

Minnesota Association of Farm Mutual Insurance Companies

Mutual
LINK

McCarran-Ferguson Threatened

By Marcus Marsh

Most of you are aware legislation has been introduced in the U.S. Congress to repeal or alter the existing limited antitrust exemptions afforded under the McCarran-Ferguson Act. The proposals Chief Author in the U.S. Senate is Senator Trent Lott (R-Mississippi), bill number S.618 and the Chief Author in the U.S. House is Representative Gene Taylor (D-Mississippi), H.R.1081. Co-sponsors in the Senate include Majority Leader Reid (D-Nevada), Judiciary Committee Chairman Leahy (D-Vermont) and ranking minority member Specter (R-Pennsylvania).

This Legislation is very dangerous to the insurance industry and to our township mutual insurance companies. **With this repeal MAFMIC could no longer have a Policy Committee, MAFMIC member companies could no longer have 'packaged policies' and, the Federal Government would regulate insurance.** This legislation could make the large national companies even larger and the mutual insurance companies as we know them a foot note in the history books.

U.S. Senator Trent Lott called NAMIC President Chuck Chamness in July of 2006 and said he would "bring down the industry". Can you imagine the arrogance of a United States Senator threatening an industry that has served Americans extremely well for over 250 years because he is mad at the actions of one company for their hurricane response? Other Senators have jumped on the band wagon because they hate the insurance industry and/or see this as a chance to have Federal control increasing their power. Either way members of Congress who support this repeal do not have the best interest of Americans in mind and again threaten our very existence.



Please encourage everyone you know to contact their member of the U.S. House of Representatives and both U.S. Senators and tell them why they should oppose this legislation. To assist with letters and talking points, visit NAMIC Online at www.namic.org.

Also, please join us in Washington on June 20 and 21, we need a large turnout from as many Congressional Districts as possible.

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Bad Faith - Good Faith Marches On

By Marcus Marsh

I am getting tired of writing about it and you must be getting tired of reading about it but we need to press on until the last day of the 2007 Legislative Session which adjourns on Monday, May 21st at midnight.

'Bad Faith' Legislation proposed by the Minnesota Trial Lawyers Association is not about consumer protection, it is not about helping people, it is not about good public policy, IT IS about campaign contributions with the trial lawyers

giving hundreds of thousands of dollars to Minnesota legislative candidates.

We all need to continue to contact our legislators as to our opposition to House File 1251 Representative Joe Atkins (D-Inver Grove Heights) and Senate File 1152 Senator Tarryl Clark (D-St. Cloud) or any other Bad Faith Bill introduced.

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Letter from the President

By Wes Gainey, MAFMIC President

*"We few, we happy few, we band of brothers;
For he to-day that sheds his blood with me
Shall be my brother..."*

St. Crispen's Day Speech
Shakespeare's *HENRY V*

This is how Shakespeare envisioned King Henry V's rallying call to his men just prior to almost certain defeat against the overwhelming French forces at the Battle of Agincourt in 1415. Although we don't know what Henry really said, we know that against all odds he rallied the badly outnumbered English troops to defeat the heavily armored, highly skilled French.

Like Henry and his troops, "*we few, we happy few*" have been forced to fight and defeat an overwhelming, better funded force. Our fight is on two fronts -- harmful "bad faith" legislation on the state level and moves to repeal the McCarran-Ferguson Act at the federal level.

With millions in contributions to legislators, the Minnesota Trial Lawyers continue to push various "bad faith" bills with SF 1152 and HF 1251 being the most harmful to our companies and their policyholders. If passed, any of these bills will result in more frequent lawsuits, more frequent and higher claims including forced payment on questionable claims, and ultimately, higher premiums for everyone. There will be NO benefit for consumers only more riches for trial lawyers.

On another front, repeal of the McCarran-Ferguson Act would grant a competitive advan-

tage to the largest of this country's property casualty insurance companies. Ironically, this effort is designed to punish LARGE companies but the opposite would be the case. A repeal of McCarran-Ferguson would be especially devastating to our smaller Minnesota mutual insurance companies. The MAFMIC Policy Committee would have to be discontinued and there would be no standard MAFMIC policy forms, OR any standard policy forms. Each company, large and small, will have to come up with their own forms. Additionally, there is a likelihood that the relationships involved with the packaging of wind or liability coverage would have to be discontinued.

