

Minnesota Association of Farm Mutual Insurance Companies

Mutual LINK

Brainwashed

Greg Gangelhoff, MAFMIC Chairman

When you hear the word “brainwashed,” what comes to mind? I remember hearing my parents use this term numerous times. Dad or Mom would state, “Are they brainwashed?!” My sibling and I would ask what this meant and Mom would respond, “It’s when someone persuades you to think a certain way. They listen to others and allow misconceptions to take over their mind. People need to stand up for themselves and not be so easily persuaded by others.”



Throughout our lives, we are all brainwashed to some extent. Isn’t that what our media does to us? It brainwashes us. From the radio, to the newspaper, T.V. and internet, advertisers are all trying to persuade us to think a certain way. These media sources spend thousands of dollars with consultants that educate them on how our mind works. I remember a sales and marketing course I took in college on subliminal advertising. We were all looking at an advertisement in a magazine for Black Velvet Whiskey. In this magazine ad, it showed a close

up picture of a bottle of whiskey and sitting next to the bottle was a tall drink full of ice. As our class was discussing the ad, our professor told us to look closely at that glass. After careful observation, we all saw an outline of a woman’s body due to the positioning of the ice in the glass. The professor told us this was done for a reason. We subconsciously saw the woman’s outline, but didn’t realize it. It’s a strategy that many advertisers use, and it makes us want to buy the product. This proves we can all be brainwashed to some degree.

So what does this have to do with insurance? Sometimes when people hear the word insurance, they give a negative comment, make a facial gesture, or use some harsh adjectives. They have somehow been brainwashed in regards to the value and need for insurance. I think we at MAFMIC should not be painted with this negative view of the insurance profession. I believe we are a group that believes the customer comes first. Let’s continue to work even harder to get this positive message to our customers and communities. Brains will be washed of this negative opinion when our policy holders see the good we do for them and others.

Greg Gangelhoff,
2010 MAFMIC Chairman

Manager & Director’s/Golf Outing Coming Soon!

The Manager & Director’s Seminar will take place Wednesday, July 14 at the St. Cloud Holiday Inn. The Golf Outing will follow on Thursday, July 15 at the Little Crow Country Club in Spicer.

There’s still time to sign up for one or both of these events so call MAFMIC or check the MAFMIC website for registration materials!

MAFMIC Hours

The time has come once again for MAFMIC to begin summer hours!

From June 1 until September 3, hours are as follows...

Monday-Thursday
8:00 am - 4:30 pm
Friday
8:00 am - 12:00 pm

Be sure to check out the 2010 Support Staff and Adjuster/Inspector Registration forms inserted in this issue or go to www.mafmic.org!

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Board Member Profile

Laurie Wellnitz, Manager of Agassiz & Odessa Mutual

1. **Where did you grow up?**
Nassau, Minn.
2. **Where did you attend high school?**
Marietta, Minn.
3. **Did you attend college – If so, where & what for?**
I went to Canby Vo-Tech in Canby, Minn. The first year I took the Insurance Secretarial program and then went back and took the two year Accounting program.
4. **Are you married? Do you have children?**
I am married to my husband Mike and we have two sons. Mitch is a dispatcher/jailor for Lac Qui Parle County in Madison, Minn. and Barry is a Diesel Technology student at North Dakota State College of Science in Wahpeton, N.D.
5. **What are some of your favorite hobbies?**
These may sound like odd hobbies for a woman, but I like to hunt, fish and watch or listen to the Minnesota Twins whenever I can.
6. **What was your first job?**
I started my first full time job in 1983 as a receptionist/bookkeeper for Agassiz & Odessa Mutual Insurance Company where I worked until 1995. Then I went to work for Stolpman Insurance Agency and was hired back at Agassiz & Odessa in 1996 as the company manager.
7. **What about the insurance industry appealed to you as you were starting out?**

Helping people after they had a loss has been the most rewarding part of this job.

