

Minnesota Association of Farm Mutual Insurance Companies

Mutual LINK



Minnesota Shines at NAMIC Convention

By Marcus Marsh

Sometimes it sounds like MAFMIC Members are bragging when comparisons are made about us with other State Associations. However, once again as the old saying goes, "the proof is in the pudding." Mound Prairie Mutual Manager Jerry Zenke was elevated to Chairman-elect of the NAMIC Farm Mutual Conference Board. In addition, Jerry was also elected Director on the NAMIC Board of Directors. *WOW, congratulations Jerry!*

Jerry has given many years of his time and talents to MAFMIC having been past chairman (2003-2004), 2007 Seipp Service Award Recipient, serving many years on the Government Affairs and Mutual Assistance Committees and was Building Committee Chairman when the new MAFMIC office was built. Jerry has also donated time and money for many MAFMIC activities as well as the convention throughout the years.

State Senator Linda Scheid (D-Brooklyn Park) was named one of the two recipients of the NAMIC State Legislator of the Year for her strong support for the Mutual Insurance Industry and for working with us to stop the trial lawyers "Bad Faith" legislation. *Thank you, Linda!*



Jerry Zenke, Manager - Mound Prairie Mutual

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In addition to these honors, Minnesota had three Merit Award Recipients. The recipients are David Pederson, Manager, Farmers Mutual, Manchester; Maureen Reineke, Manager, Buffalo Lake-New Auburn Mutual, Gaylord and Paul Steuven, Manager, Fairmont Farmers Mutual, Fairmont. *Congratulations for a job well done!*

Not to be outdone, four managers from Minnesota received the Professional Farm Mutual

Manager (PFMM) designation. Those receiving the designation are: Jan Helling, Manager, Madelia-Lake Crystal Mutual, Madelia; Linda Jaskowiak, Manager, Sumter Mutual, Silver Lake; David Pederson, Manager, Farmers Mutual, Manchester and Robert Wendorff, Manager, Crow River Mutual, Hutchinson. *Great Job!*

The MAFMIC Board and Staff invite you to join us!



113th Annual Convention
February 3-5, 2008
Sheraton Bloomington Hotel



See page 5 for registration



Letter from the President

By Wes Gainey, MAFMIC President

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NOTE: For this issue, I am borrowing from a famous writer named, "Author Unknown". As you read the following, I hope you see yourself, your mutual and your association in the "Lessons We Can Learn from Geese".

When you see geese flying along in a "V" formation, you might consider what science has discovered as to why they fly that way:

As each bird flaps its wings, it creates an uplift for the bird immediately following. By flying in a "V" formation, the whole flock adds at least 71 percent greater flying range than if each bird flew on its own.

Lesson: *People who share a common direction and sense of community can get where they are going more quickly and easily because they are traveling on the strength of one another.*

When a goose falls out of formation, it suddenly feels the drag and resistance of trying to go it alone, and quickly gets back into formation to take advantage of the lifting power of the bird in front.

Lesson: *If we have as much sense as geese, we will stay in formation and be willing to offer and accept help from others.*

When the head goose gets tired, it rotates back in the wing and another goose flies point.

Lesson: *It is sensible to take turns doing demanding jobs and sharing leadership.*

Geese honk from behind to encourage those up front to keep up their speed.

Lesson: *We need to make sure our honking from behind is encouraging and not just honking.*

When a goose gets sick or is wounded, and falls out of formation, two other geese fall out with that goose and follow it down to lend help and protection. They stay with the fallen goose until it is able to fly or until it dies. Only then do they launch out on their own, or with another formation to catch up with their group.

Lesson: *We need to stand by each other in difficult times as well as the good.*

From this, I see that each of us plays a role in this formation we call MAFMIC. Like me, did you find yourself asking, "Where do I currently fit in formation?" Am I a lead goose, backup goose, a goose in need, helper goose or an encouraging honker goose?

As we approach the end of another successful year, I want to thank you for contributing to the success of our formation. I wish you and yours much happiness and thanksgiving in the coming year.

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Member Profile

Kenyon-Holden-Warsaw Mutual

Steve Jorstad, Manager

When was your company founded?

Kenyon-Holden-Warsaw Mutual was founded in 1873 by Norwegian farmers for farm families. Steve Jorstad is the fourth generation to be involved with the mutual.

What lines do you write?

We write homeowners, farm, dwelling, fire and liability (personal and farm).

How many employees do you have?