The consequences for consumers would be less competition for their business, as smaller Minnesota companies are forced out of insurance lines for which they lack sufficient data to set actuarially sound rates or the legal staff to develop coverage forms, as well as higher premiums for the coverage they do find available.

By banding together, "*we few, we happy few*" have been able to slow the momentum that the trial lawyers had at the beginning of this fight on Bad Faith. As a battle hardened "*band of brothers*" (*AND sisters*), we must also focus on the fight over McCarran-Ferguson. I encourage all of you to continue the fight by contacting your State and U.S. Senators and Representatives. One day we will all look back with pride and say, "*I was there, I stood with MAFMIC in 2007 when we defeated bad faith and saved McCarran-Ferguson*".

Bad Faith - Good Faith

...Continued from page 1

There is a new coalition, Minnesotans Against Fraud and Higher Insurance Costs, that has formed which includes MAFMIC, the Insurance Federation of Minnesota, the Minnesota Chamber and others to fight Bad Faith. The coalition has started a website www.nohigherrates.com where you can get information to help in this effort to defeat Bad Faith Legislation.

Thank you for all your efforts. With your continued hard work, we can defeat this legislation.

**MINNESOTANS AGAINST FRAUD
AND HIGHER INSURANCE COSTS**

Member Profile

Norwegian Mutual Insurance Company

Pete Hellie, Manager

When was your company founded?

Our company was founded by a group of Lyon County and Yellow Medicine County farmers on February 22, 1879.

What lines do you write?

We write fire perils on farm package policies and homeowner package policies. We package with North Star.

How many employees do you have?

We have a total of three employees and we operate in 22 agencies.

What is your company's business philosophy?

Providing an insurance product that meets our customers needs with competitive rates and prompt claims service.

What are your company's five year goals?

To remain a dependable farm and homeowner writing company.

What is your company's biggest challenge?

Concentration of risk, especially with the high farm machinery values and the livestock confinement buildings. Also, there are huge challenges for us and our industry legislatively.

How are you involved in your community?

We donate to various organizations and help sponsor local events. We recently worked with a local fire department on a fire extinguisher sales program they were organizing. For our customers, we sell fire extinguishers below our cost. This has been a very good investment for Norwegian Mutual.

Describe your company in one word.

Consistent.

Norwegian Mutual is located in Cottonwood.

Disaster Preparedness

Ten Questions - Is Your Business Ready?

Are you asking the right questions?

Your answers could determine how you handle disaster.

1. Are you concerned that your normal business operations might be interrupted by a natural or human-caused disaster?
2. Have you determined what parts of your business need to be operational as soon as possible following a disaster and planned how to resume those operations?
3. Do you and your employees have a disaster-response plan in place to help assure your safety and to take care of yourselves until help can arrive?
4. Could you communicate with your employees if a disaster happened during or after work hours?



5. Can your building withstand the impact of a natural disaster, and are your contents and inventory sufficiently protected?
6. Are your vital records protected from the harm that could be caused by a disaster?
7. Are you prepared to stay open for business if your suppliers cannot deliver, your markets are inaccessible, or basic needs, (e.g., water, sewer, electricity, transportation) are unavailable?
8. Do you have plans to stay open for business even if you cannot stay in or reach your place of business?
9. Have you worked with your community, public officials, and other businesses to promote disaster preparedness and plan for community recovery?
10. Have you consulted with an insurance professional to determine if your insurance coverage is adequate to help you get back in business following a disaster?

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Legal Issues

Proper Cancellation Procedures for Township Mutuals (Part I)

By Jason J. Bartlett, Attorney



These days, almost all insurance written by township mutuals is in the form of a combination policy issued jointly by the township mutual and a statewide mutual. Under Minnesota law, township mutuals may issue two kinds of combination policies: qualified and secondary property combination policies, and homeowner's insurance combination policies. The TP1 policy is the typical qualified and secondary risk combination policy form and the PH1 policy is the typical homeowner's combination policy form.

