



## Cooperative Network eyes state budget progress

Governor Doyle and the state Legislature continue to hammer out the details of the 2009-11 biennial budget. The task got even more difficult with the recent revenue estimates which pointed out that tax collections did not meet the amount expected and Wisconsin found itself another \$1.6 billion dollars in the hole for a total budget shortfall of \$6.6 billion. This shortfall is created because state bud-



gets are spending plans based on the amount of money Wisconsin expects to receive in sales and income taxes and other sources of revenue. When the economy goes sour like it did late last year, Wisconsin does not receive the dollar amounts expected. This is because more citizens are unemployed, thus

lowering income tax collections. More citizens are also spending less, thus lowering sales tax collections. The state finds itself in the position of either cutting spending or finding ways of raising more dollars to replace the dollars it expected but did not receive. So what many thought would be a speedy budget process because the Democratic Party controls both houses of the Legislature and the governor's office has been slowed down by the budget shortfall and the need to deal with it.

The budget is currently being debated in the Joint Committee on Finance. Cooperative Network has been monitoring the committee's work to see how they will fill in the loss of revenue. One major concern of Cooperative Network is the tactic used by previous legislatures to take money from one fund designated for a particular program and using it for another program. An example is the transportation fund which is funded by vehicle registration fees and the 30.9 cent per gallon gasoline tax (the 2nd highest in the nation). These dollars go into the transportation fund to be used for highway construction and other transportation projects. Cooperative Network and other groups are concerned the Legislature and governor have taken \$1.4 billion from the transportation fund and used it for non-transportation spending over the past eight years. Cooperative Network and others continue to communicate with legislators on the need for fund integrity.

In addition to the integrity of the transportation fund, Cooperative Network has also been keeping an eye on the budget process, looking at ways to protect the cooperative way of doing business from unwanted taxes, fees or other issues that could hurt cooperatives in Wisconsin. Included in the governor's budget is a provision called the Oil Gross Receipts Tax which would impact every cooperative in

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### *"Red Flags Rule" enforcement delayed three months*

The Federal Trade Commission (FTC) has announced that it will delay enforcement of the "Red Flags Rule" until August 1, 2009. This delay will allow businesses required to comply with the rule more time to develop and implement identity theft prevention programs. In addition, the FTC has developed a compliance guide to help businesses understand if they are covered by this requirement, and help these businesses develop appropriate identity theft prevention programs. *Mutual Interests* last covered the rule in its December 2008 edition.

The three-month delay was in response to feedback provided to the FTC that some industries and entities are not sure if they must comply with the new rule.

"Given the ongoing debate about whether Congress wrote this provision too broadly, delaying enforcement of the Red Flags Rule will allow industries

and associations to share guidance with their members, provide low-risk entities an opportunity to use the template in developing their programs, and give Congress time to consider the issue further," FTC Chairman Jon Leibowitz said in a press release.

Cooperative Network has developed a model policy and is available to answer questions about the Red Flags Rule requirements. For more information on Cooperative Network's model policy contact David Ward at 608-258-4414. Cooperative Network is planning a series of Red Flags Rule seminars in late June and a webcast to help cooperative managers and staff develop identity theft prevention programs and train staff on the requirements. While the FTC has delayed enforcement of this rule, identity theft has not slowed down. According to Wisconsin's Office of Privacy Protection, 3,152 identity theft complaints were reported in 2008.

## Study shows cooperatives have big impact on economy

Agriculture Secretary Tom Vilsack has announced that the United States Department of Agriculture (USDA) has helped produce a comprehensive new study and database assessing the national economic impact of cooperatives. The study, "Research on the Economic Impact of Cooperatives," is the result of extensive work that began in 2006.

Funded by a \$1.5 million Congressional appropriation and conducted by USDA's Rural Development, working with the University of Wisconsin Center for Cooperatives (UWCC) and the National Cooperative Business Association (NCBA), the study was done to show cooperative impact nationwide.

The study found:

- Nearly 30,000 cooperatives exist in the U.S.
- Cooperatives account for nearly \$654 billion in revenue.
- Cooperatives provide more than \$133.5 billion in value-added income.

"Historically, cooperatives have always been extremely important to rural America, serving as economic engines and innovators," said Vilsack. "This study shows how significant their impact is nationwide."

Mutual insurance companies are some of the oldest types of cooperatives in the nation. According to the study, many early property and casualty insurance companies were formed by farmers who could not obtain insurance from other, larger companies. They created mutual insurance companies within their local areas that could offer reasonable rates.

"Many times cooperatives are formed to meet their members' needs or to provide products and services that are not available elsewhere. Early mutual insurance companies were formed for the

same reasons many other cooperatives were formed," said Bill Oemichen, Cooperative Network President and CEO.

According to the USDA's study, mutual insurance companies hold more than \$840 billion in assets, generate \$140 billion in sales revenue, and pay \$2 billion in wages and benefits to 122,000 employees. There are approximately 233 million member-owners of mutual insurance companies.

"The USDA's 'Research on the Economic Impact of Cooperatives' conducted in part by UWCC goes a long way to point out that cooperatives touch many people and contribute to the economic success of their member-owners and the communities they live in," said Oemichen.

## Economy affects consumers' attitudes towards insurance

The nation's economic issues have caused many consumers to rethink their family budgets and look for ways to save money. Insurance purchases will be scrutinized by consumers to make sure they are getting the protection they need and still stay within their budgets. According to the National Association of Insurance Commissioners (NAIC), policyholders of Wisconsin's Mutual Insurance Companies may want to consider the following when looking for ways to maximize coverage and minimize costs:

Wisconsin home sales and median prices both fell in the first quarter of 2009 compared with that same quarter last year. Median prices in Wisconsin fell 9.5 percent to \$137,500 in the first quarter of 2009 compared with the first quarter of 2008, according to data just released by the Wisconsin REALTORS® Association (WRA). With home prices on the decline, NAIC suggests homeowners may want to review their policy to look for savings.

1. Insure the home and not the land.
2. Look into any discounts to which the policyholder may be entitled.
3. Policyholders may want to consider increasing their deductible.
4. Some homeowners may want to take advantage of the slow home construction business and make improvements to their home like updating their electrical, heating and plumbing.

## Budget moves ahead

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Wisconsin that sells motor fuel.

"If cooperatives are forced to pay this tax many would not be able to pay patronage back to their member owners," said Cooperative Network President and CEO Bill Oemichen. The budget has raised some concerns among the insurance industry including mutual insurance companies. These concerns center on policy items that do not have anything to do with the finances of the state of Wisconsin. Changes to Wisconsin's comparative negligence and joint and several liability laws could mean a person that is only one percent at fault could end up paying one hundred percent of the costs of an accident. Increasing mandatory minimum insurance policy limits for auto insurance is another item in the budget that concerns Cooperative Network. This will raise the cost of auto insurance and could lead to more uninsured motorists on the road. Cooperative Network thinks these issues should be handled as separate bills. Normally, a committee that focuses on insurance issues would go into detail on each issue and ask for the public's opinion on how this would impact ratepayers in Wisconsin.

Cooperative Network is also communicating its concerns about the insurance payment intercept with legislators. It would require insurers authorized to do business in Wisconsin to verify with the Department of Health Services whether the individual has a medical assistance liability and to check the statewide support lien docket to determine whether the individual has a child support liability before paying an insurance claim of \$500 or more to an individual.

"Making sure child support and medical assistance payments are paid is not the job of insurance companies," said Oemichen.

The Legislature is due to complete work on the budget by the end of June.

### Cooperative Network Mutual Interests

Prepared and distributed by Cooperative Network for its member mutual insurance companies.

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