We have two employees (Steve and Karla) and 4 agents (Jim, Sia, Brian and Sue).

What is your company's business philosophy?

- Honest business with excellent customer service
- Fast, friendly (claim) service
- Sound financial investment

What are your company's five year goals?

We would like to have growth in the homeowners market as well as keep our surplus growing.

What is your company's biggest challenge?

Farms are growing larger but there are fewer farmers.

How are you involved in your community?

- Commercial Club
- School sports sponsor
- 4-H Sponsor (livestock auction)

Describe your company in one word.

'Friendly'.

Kenyon-Holden-Warsaw Mutual is located in Wanamingo.

Investments

Minnesota Statute 67A

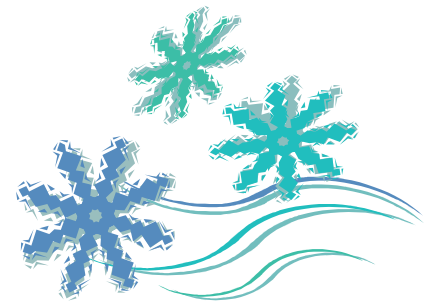
By Wayne Schluchter

The Issues Sub-Committee of Government Affairs met July 12th to hear and discuss the risk and reward of statutory changes to Minnesota investment laws 67A.

The Issues Sub-Committee heard discussions from Tom Erzar (Dain Rauscher), Paul Swenson (Wachovia) and Wayne Schluchter (Schluchter Investment Advisors). There were comments made in support and opposition to certain statutory changes of the investment laws pertaining to Township Mutual Insurance Companies.

The Issues Sub-Committee recommended no changes to MN Statute 67A. The Government Affairs Committee met on August 28th and recommended to the MAFMIC Board no changes to MN Statute 67A. The full MAFMIC Board voted on Sept. 11th "not to proceed with statutory changes to investment laws 67A". It should be noted that the Minnesota Legislature is responsible for the content of MN Statute 67A.

Wayne Schluchter is an Investment Executive/CEO with Schluchter Investment Advisors, St. Cloud



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Heading South for the Winter? What you need to do before you leave for winter vacation

By Jim Faber

Don't ruin a wonderful trip south by returning home and discovering frozen water pipes, or that your home was broken into or vandalized and your valuables gone.

Most insurance policies exclude water damage caused by frozen water pipes while the home is vacated for an extended amount of time. That is unless the insured has exercised reasonable care to maintain heat and/or by turning off and draining the water system. Reasonable care is synonymous with using good "common sense". That would include arranging for a trustworthy person to routinely check on your unoccupied home. Leaving your home for an extended time during a Minnesota winter and relying on an unattended heating system is not using common sense. The same goes for allowing newspapers to accumulate and not clearing snow from driveways and sidewalks. Each year numerous preventable water damage claims occur as a result of frozen water pipes. Heating systems can and do fail – don't let it happen to you!



Here's what to do:

- Turn off the water at it's entry point
- Turn off your well pump (if applicable)
- Open faucets and drain the system
- Have your furnace checked and serviced annually
- If you use LP gas or fuel oil, arrange for "keep full" service
- Have a trustworthy person enter the home weekly
- Install a monitored security alarm system
- Arrange to clear the snow and stop newspaper deliveries
- Install a timer to turn some lights on and off
- Notify a trusted neighbor or two about your absence and have them park in your driveway occasionally

Jim Faber is the Sr. Vice President of RAM Mutual, Esko.

Ask The Department

By Jaki Gardner

What is the Department of Commerce position regarding a township's exceeding the FDIC limit for payment of claims?

Companies, both insurers and non insurers, engage in cash flow management. On occasion, expenses will become due that exceed the normal cash level that a company maintains in its checking account. In this case, the company would need to liquidate an investment or other longer term asset to accommodate the payment. This would cause a condition where the cash account exceeds the FDIC insured limit, and, technically, place the company in direct violation of statute. However, we would consider this to be in "...the normal course of business." Generally, the condition would be temporary, as funds would be in the process of disbursement and legally encumbered with a corresponding liability. *Under this circumstance, we would not*

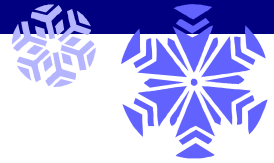
cite the company for being in violation of statute.

What are best practices and procedures for townships to follow to gain approval to sell in cities of the second class?