When the township mutual issues a TP1 policy, the portions of the policy issued by the township mutual are excluded from the provisions of Minnesota's insurance laws except for those laws that expressly apply to township mutuals (Minnesota Statutes Chapter 67A). However, when the township mutual issues a PH1 policy, all portions of the policy providing homeowner's insurance, including those issued by the township mutual, are subject to the provisions of Minnesota Statutes Chapter 65A. With regard to cancellation of policies by the township mutual, this distinction means that the two different types of combination policies are subject to different cancellation requirements.

The township mutual may cancel a TP1 policy by providing at least 10 days written notice to the insured, sent by registered or certified mail to the insured's last known address and to any mortgagee on the policy. It is a good practice to factor three additional days into the notice period to account for the time that the notice is traveling through the mail system. Any unearned premium paid by the insured for the unexpired policy period must be refunded on a pro rata basis along with the cancellation notice or within a reasonable time thereafter. The statewide mutual that jointly issued the TP1 policy is responsible for canceling their own portions of the policy according to their own separate and distinct cancellation procedures.

By contrast, the process for canceling a policy issued under PH1 policy forms is more complicated and depends on a number of factors. If the policy has been in effect for less than 60 days, the township mutual can cancel for any reason if it mails the insured written notice at least 20 days before the effective cancellation date. Three days should be added for mailing time. If a policy is being cancelled for underwriting considerations, the insured must be informed of the source from which the information was received.

If the policy has been in effect for 60 days or more, the township mutual may cancel the policy mid-term for any of the following reasons:

- (1) The premium was not paid when due.

- (2) The insured obtained the policy through fraud or misrepresentation.
- (3) The insured engaged in fraud or misrepresentation in pursuing a claim under the policy.
- (4) An act or omission of the insured materially increased the risk originally accepted.
- (5) Physical changes in the insured property which were not corrected or restored within a reasonable time after they occurred and which resulted in the property becoming uninsurable.

If the cancellation is for non-payment of premium, the township mutual may cancel the policy by mailing written notice to the insured at least 20 days before the effective cancellation date. For any of the other reasons, 30 days notice is required. In any case, three days should be added for mailing time.

These notices of cancellation must include a statement of the reason for cancellation in a sufficiently clear and specific form so that an insured of reasonable intelligence will be able to identify the basis for the company's cancellation without making further inquiry. These cancellation notices must also inform the insured of the possibility of coverage through the Minnesota FAIR plan, the insured's right to object to the commissioner in writing within 30 days of receipt of the notice, and the insured's right to the return of unearned premium in appropriate situations. Any unearned premium paid by the insured should be returned at the time of cancellation.

Only proof of mailing (not certified or registered mailing) is required to prove cancellation of PH1 policies.

All notices of cancellation, regardless of the form of the policy being cancelled, must also include the effective date and hour of cancellation.

Lastly, if the insurance policy forms that make up the policy differ from the law you must use the more restrictive method of cancellation. Insurance policy language can provide insured's with more protection than the law requires, but not less.

It is a good practice for township mutuals to work with their statewide package companies to make sure that the statewide companies properly cancel their portions of the combination policies. However, the PH1 cancellation procedures for township mutuals should not be relied upon by the statewide companies, which may be subject to different laws and regulations.

Due to space limitations, part two of this Article will discuss permissible non-renewal procedures for PH1 (homeowner's) policies in the upcoming July/August issue of the Mutual Link.



Claims to Give You a Chuckle

The incidents below are true (you can't make these up). Read them, laugh and be glad it wasn't you.

An insured was burning garbage in a burn barrel when a gust of wind came up, caught her wig and gustily deposited it in the burn barrel.



An insured was up on the roof doing some repair work to the chimney. The back side of the house was two stories and the front one story, so for a bit of safety he tied a rope to his waist and tied the other end to his car in the driveway in front of the house. While on the back side of the house, his wife came out and decided to take the car to go shopping. The poor guy was pulled over the top of the roof and landed in the shrubbery before the rope actually came loose and fell off. He had medical claims and also damage to the roof, gutters and plants. He lived to tell the story. The story was hard to believe until the account was listed in the paper.



A gentleman had fallen down his basement stairs and landed on his deep freeze. The freezer was damaged so he tried to file the claim under 'falling objects'.