8. **What do you enjoy about your job?**
There is always variety. I like being able to help people, whether it is an insured after a loss or an agent that needs a quote “right now” because his client is closing on a house in ten minutes and needs insurance coverage.
9. **What do you strive for professionally?**
I strive to do work that is done completely and correctly and provide prompt service to our agents and policyholders.
10. **What do you like about being a board member?**
Being a MAFMIC board member has been an interesting experience for me, and the MAFMIC staff and the other board members have been great people to work with. Our association has been through some very trying times the last few years but we have pulled together, made the tough decisions and now we must move on. It is important for everyone to not only voice their opinions but participate as a member of the various committees or become a board member when your district has an opening.
11. **What issues do you think are most important concerning the Mutual Insurance Industry?**
Keeping up with the changing times, the changing technology and government regulation are all areas that are going to have a large impact on how we do business in the future. Hopefully we can keep up with those changes and continue our already long history as Mutual Insurance Companies.

Editorial Advisory Committee

Karl Porisch, Chairman - Western Mutual

Colleen Anderson - Corn Belt Mutual

Jim Barta - Jim Barta CPA, PA

Kirby Dahl - Willenbring, Dahl, Wocken & Zimmerman

Richard Raun - Woodland Mutual

Patti Rothfork - Melrose Mutual

Wayne Schluchter - Schluchter Investment Advisors

Jonathan Troe- Owatonna Mutual

Marcus Marsh, MAFMIC - *Staff Liaison*

Lindsey Schuler, MAFMIC - *Staff Liaison*

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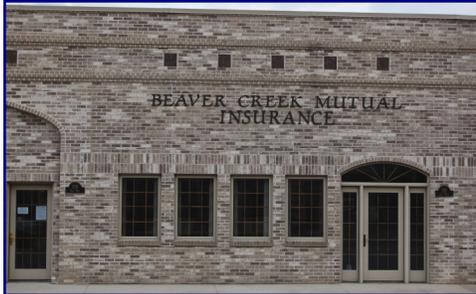
Denise Lee, Manager

In a southwestern Minnesota city with an approximate population of 5,000 called Luverne, lies MAFMIC member company, Beaver Creek Mutual.

Beaver Creek Mutual was founded April 3, 1885, by a group of pioneer farmers and businessmen in the Beaver Creek post office. These pioneers saw a need to protect southwestern Minnesotans from financial disaster and while they were at it, this protection needed to be at a fair and an affordable cost.

After 125 years in the business, Beaver Creek Mutual writes property/casualty insurance policies for fire coverages and package with Grinnell Mutual for wind and liability coverages. Beaver Creek Mutual has one full-time employee, Manager Denise Lee, two part-time employees and five board members. These employees and board members help the mutual take care of business in eight southwestern Minnesota counties.

Those affiliated with the mutual are also dedicated to the com-



Beaver Creek Mutual's office in Luverne, Minn.
Courtesy of Manager, Denise Lee.

pany's business philosophy; To provide excellent customer service to their policy holders and agents and provide policyholders with the types of protection they need for their homes and farms, as they have done since their inception.

True of many mutual insurance companies, staying abreast of technological advances is proving to be a challenge for Beaver Creek Mutual as well as the ever-changing farming operations. "Farming is not just livestock and crops any longer," said Manager, Denise.

One of the ways Denise plans to balance the challenges the company faces is to provide the best service possible through a more personal experience. By providing that personal experience, Beaver Creek Mutual hopes to grow in the next five years and remain dependable for those they're involved with.

After being a part of their community for so many years, Beaver Creek Mutual has become active and supportive in many of its functions. School sports and music boosters as well as Relay for Life, Luverne Lions Club and the local Fire Departments are just a few of the programs the mutual supports.

Staying busy with supporting local functions, changing technology and farming operations, and providing excellent service to policyholders and agents, Beaver Creek Mutual has their work cut out for them. However, after 125 years, this mutual has the stamina to stay on top of it all!

Everything we do is designed to help our member mutuals be successful.



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A Policy of Working Together

Congressional Contact Program

Marcus Marsh, Government Affairs Manager

MAFMIC had 22 members from across the state attend the 2010 CCP in Washington DC May 19-21.

There are several issues of concern to MAFMIC and NAMIC including Insurance Regulatory Reform, Federal Insurance Office, Consumer Financial Protection, Small Company Tax, and Flood Reform.

We had very successful meetings with both U.S. senators, Amy Klobuchar and Al Franken as well as four congress people from the five districts where CCP attendees were represented. We met with Third District Congressman Erik Paulson, Sixth District Congresswoman Michele Bachmann, Seventh District Congressman Collin Peterson and Eighth District Congressman James Oberstar. The four remaining U.S. House members had us meet their staff person specializing in insurance issues.

