

Introduced by

Industry, Business and Labor Committee

(At the request of the Insurance Commissioner)

1 A BILL for an Act to amend and reenact section 26.1-04-01, subsection 8 of section 26.1-04-03,
2 section 26.1-25-16, and subdivision a of subsection 4 of section 26.1-36-09.8 of the North
3 Dakota Century Code, relating to unfair trade practices and the use of rebates in the business
4 of insurance; and to declare an emergency.

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

6 **SECTION 1. AMENDMENT.** Section 26.1-04-01 of the North Dakota Century Code is
7 amended and reenacted as follows:

8 **26.1-04-01. Limitation on right to engage in trade.**

9 An insurance company organized under this title may not deal or trade, directly or indirectly,
10 in the buying or selling of any goods, wares, merchandise, or other commodities whatsoever,
11 except such as may have been insured by the company and are claimed to be damaged by
12 reason of the risk insured against or as allowed under this chapter.

13 **SECTION 2. AMENDMENT.** Subsection 8 of section 26.1-04-03 of the North Dakota
14 Century Code is amended and reenacted as follows:

15 8. Rebates.

16 a. Except as otherwise expressly provided by law, knowingly permitting or offering
17 to make or making any contract of life insurance, life annuity, or accident and
18 health insurance, or agreement as to such contract other than as plainly
19 expressed in the contract issued thereon, or paying or allowing, or giving or
20 offering to pay, allow, or give, directly or indirectly, as inducement to the
21 insurance or annuity any rebate of premiums payable on the contract, or any
22 special favor or advantage in the dividends or other benefits thereon, or any
23 valuable consideration or inducement whatsoever not specified in the contract; or
24 giving, selling, or purchasing, or offering to give, sell, or purchase as inducement

1 to the insurance or annuity or in connection therewith, any stocks, bonds, or other
2 securities of any insurance company or other corporation, association, or
3 partnership, or any dividends or profits accrued thereon, or anything of value
4 whatsoever not specified in the contract.

5 b. Subsection 7 or subdivision a of this subsection do not prohibit the following
6 practices:

7 (1) In the case of any contract of life insurance or life annuity, paying bonuses
8 to policyholders or otherwise abating their premiums in whole or in part out
9 of surplus accumulated from nonparticipating insurance, provided that any
10 such bonuses or abatement of premiums are fair and equitable to
11 policyholders and for the best interests of the company and its
12 policyholders;

13 (2) In the case of life insurance policies issued on the industrial debit plan,
14 making allowance to policyholders who have continuously for a specified
15 period made premium payments directly to an office of the insurer in an
16 amount which fairly represents the saving in collection expenses; and

17 (3) Readjusting the rate of premium for a group insurance policy based on the
18 loss or expense experience thereunder, at the end of the first or any
19 subsequent policy year of insurance thereunder, which may be made
20 retroactive only for the policy year.

21 c. Notwithstanding any other provision in this subsection, if the cost does not
22 exceed an aggregate retail value of one hundred dollars per person per year, an
23 insurance producer may give a gift, prize, promotional article, logo merchandise,
24 meal, or entertainment activity directly or indirectly to a person in connection with
25 marketing, promoting, or advertising the business. As used in this subdivision,
26 "person" means the named insured, policy owner, or prospective client or the
27 spouse of any of these individuals, but the term does not include a certificate
28 holder, child, or employee of the named insured, policy owner, or prospective
29 client. Subject to the limits of this subdivision, an insurance producer may give a
30 gift card for specific merchandise or services such as a meal, gasoline, or car
31 wash but may not give cash, a cash card, any form of currency, or any refund or

1 discount in premium. An insurance producer may not condition the giving of a gift,
2 prize, promotion article, logo merchandise, meal, or entertainment activity on
3 obtaining a quote or a contract of insurance. Notwithstanding the limitation in this
4 subdivision, an insurance producer may conduct raffles or drawings, if there is no
5 financial cost to an entrant to participate, the drawing or raffle does not obligate a
6 participant to purchase insurance, the prizes are not valued in excess of a
7 reasonable amount determined by the commissioner, and the drawing or raffle is
8 open to the public. The raffle or drawing must be offered in a fair-manner that is
9 not unfairly discriminatory and may not be contingent on the purchase, continued
10 purchase, or renewal of a policy. Notwithstanding the limitation in this subdivision,
11 an insurance producer may make a donation to a nonprofit organization that is
12 exempt from federal taxation under Internal Revenue Code section 501(c)(3)
13 [26 U.S.C. 501(c)(3)] in any amount as long as the donation is not given as an
14 inducement to obtain a contract of insurance.

