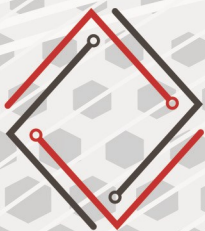
Congratulations to the Winners of Friendly Feud "Team RAM FAM"

Dan Rupp, Steve Knutson, Cheri Olson,
Linda Jaskowiak, & Steve Boyken



Attitude Adjustment

Thank You to Steve Harvey
AKA: Cody Fruin, North Star Mutual



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Health Savings Accounts: A Generous Gift for You and Your Employees?

The end of the year is a popular time for tax planning. As I write this, many businesses are meeting with their tax advisors to find ways to minimize their tax burden wherever possible. It's likely some business owners are asking about health savings accounts (HSAs). In certain situations, this tax-free fringe benefit can deliver significant tax savings for both employers and employees.

You see, employer contributions to an HSA are a tax-deductible expense and are not included as taxable income to the employee. Withdrawals can be taken tax-free as long as they are used for qualified healthcare expenses.

If you're thinking about adding an HSA to your benefits package, here's what you should know about this triple tax benefit.

You can offer an HSA even if you don't offer a company-provided health plan.

As health expenses and insurance costs have risen, employer-provided health plans have not been as prolific in the marketplace. Contributing to employees' HSAs can elevate your employee benefits package and provide valuable support for employees who may be on a spouse's employer-provided high deductible health plan.

Employees must meet certain requirements to be eligible for contributions.

To be eligible for employer contributions, an employee must be participating in a high deductible health plan (HDHP) for the period relevant to the contribution. For the 2019 tax year a HDHP includes health plans with deductibles of at least \$1,350 for individuals and \$2,700 for family plans and out-of-pocket maximum expenses that cannot exceed \$6,750 for individuals and \$13,500 for families. The contribution limits for employers are \$3,500 for individuals and \$7,000 for families. Employers are allowed a \$1,000 catch-up increase for insureds age 55 and over.

You must follow comparability rules.

The IRS has established comparability rules to prevent discrimination. Generally speaking, these rules require the contributions an employer makes to each employee's HSA to be "comparable." Contributions are considered comparable if they are the same amount or same percentage of the annual deductible limit under the HDHP. Comparability is also based on policy type (family plan vs. individual) and category of employment (full time vs. part time).

You must notify employees of the HSA benefit.

As part of the aforementioned comparability rules, you must notify employees who did not have an HSA (or who did not notify you of their existing HSA) by December 31. You must notify employees by January 15 of the availability of the HSA benefit.

The notice you provide must state that each eligible employee may establish an account by the end of February to receive the prior-year contribution. A sample notice can be found IRS Regulations section 54.4980G-4 A-14(c). You must contribute comparable amounts plus interest to employee HSAs for the prior year by April 15 of the following year.

Keep in mind that in order for an employee to make an elective deferral withholding from their paychecks, a Section 125 plan or "cafeteria plan" is required in order for this to be not included as taxable income to the employee.

Could an HSA be right for your business?

As the year draws to a close, if you find yourself seeking to minimize your tax burden, consider an HSA. Not only could it be a tax-reducing gift for you, but it could also give your employees a valuable benefit—a reward for a job well done. In fact, an HSA could be even more tax-advantageous for employees than an IRA. If you'd like to incorporate an HSA into your 2020 tax planning strategy, contact your tax advisor as soon as possible.



Bond Swaps

Alex Coulter, Senior Financial Associate ~ Schluchter Investment Group

The Tax Cuts and Jobs Act from the Trump Administration has had an impact on corporations throughout the United States, including mutual insurance companies. Mutual insurance companies that are taxable on investment income have seen their corporate tax rate lowered from 35% to 21%. The decrease in corporate tax rates have impacted one large component of investments in mutual insurance portfolios: municipal bonds.

Municipal bond interest is federally tax exempt. Mutual insurance companies therefore benefit from this federally tax exempt interest. With the new corporate rate at 21%, mutual insurance companies benefit less from municipal bonds than under the old 35% corporate tax rate.

Mutual insurance companies with large holdings of municipal bonds may have an opportunity to rebalance the portfolio by conducting bond swaps. There may be opportunities in the portfolio to sell longer maturing municipal bonds and reinvest in shorter taxable bonds such as Certificate of Deposit or government agency bonds. The current interest rate environment has also provided favorable conditions for bond swaps. The yield curve continues to remain very flat. On December 4th, 2019, the 5 year U.S. Treasury was yielding 1.60%. On the same day, the 10 year U.S. Treasury was yielding 1.78%.

There are important considerations with bond swaps that should be discussed with the Advisor of the mutual insurance investment portfolio. Ideally, the sale of the longer dated municipal bond would result in a capital gain. The reinvestment in a shorter maturity bond should be yielding a competitive rate when compared to the municipal bond that is being sold. It is also important to be cognizant of the bond ladder when reviewing potential bond swap opportunities. Maintaining a strong bond ladder will help provide liquidity in the mutual insurance portfolio while establishing a relatively consistent income generated by the investment portfolio.