The Congressional Contact Program is a joint effort of NAMIC and MAFMIC working together with our Minnesota Congressional Delegation on behalf of our members and policyholders.



(L-R) *Pete Hellie*, North Star Mutual; *Mikel Nelson*, Elmdale Farmers Mutual; *Michelle Bachmann*, Sixth District Congresswoman; and *Lu Anne & Ron Berning*, Lake Park & Cuba Insurance.

You can find more photos at www.mafmic.org

(L-R) *Marvin Johnson*, Unity Mutual; *Jerry Zenke*, Mound Prairie Mutual; *Amy Klobuchar*, Minn. Senator; *Richard Raun*, Woodland Mutual; *Greg Gangelhoff*, Stark Farmers Mutual



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Legislative Wrap

Marcus Marsh, Government Affairs Manager

The 2010 Legislature adjourned on Monday, May 17 and will reconvene on Tuesday, January 4, 2011.

For the Property and Casualty Insurance Industry we had a good session, nothing passed that hurt us as we stopped all harmful legislation.

The bill we referred to as the “Storm Chaser Bill” H.F. 2060/ S.F. 1886 Chief Authors Representative Phil Sterner (D-Rosemount) and Senator Kathy Saltzman (D-Woodbury) passed and was signed by Governor Pawlenty. See the article on this bill by John Neal.

The session had some last minute drama as the Minnesota Supreme Court on a 4-3 vote ruled that Governor Pawlenty overstepped his authority by unallotting \$2.7 billion dollars from the state budget in 2009. Suddenly Legislators and the Governor were facing an existing \$400 million budget shortfall plus now the additional \$2.7 billion dollar shortfall for the state budget that ends on June 30, 2011. The compromise was to delay \$2 billion in school aid payments into the next budget that starts July 1, 2011 and approve the balance in cuts that the Governor had unallotted.

This compromise will add considerable stress to the next state budget which currently is projected to be \$6 billion in deficit, so with the school aid payment delay the new budget deficit is \$8 billion. This is a huge deficit which equates to between 20 – 25% of the total state budget.

Several members of the House and Senate are not running for re-election, plus indications are voters are not happy with government at any level so it will be an interesting election. Without doubt there will be a number of new legislators and a new Governor for the 2011 Legislative Session.

**Thank you to our
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Tax Credit for Small Employers

Jim Barta, CPA, PA

Whether you agree with the recently enacted health care reform act or not, there is a potential tax credit that may apply to your company. This credit is designed to get small employers who do not currently offer health insurance coverage to their employees to offer health insurance, or for small employers to continue to offer the coverage already in place in spite of increasing costs.

Many of you may have already been notified of this potential credit by outside sources. As this is being written the IRS is scheduled to send postcards out to “4,441,147 business owners (94,927 in Minnesota)” urging them to check to see if they are eligible. By the time you read this you should have already received your postcard. I will try and give a brief synopsis in the space allotted. In a nutshell, to qualify:

- You must have fewer than 25 full time workers counting full time equivalents (FTE’s)
- Your average annual wage must be less than \$50,000 (take all wages and divide them by your number of FTE employees)
- “A qualifying employer must cover at least 50 percent of the cost of health care coverage for some of its workers based on the single rate.” (Direct quote from IRS web site.) This includes “add-on dental and vision coverage.”
- Both taxable and tax exempt companies qualify.

How much is the credit?

- 1) The credit is worth up to 35% of the qualifying employer premiums in 2010. In 2014 the rate increases to 50% for taxable employers, but stays at 35% for tax exempt employers.
 - A) If you have a tax liability, the tax credit will only reduce your tax bill to zero. You will not get a refund back if your credit is greater than your tax bill, however any unused portion of the credit will be carried forward

and may be used to reduce taxes in future years for up to 20 years.

- B) If you file form 990 the entire credit is refundable to you even with no tax bill.
- 2) There is a phase-out of the credit for employers with average wages between \$25,000 and \$50,000, and also for employers with the equivalent of between 10 and 25 FTE’s.
- 3) The credit is available for a maximum of 6 years, years 2010 through 2013 and for any 2 years after that.

If your company files Form 990 and you meet the above requirements you should be eligible for a refundable tax credit.

