

Fifty-eighth
Legislative Assembly
of North Dakota

ENGROSSED HOUSE BILL NO. 1138

Introduced by

Industry, Business and Labor Committee

(At the request of the Insurance Commissioner)

1 A BILL for an Act to create and enact section 26.1-22-21.1 of the North Dakota Century Code,
2 relating to insurance broker of record; to amend and reenact sections 26.1-22-05 and
3 26.1-22-21 of the North Dakota Century Code, relating to buildings insured by the state fire and
4 tornado fund and excess loss reinsurance; and to declare an emergency.

5 **BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:**

6 **SECTION 1. AMENDMENT.** Section 26.1-22-05 of the North Dakota Century Code is
7 amended and reenacted as follows:

8 **26.1-22-05. Public, international peace garden, and winter show buildings**
9 **insurable in fund.** The public buildings and fixtures and permanent contents therein belonging
10 to the state, the various state industries except the state mill and elevator association, and the
11 political subdivisions must, and the buildings and fixtures and the permanent contents therein
12 belonging to an international peace garden or a winter show may, be insured under this
13 chapter. No officer or agent of the state or of any political subdivision, and no person having
14 charge of any public buildings belonging to the state, any state industry, or any political
15 subdivision, may pay out any public moneys or funds on account of any insurance against loss
16 by fire, lightning, inherent explosion, windstorm, cyclone, tornado and hail, explosion, riot
17 attending a strike, aircraft, smoke, vehicles, or any other risks of direct physical loss, or contract
18 in any manner for, or incur any indebtedness against, the state or any political subdivision on
19 account of any such insurance upon any of the buildings or fixtures and permanent contents
20 therein belonging to the state or any political subdivision, except in the manner provided in this
21 chapter.

22 **SECTION 2. AMENDMENT.** Section 26.1-22-21 of the North Dakota Century Code is
23 amended and reenacted as follows:

1 **26.1-22-21. Insurance required - Excess loss reinsurance.** The commissioner shall
2 procure and shall keep in force ~~an~~ excess loss reinsurance ~~contract~~ naming the fund as the
3 reinsured. The excess loss reinsurance must be in an amount and for a period determined by
4 the commissioner to be sufficient for the fund. The reinsurance contract must ~~meet the~~
5 ~~following minimum specifications:~~

- 6 1- ~~Reimburse~~ reimburse the fund for all losses in ~~excess of one million dollars~~
7 incurred by the fund under policies issued by the fund and arising out of each
8 occurrence of a ~~peril included in the fund policies.~~
9 2- ~~The limit of liability of such reinsurance contract must be no less than one hundred~~
10 ~~million dollars for each loss occurrence.~~
11 3- ~~A covered cause of loss and include at least a sixty-day cancellation notice.~~
12 4- ~~The quoted rate must be the guaranteed rate for the two year bid period.~~

13 The cost of the excess loss reinsurance must be paid out of the premium income of the fund.
14 ~~This excess~~ and must be assessed against the policyholders that benefit from the reinsurance.
15 Excess loss reinsurance must be procured by the commissioner and the fund only through bids
16 ~~as hereinafter provided and~~ must be written only by a company or companies authorized to do
17 business within this state. The contract must be countersigned by a licensed North Dakota
18 resident insurance producer. ~~On or before the third Monday in June of each odd numbered~~
19 ~~year, the commissioner shall publish in the official newspaper of Burleigh County a notice that~~
20 ~~on the last Monday in June of that year the commissioner will accept bids at the commissioner's~~
21 ~~office in the state capitol. A copy of the notice must be posted at the office of the fund. A copy~~
22 ~~of the notice must be mailed to each insurance company licensed to write fire insurance in this~~
23 ~~state. On the last Monday in June of each odd numbered year prior to the expiration of the~~
24 contract, the commissioner, with the approval of the industrial commission, shall contract for the
25 excess loss reinsurance with the company or group of companies submitting the lowest and
26 best bid for the ~~two year~~ period commencing on the ensuing first day of August. The
27 commissioner, with the approval of the industrial commission, may disregard this section after
28 the commissioner and the commission have studied the available bids for the reinsurance
29 required by this section.

30 **SECTION 3.** Section 26.1-22-21.1 of the North Dakota Century Code is created and
31 enacted as follows:

1 **26.1-22-21.1. Insurance broker of record.** The fund may contract for insurance
2 broker of record services to assist in procuring excess loss reinsurance by soliciting bids. The
3 fund may award a contract to an insurance broker licensed by, and in good standing with, the
4 state to serve the interests of the fund and its policyholders under this title. The contract must
5 be for the period of a biennium. The fund may renew, renegotiate, or rebid a contract based
6 upon contract performance, cost, and the best interests of the fund and policyholders.

7 **SECTION 4. EMERGENCY.** This Act is declared to be an emergency measure.