A lawyer (probably a trial lawyer) in Charlotte, NC purchased a box of very rare and expensive cigars, then insured them against fire among other things. Within a month, having smoked his entire stockpile of these great cigars and without yet having made even his first premium payment on the policy, the lawyer filed a claim with the insurance company.

In his claim, the lawyer stated the cigars were lost "in a series of small fires." The insurance company refused to pay, citing the obvious reason that the man had consumed the cigars in the normal fashion. The lawyer sued....and won! In delivering the ruling the judge agreed with the insurance company that the claim was frivolous. The judge stated nevertheless, that the lawyer held a policy from the company in which it had warranted that the cigars were insurable and also guaranteed that it would insure them against fire, without defining what is considered to be "unacceptable fire," and was obligated to pay the claim. Rather than endure lengthy and costly appeal process, the insurance company accepted the ruling and paid \$15,000.00 to the lawyer for his loss of the rare cigars lost in the "fires."

But... after the lawyer cashed the check, the insurance company had him arrested on 24 counts of ARSON! With his own insurance claim and testimony from the previous case used against him, the lawyer was convicted of intentionally burning his insured property and was sentenced to 24 months in jail and a \$24,000.00 fine.

Thank You to Our 2007 Partners!



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A POLICY OF WORKING TOGETHER

MAFMIC Educational Scholarship Golf Outing Best Ball Scramble

**Little Crow Country Club ~ Spicer, MN
Thursday, July 19, 2007**

10:30 a.m. – Registration

11:30 a.m. – Shot Gun Start

4:30 p.m. – Dinner & Awards Ceremony

Register with MAFMIC's office by June 29th, 2007!



Golf Package -- \$80.00

Includes: Green Fees, Cart, Bag Lunch, Beverage Tickets (2), Prizes & Dinner

Dinner Only -- \$15.00

'Sponsor a Hole' and help educate Minnesota's youth - \$100!



MAFMIC Educational Scholarship Golf Outing

Name: _____

Average Nine Hole Score or

Company: _____

Handicap for 9 Holes: _____

Address: _____

Phone: _____

Email: _____

Please check all that apply:

Golf Package @ \$80.00 per person

\$ _____

Dinner Only @ \$15.00 per person

\$ _____

Hole Sponsorship @ \$100 per hole

\$ _____

Other Sponsorship

\$ _____

TOTAL ENCLOSED

\$ _____

Playing Partners: _____

*Return with payment to MAFMIC's office:
PO Box 880, St. Joseph, MN 56374*

Technology Corner

Mapping 101

By Mike Ward, CPCU, CPA



Finding a location on a map is no different today than it was a century ago. Every location on earth has a unique set of coordinates called its longitude and latitude. Knowing the coordinates for a location has allowed the astute to find that location on an appropriate map.

Prior to computers we relied on tools like the sextant to help us determine these coordinates. Today we use Global Positioning Systems (GPS) to quickly and accurately determine longitude and latitude. The technologies of computer graphics and GPS are coming together to provide real-time routing, enhanced tracking and custom mapping.

Today it is easy to create custom maps for almost any situation. Many people use online mapping such as GOOGLE Maps or Yahoo Maps to provide directions to weddings, parties and other social events. Maybe you thought custom mapping ended there. Well this is just the beginning of what is an explosion in mapping capabilities and offerings.

Several Windows mapping programs provide the ability to import lists of addresses to create markers (called pushpins) on the map. This can be useful for all sorts of things. Maybe you'd like to create a map showing the location of all Homeowner policies you have in one zip code area. Or maybe you'd like a map showing all of the Homeowner customers that reported claims from a recent windstorm. Maps like these and more can be done with programs costing less than \$60. Two examples of inexpensive programs that allow you to import your own addresses to create custom maps are Streets and Trips from Microsoft (www.microsoft.com/streets) and Street Atlas Plus from Delorme (www.delorme.com). Both can import lists from an Excel Spreadsheet and several other formats.

When you import your own list of addresses into one of these mapping programs, it converts each address into its longitude and latitude (geo coordinates). The geo coordinates are then

used to place a mark on an overlay that is merged with a map. The combination of the overlay and the map when viewed together provide your custom map.