Remember this is a 2010 credit to be filed with your 2010 tax returns due in 2011. At this point the IRS has not released the applicable form(s) to be used. If your company does not currently offer health insurance and meet the above requirements, it is my interpretation that if you get insurance in place and pay premiums before year end, the credit will apply.

Below are a couple of links for you to go to if you would like more information.

<http://www.irs.gov/newsroom/article/0,,id=220809,00.html>

<http://www.irs.gov/pub/irs-drop/n-10-44.pdf>

http://www.irs.gov/pub/irs-utl/3_simple_steps.pdf

As with any new legislation there are many “grey” areas. I am not an attorney and this article is not intended to give legal advice. This article is based on my research as a certified public accountant. I do not claim to represent MAFMIC, the Internal Revenue Service or any other entity.

As the year progresses there will be more opinions and interpretations that will be released. You should contact your tax advisor for more information. If we, at this firm, become aware of more information and space and time permit, we will try and provide you with that information in future issues of the link.

Important Insurance Changes Effective July 1, 2010

New Ethics Requirement - All licensed insurance producers & adjusters whose licenses renew after July 2, 2010 must complete a minimum of three hours of Department of Commerce approved continuing education in the area of ethics.

If Your License Expires on October 31, 2010 - You must complete 24 hours of approved continuing education, including at least three hours in the area of ethics, and renew your license before October 31, 2010. Subsequent renewals will be transitioned to the last day of the licensee’s birth month.

If Your License Expires on October 31, 2011 - You must complete 24 hours of approved continuing education, including at least three hours in the area of ethics, and renew your license

before October 31, 2011. Subsequent renewals will be transitioned to the last day of the licensee’s birth month.

Education Requirements for Insurance Adjusters - Insurance adjusters whose licenses renew in October 2010 and after will have the same continuing education requirements as insurance producers.

Continuing Education Options - Beginning on July 1, 2010, producers and adjusters may complete their continuing education requirements via classroom, online or verifiable self-study courses. As before, however, only half of the required hours may be obtained through insurance “company-sponsored” course.

Storm Chaser Bill

John J. Neal, Willenbring, Dahl, Wocken & Zimmerman

With the spring/summer storm season upon us, the Minnesota Legislature fittingly enacted Minn. Stat. § 325E.66—referred to here as the “storm chaser” bill. The bill will be effective August 1, 2010. For a change, the bill actually gives insurance companies a break. The bill, which has been signed by Governor Pawlenty, will assist homeowners and insurance companies from being exposed to underhand tactics or marketing campaigns conducted by residential roofing contractors or contractors that provide roofing services.

If you have ever had to address hail loss or major storm damage—whether through your company or with your own home—you might have encountered droves of contractors willing to repair the loss for a “discount.” The discount being the contractor’s payment of the homeowner’s insurance deductible. As one might suspect, this alleged “discount” is presumably added back into the contractor’s estimate. In other words, the amount of the homeowner’s deductible (e.g., \$500 or \$1,000) is added into the contractor’s final bid estimate. Thus, while the homeowner may receive the discount, the insurance company will pay the difference, assuming the adjuster agrees with the contractor’s bid. The storm chaser bill attempts to eliminate this practice.

The new bill contains two substantive provisions. The first section states that roofing contractors shall not advertise, promise, or otherwise rebate any portion of an insured’s deductible in connection with services to be paid from insurance proceeds. If the contractor violates this section, the insurer is not obligated to consider the contractor’s estimate. In addition, the insured or insurer can bring a claim in court for damages.

The second section of the bill allows homeowners to cancel any written contract with a roofing contractor within 72 hours after the insurer notifies the homeowner that the claim is denied. How and whether the second section affects or is connected to the bill’s first section is unknown, since an insurer’s denial of a claim presumably is not tied to a roofing contractor’s bid estimate or the contractor’s violation of section one. Nonetheless, it is a remedy that a homeowner has at his/her disposal.

Hopefully the bill, and in particular section one, has enough deterrence to stop or remedy the sharp practices for which it is aimed. To that end, insurance adjusters should be made aware of the bill’s contents. Adjusters should then be prepared and attempt to discover whether future roofing bids contain the “discount.” If so, you the insurance company would not be obligated to consider that contractor’s estimate.

Interest Rates Up - Down?

Wayne Schluchter, Schluchter Investment Advisors

Today’s interest rate environment is lower than anyone can recall. Many investors are concerned about inflation in the coming years due to increased money supply and other economic stimulus. What are investors to do? Take a look at the table below reflecting U.S. Treasury yields of the past 10 years.