As a general rule, follow the guidance we have placed on the Commerce Department website. Focus most on developing a comprehensive Business Plan, making sure there are programs in place such as inspection guidelines, procedures and cycles, claim adjusting procedures, and a governance structure that involves the Board as well as officers and managers.

Jaki Gardner is the Assistant Commissioner for the Minnesota Department of Commerce, St. Paul





Partial Payment Withholding for Debris Removal

By Jason J. Bartlett

Under some circumstances, fire insurance companies are required by law to withhold part of a loss payment from an insured in order to ensure that fire damaged structures located in certain municipalities are repaired, replaced or removed. This obligation is found in Minnesota Statutes section 65A.50. In the interest of brevity, only a general overview of section 65A.50 is discussed herein.

Section 65A.50 is part of the body of insurance law that applies to all statewide property and casualty companies. Since section 65A.50 does not expressly apply to township mutual fire insurance companies, losses to structures covered under TP-1 dwelling policies are exempt, however, section 65A.50 does apply to losses to structures covered under PH-1 homeowner's policies, because of Minnesota Statutes section 67A.191.

Additionally, section 65A.50 only applies if the municipality in which the insured property is located has properly established a trust or escrow account to be used as prescribed in section 65A.50 and has properly been added to the Department of Commerce's participant list of all municipalities which have elected to apply section 65A.50.

The current participant list contains the following 45 municipalities: Adrian, Albert Lea, Anoka, Austin, Bemidji, Blaine, Buhl, Chisholm, Cottage Grove, Dawson, Detroit Lakes, Duluth, Ely, Eveleth, Fairmont, Fergus Falls, Floodwood, Grand Rapids, Granite Falls, Hibbing, Hill City, Inver Grove Heights, Jackson, Kettle River, Lake City, Lakefield, Little Canada, Littlefork, Madelia, Minneapolis, Mountain Iron, Mountain Lake, Pipestone, Proctor, St. Cloud, Sherburn, Silver Bay, Slayton, Staples, Thief River Falls, Virginia, Walnut Grove, Warroad, Wilton, and Worthington. Before you pay any loss involving a structure in a municipality, you should first check the Department's website in order to see if additional municipalities have been added to the participation list.

Section 65A.50 is also limited to "final settlements" which exceed 49 percent of the insurance on the insured structure, and does not include the payments for personal property or contents damage or for additional coverage not contained in the fire coverage portion of the fire insurance policy. "Final settlements" are determinations of the amount due and owing to the insured and can be based upon acceptance of a proof of loss by the insurer, execution of a release by the insured, acceptance of an arbitra-

tion award by both the insurer and the insured, or a court judgment.

When the above requirements of section 65A.50 are met and a final settlement is reached on a claim for a loss to an insured structure due to fire or explosion, the insurer must withhold from payment 25 percent of the actual cash value of the insured structure at the time of the loss or 25 percent of the final settlement, whichever is less. If the insured and the insurer have agreed on the demolition costs or the debris removal costs as part of the final settlement, the insurer shall instead withhold the largest of the agreed cost of demolition or debris removal, 25 percent of the actual cash value of the insured structure at the time of loss, or 25 percent of the final settlement of the insured structure damage claim.

However, the withholding requirements of section 65A.50 are avoided if within 30 days after final settlement is reached, the insured provides the insurer with evidence of a contract to repair and consents to the payment of funds directly to the contractor performing the repair services, and the insurer gives notice to the municipality that there will not be a withholding under section 65A.50 because of the repair contract.

In order for a municipality to retain and escrow the amount withheld by the insurer, an affidavit prepared by the authorized representative of the municipality must be sent to the insurer, the insured, any mortgagee, and the court if a judgment was entered stating that the damaged insured structure violates existing named health and safety standards, thus requiring the

Continued on page 7

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Debris Removal

Continued from page 6

escrow of the withheld amount as surety for the repair, replacement, or removal of the damaged structure.

Upon receipt of the affidavit, the insurer must forward the withheld amount to the municipality and provide notice of the forwarding to the insured, any mortgagees, and the court if a judgment was entered.

If the mortgage on the insured structure is in default, the mortgagee of the structure can, upon request to the municipality structure, obtain all or part of the withheld policy proceeds from the municipality to the extent necessary to satisfy any outstanding lien of the mortgagee.

