

For January 15, 2020

Economic Affairs Interim Committee  
Compiled by Pat Murdo, Committee Staff



## OVERVIEW: BOARD OF HAIL INSURANCE

Montana's Board of Hail Insurance is more than 100 years old. First created in 1917, the board is allocated to the Department of Agriculture for administrative purposes. Board appointments are outlined in 2-15-3003, MCA., with statutory positions for the State Auditor and the director of the Department of Agriculture. Three members are to be appointed by the governor and confirmed by the Senate. Further details on its purposes are under Title 80, chapter 2, part 2, MCA.

An important factor to recognize is that the Board of Hail Insurance, as a government entity, provides insurance coverage that may be independent or supplemental to that available from private insurers and the federal government.

A 2016 [briefing paper](#) on the Board of Hail Insurance pointed out financial concerns that arose in 2013 from a bad hail season. Followup information in a [2016 Financial Compliance Audit](#) indicates that the use of reinsurance rescued the reserve fund, which had been 88% depleted in FY 2014. The audit noted that a revised reinsurance agreement allowed quota-share reinsurance under which the department gives up 80% of each policy premium to the reinsurer, and the reinsurer pays 80% of each loss. A portion of the premium is ceded to the program from the reinsurer to offset operating costs.

Board of Hail Insurance	Representing	Term Expires
Matt Rosendale	State Auditor	statutory
Ben Thomas	Director of Agriculture	statutory
Gary Gollehon, Brady	Public Representative (appointed as the presiding officer)	5/1/2020
Judy Tureck, Coffee Creek	Public Representative	5/1/2021
Jim Schillinger, Circle	Public Representative	5/1/2022

### Board Duties/Responsibilities

- Prescribes forms to be used for insurance;
- Lets Montana producers know about the availability and types of benefits intended to protect against crop loss at actual cost (80-2-201, MCA);
- Classifies risks and sets fees within limits, for crop types, and within districts for hail insurance, administrative expenses, and maintenance of a reserve (80-2-203, 80-2-208, 80-2-221, and 80-2-222, MCA);
- Determines at the end of a hail season whether to pay refunds and, if so, whether to pay a percentage or pro rata;
- Obtains reinsurance if the board considers reinsurance necessary and advisable.

### Department Duties/Responsibilities

- Collects and deposits fees;
- Employs adjusters to appraise crop losses;
- Pays crop hail losses; and
- Adopts rules in conjunction with the board.

### Important Dates

- Aug. 15 Participating producer must sign up
- Nov. 1 Department must notify of premium fees
- Nov. 30 Premium fees due

## Background on Crop Insurance

A national website, [cropinsuranceinamerica.org](http://cropinsuranceinamerica.org), notes that in 2018 American farmers spent \$980 million on crop-hail insurance on \$36 billion in crop values. These policies were regulated by state insurance departments. The website listed 11 private insurers operating in Montana.

Farmers also can insure under a federal crop insurance program, which private firms service and sell. In 2018, the [cropinsuranceinamerica](http://cropinsuranceinamerica.org) site says, 1.1 million policies were sold for 130 different crops nationally with an insured value of \$100 billion-plus.

The national website also provided a Montana-specific [fact sheet](#) that said for 2018:

- Montana farmers paid \$67.7 million for crop insurance;
- Insurers paid \$110.9 million for losses; and
- Crop liability protection was reported to be worth around \$614 million.

Crop Type	Acres Insured - 2018	Damage Summary - 2018	
	Acres	Damaged Acres*	Payouts
Alfalfa Seed	98		
Barley	41,236	3,222	\$117,996
Beans	529		
Canola	7,813	2,305	\$31,365
Chickpeas	33,900	3,278	\$139,826
Corn	4,246	1,290	\$56,829
Durum Wheat	46,239	14,395	\$500,125
Flax	4,261		
Hay	12,100	2,690	\$139,290
Hemp	80		
Lentils	43,361	5,610	\$270,091
Millet	1,848		
Mustard	1,330		
Oats	2,262		
Peas	29,058	8,263	\$209,749
Safflower	4,455		
Soybeans	564		
Spring Wheat	291,268	22,508	\$741,007
Triticale	4,280		
Truck Crops	134		
Winter Wheat	191,312	31,149	\$1,188,099

\*Report lists only certain crop losses

As can be seen from the table above, the Board of Hail Insurance alone provided nearly \$1.2 million for losses in winter wheat alone. The table at left shows that 2018 was not as bad a weather year as earlier in the decade. Premiums

Board of Hail Insurance Data			
Operating Expenses 11/1/17-10/31/2018		Business Summary 2018	
Personnel Services	\$276,065	Premium Charged	\$4,969,475
Operating Expenses	\$65,453	(on total written risk)	(\$47,766,960)
Indirect	\$113,406	Losses Paid	\$3,518,089
<b>Total</b>	<b>\$454,924</b>	Amount Invested	\$1,879,130

amounted to nearly \$5 million for the Board of Hail Insurance coverage on total written risk of \$47.7 million with \$3.5 million paid out in losses. Reserves allowed for nearly \$1.9 million in investments. Expenses were \$454,924.

## Legislative Audits

Legislative financial compliance audits for the Department of Agriculture for the two fiscal years ending June 30, 2013, included information on the hail insurance program's steep payouts in the 2013 hail year of \$14 million, which was 260% more than in the 2012 hail year. The following two-year audit, released in April 2016, pointed out concerns about a recording problem but Legislative Audit's [May 2018 report](#) found the concerns had been corrected.

## Possible Topics of Interest

Program update

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