	2 Yr Note	5 Yr Note	10 Yr Note	30 Yr Bond
2010	.77%	2.07%	3.3%	4.20%
2009	.95%	2.53%	3.86%	4.60%
2005	3.64%	3.95%	3.98%	4.15%
2000	6.81%	6.69%	6.15%	5.75%

As you can see in the table above, yields were much higher in 2000. It should also be noted that short term rates were greater than long term rates which is termed an “Inverted” yield curve. Today’s steep yield curve looks the opposite of 2000’s inverted pattern.

In 2000, investors were rewarded by diversifying bond maturities over 10-15 years instead of accepting slightly higher short-term rates. In 2010 investors are rewarded for taking on interest rate risk and buying intermediate bonds. If excess liquidity or too much cash is an issue it may take 3-5 years to properly restructure the portfolio.

We remain in unprecedented times and managing your investment portfolio with a 10-15 year outlook will benefit policy holders for many years to come.

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Farm Show Winner



The 2010 Owatonna Farm Show cash prize drawing winner, (R) **Kathy Hillesheim** of Sanborn, Minn. was presented her prize by **Gwen Batalden**, Manager of Redwood County Farmers Mutual.

2010 MAFMIC Scholarship Winners



Agassiz & Odessa Mutual Manager, (R) **Laurie Wellnitz** awards **Kaycee Van Eps** from Morris with her certificate of achievement.



(R) **Darcee Roeschlein** from Wahkon received her scholarship certificate from Manager of Mid-Minnesota Mutual, **Carol Maciej**.



(R) **Caleb Krusemark** from Trimont was presented his award by his parents' insurance agent, **Greg Johnson**. Greg is an agent for Fairmont Farmers Mutual.



(L-R) Manager of McPherson Minn Lake Mutual, **Muggs Zabel**, **Dale Westphal**, President of the Mutual's board and **Ryan Strobel**, Scholarship winner from Pemberton.

Do you have extra prizes?

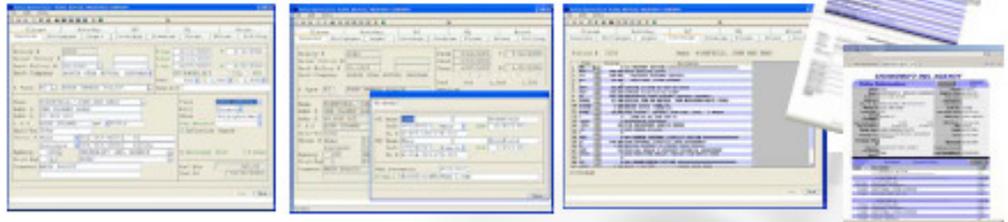
MAFMIC is looking for your extra annual meeting prizes to give away at the 2011 Convention.

As usual, prizes will be given away during the Monday night Exhibit Show.

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**2010 MAFMIC
Calendar of Events**

July	13	New Manager's Workshop MAFMIC Office, St. Joseph
July	14	Manager & Director's Seminar Holiday Inn, St. Cloud
July	15	Scholarship Golf Outing Little Crow Country Club, Spicer
Aug.	3-5	Farm Fest Gillfillan Estates, Redwood County
Aug.	11	Support Staff Seminar Holiday Inn, St. Cloud
Aug.	17	Adjuster & Inspector Seminar Holiday Inn, St. Cloud
Sept.	14-16	Big Iron Farm Show West Fargo, ND

In Sympathy

Georgina "Jean" Eichers, 89, passed away May 9 2010. Jean was the wife of Elmer Eichers, RAM Mutual who passed away in 2008.



Henry Minks, 78, passed away May 2, 2010. Henry worked with McPherson Minn Lake Mutual for 49 years.



MAFMIC wishes to express its sympathy to the friends and family of Jean and Henry.

NEW on the MAFMIC Website

The MAFMIC Directory, Resource Guide and Committee lists are now available in electronic format for MAFMIC members! Visit www.mafmic.org to print yours today!

HAVE EMAIL? If you are currently receiving the hard copy Mutual Link and have an email address, MAFMIC would like to send you the electronic version! It's easy, convenient and environmentally friendly! Just get in touch with MAFMIC and we'll take care of the rest!

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