Further, any policy proceeds deposited with a municipality are to be immediately forwarded to the insured when the municipality receives or is shown reasonable proof of any of the following:

- (1) that the damaged or destroyed portions of the insured structure have been fully repaired or replaced;
- (2) that the damaged or destroyed structure has been removed from the land, in compliance with the local code requirements of the municipality; or
- (3) that the insured has entered into a contract to

perform repair, replacement, or removal services with respect to the insured structure and that the insured consents to payment of funds directly to the contractor performing the services. Funds released under this condition may be forwarded only to the contractor.

As protection for the insurer withholding some of the policy proceeds, section 65A.50 provides the insurer and its agents and employees are immune from liability in complying or attempting to comply with this law.

Jason J. Bartlett is an Attorney with Willenbring, Dahl, Wocken & Zimmerman, PLLC, Cold Spring.

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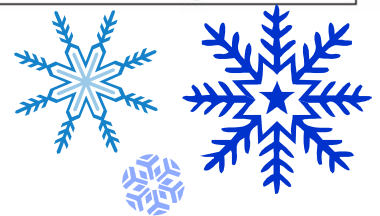


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Legislative Issues Considered

By Marcus Marsh

The MAFMIC Government Affairs Committee met on Tuesday, August 28, 2007. There were a number of issues on the agenda.

The first item related to possible changes to the statutes to allow Township Mutual's to invest in equity investments. The Issues Sub-Committee of the Government Affairs Committee had spent considerable time reviewing this issue including hearing presentations from three different investment advisors that have Township Mutual's as clients. Two investment advisors strongly recommended not to change the statutes, one investment advisor recommended inclusion of equities. After considerable discussion was given to this proposal, the Issues Sub-Committee passed a motion to the full Government Affairs Committee not to change the current statutes. The Government Affairs

Committee also passed the Issues Sub-Committee recommendation and sent the motion on to the MAFMIC Board which passed this motion not to change current investment statutes at September 11, 2007 Board Meeting.

The Government Affairs Committee passed the proposal to repeal Assessability for Township Mutual's MS 67A.17. There was considerable discussion on the Minnesota Trial Lawyers (now Minnesota Association for Justice) and their on going effort to pass "Bad Faith" in the 2008 Legislative Session. We will be keeping MAFMIC Members informed and involved on this issue.

Other items covered were changes to the Monday Luncheon for the MAFMIC Convention, the PAC, upcoming Legislative Meetings as well as a host of Federal Issues.

Company News & Notes

IN SYMPATHY

Dale Hawkinson, husband of Carol, member of the Chisago Lakes Fire Insurance Board for 19 years and the Chisago County Farm Bureau for 30 years, passed away on October 6th following a battle with cancer.



Valeria Mroska, mother of Tom Mroska, passed away on October 26th. Tom is manager of Mid-Minnesota Mutual, Sartell, MN.

MAFMIC wishes to express its sympathy the family and friends of Valeria and Dale.

We are pleased to introduce you to Jodi Wilken, MAFMIC's newest staff member.

As a part time administrative assistant for MAFMIC, Jodi will provide administrative and meeting support for the association. Additionally, utilizing her 16 years of professional experience in graphic arts and her Commercial Art degree, she will have the job of maintaining our website, doing the layout for the Mutual Link and designing brochures and programs. Jodi is married to Jeff and has two daughters. In her spare time, Jodi enjoys drag racing, the Green Bay Packers, is a weather spotter for Stearns County Skywarn and does artwork through her company, Wilken Designs. Welcome, Jodi, to MAFMIC!



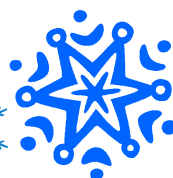
Loss Control/Claim Position

Fairmont Farmers Mutual Insurance Company located in Fairmont, MN is looking for a full time Loss Control/Claims Person. Residency outside of the Fairmont area, but in the operating territory will be considered. Please send resume to Paul Stueven, Fairmont Farmers Mutual, 1285 Highway 15 South, Fairmont, MN 56031, or call Paul at (507) 235-9476 for more information.



Claims Adjuster Position

Grinnell Mutual Reinsurance Company is seeking a property claims adjuster for Southeast Minnesota area with a minimum of two years experience in farm owners and home owners claims. Qualified person will have background in agriculture, insurance, and strong communication skills. Must possess a valid driver's license. Requires frequent travel and pre-employment background check. Interested candidates please complete application at www.gmrc.com or call Grinnell Mutual Reinsurance Company, (641) 269-8260, Grinnell, IA. EOE



To submit an article to be published in the Mutual Link please send them to Mutual Link, PO Box 880, St. Joseph, MN 56374, or email them to info@mafmic.org.

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