It is important to fully understand the mutual insurance company's tax election and the impact municipal bonds have on the investment portfolio. Schluchter Investment Group is happy to meet with your board and answer any questions about bond swaps.

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Annual Meeting



Please advise the MAFMIC office of your annual meetings. The **date, time & location**.

We would like to include the annual meeting on the website calendar.

Your help is very much appreciated!

Financial Statements

It is also time again to collect company financial statements.

PLEASE send them to:
MAFMIC
PO Box 880,
St. Joseph, MN 56374
or fax to: (320) 271-0912



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Minnesota Association of Farm Mutual Insurance Companies, Inc.

NEWS Bulletin

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Tyler, Minnesota 56178

PHONE (507) 247-5161

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GOOD SHOW!

MAFMIC SHORT COURSE ATTENDANCE RECORDS BROKEN AGAIN! -- The 1983 Spring Short Course at Alexandria, March 15-17 set a new attendance record with 438 persons present representing 118 MAFMIC-member companies. Prior to the Short Course, full refunds were mailed to 22 companies for 30 persons who were unable to attend. Immediately after the event, refund checks (less a service fee) were mailed to 23 companies for 29 persons who did not pick up their packets. Total amount refunded was \$2,955.00.

Noon meals were provided each of the three days for persons who were registered. Total number of meals served each day were as follows: Tuesday - 428; Wednesday - 428; and Thursday - 356. Bad weather forced some people home early on Thursday morning.

PROGRAM RECEIVED HIGHEST RATING EVER -- This year's program proved to be one of the most outstanding programs presented by MAFMIC. Much of the credit goes to the many participants from the Township Mutuals and various Statewide Mutuals. Thank you very much for participating on the 1983 Spring Short Course. It is really appreciated by MAFMIC.

Pictured below is the HARD-WORKING EDUCATION COMMITTEE -- (left to right): Ron Waibel, Balaton; Bob Latham, Luverne; Dale Williams, Madelia; Don Hughes, Bird Island; Lee Bondhus, Storden, MAFMIC'S Education Chairman; Tom Mroska, St. Cloud; Stan Chromy, New Prague; and Darrel Benson, Montevideo. Jim Faber, Hutchinson, was not available when this picture was taken. Beginning the first week in May of each year, these fellows start working on next year's Short Course. These fellows plan the entire short course and accept various assignments which keep the event running smoothly and on schedule during the entire course. THANKS FOR ANOTHER JOB WELL DONE!



IN SYMPATHY



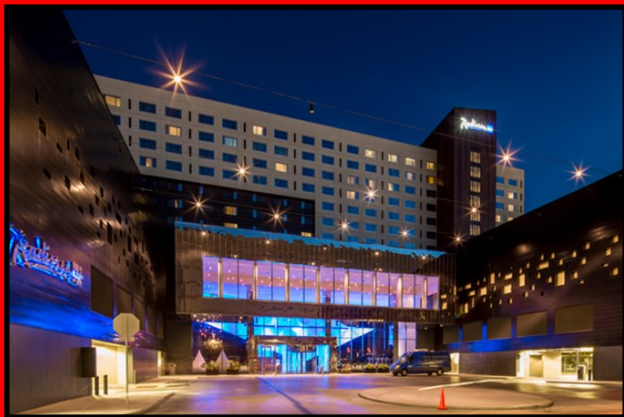
Robin "Rob" H. Hanks 64, of LeRoy, MN, died on Monday, December 16, 2019, at his home. Robin Howard Hanks was born April 25, 1955, to Fred J. and Donna (Fossum) Hanks in Spring Valley, MN. Following his high school

graduation from LeRoy-Ostrander High School in 1973, he attended the University of Minnesota in Waseca. He then returned to the family farm to farm with his dad and brother.

Rob was a member of the LeRoy Farmers Co-op Board and served on the Minnesota Soybean Growers Association where he served as Chairman for several years. He was also on the **Bloomfield Mutual Insurance Board** where he was currently the **Board President**.

He was appointed to the National United Soybean Growers Association as a board member by the USDA from 2007-2016. In Rob's free time he enjoyed woodworking and photography. Rob is survived by his brothers Darrell (Darla) Hanks of Forest City, IA, Neil (Donna) Hanks of LeRoy, MN.

MAFMIC wishes to express its sincerest condolences to family and friends of Rob.



See you next month at the Radisson Blu for our 2020 MAFMIC Convention! February 9-11th



Calendar of Events

- Feb 9-11** MAFMIC Convention
Radisson Blu, Bloomington, MN
- April 1 & 2** Spring Agents:
Mankato - April 1st
Fergus Falls - April 2nd
- May 5-6** Managers Workshop
Grand View Lodge, Nisswa, MN
- May 19-20** NAMIC Farm Mutual Forum
St. Louis, MO
- June 9** Support Staff Seminar
Location: St. Cloud, MN
- July 15** MAFMIC Golf Outing
Blackberry Ridge, Sartell, MN
- July 16** Manager & Director Seminar
Park Event Center, Waite Park, MN

2020
Happy New Year

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