

STATE HAIL PROGRAM TALKING POINTS

The Montana State Hail Insurance Program was created in 1917 to provide basic hail insurance coverage on crops grown in Montana. The program is directed by a five-member Board of Hail Insurance consisting of the Director of MT Dept of Ag, the State Auditor, and three other members appointed by the Governor. The program is intended to be self-supporting through a trust and reserve using premiums paid by farmers.

Previously the program was administered out of the Dept of Revenue who through their County offices acted as agents and processed the paperwork for a fee of 2%. The 2013 Legislature eliminated this and moved the program to the Dept of Ag. Currently the program uses a paper application submission process to the Dept of Ag and does not employ an agent force to sell the product. The authorizing statute (80-2-201 MCA) authorizes a 1.5% gross annual fees (capped at \$100,000) transfer to the General Fund when the board authorizes it. (Did not happen in 2013 or 2014)

The program is not subject to oversight by the Montana Insurance Commissioner (although she has a seat on the board) as an insurance company.

The program currently provides crop hail limits of \$75 per acre for dryland acreage and \$114 per acre for irrigated crops as permitted by statute (increased in 2013.) Unlike private products which are rated on a township and range basis, the State Hail program is on a crop/county basis. Also it adjusts losses using its own adjuster base and adjustment standards which do not adhere to NCIS standards that all private companies utilize.

Most years from 1917 through 2013 the program has issued refunds to insureds of approximately 20-40%. Since it is not an insurance company the Board is empowered to do this unlike private insurance companies.

In 2013 the program experienced a high loss ratio (188%) and another in 2014 (85%) which have exhausted the reserves they usually rely on to cover losses. This resulted in the necessity to purchase reinsurance (\$1,134,558 for 2014) and also required a 5% rate increase as well as a suspension of the refunds to producers.

As an industry, we feel the private market is more than able to take on the burden of providing the required coverage to sustain Montana's farmers and ranchers and this program is an unnecessary fiscal burden and if it is to remain it needs to be regulated by the Montana Commissioner of Insurance.

We also feel the program is highly unstable financially and any attempts to provide additional support via the State General Fund and/or the Montana Board of Investments should be monitored and weighed out very closely. Montana taxpayers deserve no less.

1111
1111
1111