A couple of fairly new online products from Google and Microsoft are expanding the two dimensional map to the third dimension. Google's product is called Google Earth. A link to this and other 'Helpful Links' is available at www.mafmic.org. Google Earth integrates aerial photographs and 3D imaging to enhance maps to show topography and buildings. This 3D view can greatly enhance the information available from the map. You can now gain a perspective of not only the location but what surrounds it. Google offers a free version and also several versions with annual subscription fees. The subscription versions allow for various levels of importing your own addresses to create custom maps.

Microsoft's product is called Maps Live (www.maps.live.com). It is a beta product which means it is still under development. As a beta product, its features and pricing are subject to change. It appears that it will be similar in features to Google when it is released. (Note: You should be cautious about downloading any Beta software to non-test computers. Beta software is not fully tested and therefore is subject to all sorts of anomalies.)

Please note there are many mapping products available. This article mentions just a very few. If you haven't explored creating a custom map maybe its time to give it a try. If you're an experienced computer map user, maybe you could share your experiences in an email to the MAFMIC Technology Committee through vicky@mafmic.org.

Mike Ward, Vice President of Client Information Services with Grinnell InfoSystems, Grinnell, IA..

BE THE FIRST TO EARN CEU CREDITS FOR 2007-2008!

The 2007 MAFMIC Short Course will be held October 30-31, 2007 at the Arrowwood Resort in Alexandria. MAFMIC will be applying for Continuing Education Credits for this program. You **SHOULD** plan to use these credits for the 2007-2008 calendar year. However, if you absolutely must, you may use these credits for 2006-2007 if certain conditions are met before 10:30 p.m. on October 31st.

1. MAFMIC successfully uploads the final course roster online at the conclusion of the Short Course.
2. SIRCON accepts the roster.
3. You go online to renew.

MAFMIC strongly encourages you to attend the 2007 Short Course and be the **FIRST** to earn continuing education credits for the 2007-2008 calendar year.

Company News & Notes

Township Mutual Seeks New Manager

South Central Mutual Insurance Company, located in Blue Earth, is receiving applications for the position of manager. All applications/resumes must be filed by May 15, 2007. The job opening is to be filled by July 1, 2007. Please send applications/resumes to: Tim Nelson, South Central Mutual, Board President, 12136 480th Avenue, Blue Earth, MN 56013. You may also call 507-525-0349.

Farm Shows

MAFMIC would like to extend our appreciation to the many members who volunteered their time at the St. Cloud and Owatonna Farm Shows. The purpose of our booth is to promote awareness of the township mutual insurance industry in Minnesota. Ruth Rothstein and Paul Stueven, coordinators of the shows, would personally like to thank those who staffed the booths. Your help is greatly appreciated.

Short Course Just Around the Corner



Don't forget to mark your calendars on the dates of October 30th and 31st. The 2007 Short Course will be held at the Arrowwood Resort near Alexandria.

MAFMIC Summer Hours

Beginning May 29th and continuing through September 3rd MAFMIC's office hours will be Monday-Thursday 8:00 a.m. to 4:30 p.m. and Fridays 8:00 a.m. to noon.

MAFMIC Calendar of Events

June	20-21	Congressional Contact Visitation <i>Washington, DC</i>
July	18	Manager & Director Seminar <i>Holiday Inn, St. Cloud</i>
	19	Educational Scholarship Golf Outing <i>Little Crow Country Club, Spicer</i>
August	7-9	Farm Fest <i>Gilfillan Estates, Redwood Falls</i>
	9	Support Staff Seminar <i>Holiday Inn, St. Cloud</i>
	15	Adjuster/Inspector Seminar <i>Holiday Inn, St. Cloud</i>

In Sympathy

Delaine Scheck, 62, Houston, passed away on January 9th. Delaine, a MAFMIC auxiliary member, was the wife of Ron Scheck, president of Mound Prairie Mutual and also the mother of Vicki Hongerholt, co-manager of Mound Prairie Mutual.

MAFMIC wishes to express its sincerest condolences to both Ron and Vicki and the family and friends of Delaine.



Please send an article for consideration to: Mutual Link, PO Box 880, St. Joseph, MN 56374, or email them to info@mafmic.org.

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