15 d. The provisions in this subsection may not be construed as including within the
16 definition of discrimination or rebates any of the following practices:

17 (1) The offer or provision by an insurer or producer, by or through an employee,
18 an affiliate, or a third-party representative, of value-added products or
19 services at no or reduced cost if such products or services are not specified
20 in the policy of insurance if the product or service:

21 (a) Relates to the insurance coverage and is designed to satisfy one or
22 more of the following:

23 [1] Provide loss mitigation or loss control;

24 [2] Reduce claims costs or claim settlement costs;

25 [3] Provide education about liability risk or risk of loss to persons or
26 property;

27 [4] Monitor or assess risk, identify sources of risk, or develop
28 strategies for eliminating or reducing risk;

29 [5] Enhance health;

30 [6] Enhance financial wellness through items such as education of
31 financial planning services;

- 1 [7] Provide post-loss services;
- 2 [8] Incent behavioral changes to improve the health or reduce the
- 3 risk of death or disability of an individual defined as policyholder,
- 4 potential policyholder, certificate holder, potential certificate
- 5 holder, insured, potential insured, or applicant; or
- 6 [9] Assist in the administration of the employee or retiree benefit
- 7 insurance coverage;
- 8 (b) Is offered by the insurer or producer, the insurer or producer, upon
- 9 request, shall ensure the person is provided with contact information
- 10 to assist the person with questions regarding the product or service.
- 11 (c) Is based on fair-written documented objective criteria and offered in a
- 12 manner not unfairly discriminatory. The written documented criteria
- 13 must be maintained by the insurer or producer and produced at the
- 14 request of the commissioner.
- 15 (d) Is reasonable in comparison to that person's premiums or insurance
- 16 coverage for the policy class.
- 17 (2) If an insurer or producer does not have sufficient evidence, but has a good-
- 18 faith belief the product or service meets the criteria in paragraph 1 of
- 19 subdivision d of subsection 8, the insurer or producer may provide the
- 20 product or service in a fair manner that is not unfairly discriminatory as part
- 21 of a pilot or testing program for a reasonable period of time. The pilot must
- 22 be reviewed and agreed upon by the department no longer than one year.
- 23 An insurer or producer shall notify the department of the pilot or testing
- 24 program offered to consumers in this state before launching and may
- 25 proceed with the program unless the department objects within twenty-one
- 26 days of notice.
- 27 e. An insurer, producer, or representative of an insurer or producer may not offer or
- 28 provide insurance as an inducement to the purchase of another policy or
- 29 otherwise use of the words "free" or "no cost" or words of similar import in an
- 30 advertisement.

1 f. The commissioner may adopt regulations when implementing the permitted
2 practices set forth in this subsection to ensure consumer protection. Consistent
3 with applicable law, the topics addressed by the regulations may include
4 consumer data protections and privacy, consumer disclosure, and unfair
5 discrimination.

6 **SECTION 3. AMENDMENT.** Section 26.1-25-16 of the North Dakota Century Code is
7 amended and reenacted as follows:

8 **26.1-25-16. Rebates prohibited - Exception.**

- 9 1. No insurance producer may knowingly charge, demand, or receive a premium for any
10 insurance policy except in accordance with this chapter. No insurer or employee of an
11 insurer, and no broker or agent may pay, allow, or give, or offer to pay, allow, or give,
12 directly or indirectly, as an inducement to insurance, or after insurance has been
13 effected, any rebate, discount, abatement, credit, or reduction of the premium named
14 in an insurance policy, or any special favor or advantage in the dividends or other
15 benefits to accrue on the policy, or any valuable consideration or inducement
16 whatever, not specified in the insurance policy, except to the extent provided for in
17 applicable filing. No insured named in an insurance policy, nor any employee of the
18 insured, may knowingly receive or accept, directly or indirectly, any such rebate,
19 discount, abatement, credit, or reduction of premium, or any such special favor or
20 advantage or valuable consideration or inducement. This section does not prohibit the
21 payment of commissions or other compensation to licensed insurance producers, nor
22 any insurer from allowing or returning to its participating policyholders, members, or
23 subscribers dividends, savings, or unabsorbed premium deposits. As used in this
24 section, "insurance" includes suretyship and "policy" includes bond.
- 25 2. Notwithstanding any other provision in this section, if the cost does not exceed an
26 aggregate retail value of one hundred dollars per person per year, an insurance
27 producer may give a gift, prize, promotional article, logo merchandise, meal, or
28 entertainment activity directly or indirectly to a person in connection with marketing,
29 promoting, or advertising the business. As used in this subsection, "person" means the
30 named insured, policy owner, or prospective client or the spouse of any of these
31 individuals, but the term does not include a certificate holder, child, or employee of the

1 named insured, policy owner, or prospective client. Subject to the limits of this
2 subsection, an insurance producer may give a gift card for specific merchandise or
3 services such as a meal, gasoline, or car wash but may not give cash, a cash card,
4 any form of currency, or any refund or discount in premium. An insurance producer
5 may not condition the giving of a gift, prize, promotional article, logo merchandise,
6 meal, or entertainment activity on obtaining a quote or a contract of insurance.

7 Notwithstanding the limitation in this subsection, an insurance producer may conduct
8 raffles or drawings, if there is no financial cost to an entrant to participate, the drawing
9 or raffle does not obligate a participant to purchase insurance, the prizes are not
10 valued in excess of a reasonable amount determined by the commissioner, and the
11 drawing or raffle is open to the public. The raffle or drawing must be offered in a ~~fair~~
12 manner that is not unfairly discriminatory and may not be contingent on the purchase,
13 continued purchase, or renewal of a policy. Notwithstanding the limitation in this
14 subsection, an insurance producer may make a donation to a nonprofit organization
15 that is exempt from federal taxation under Internal Revenue Code section 501(c)(3)
16 [26 U.S.C. 501(c)(3)] in any amount as long as the donation is not given as an
17 inducement to obtain a contract of insurance.

18 3. The provisions in this section may not be construed as including within the definition of
19 discrimination or rebates any of the following practices:

20 a. The offer or provision by an insurer or producer, by or through an employee, an
21 affiliate, or a third-party representative, of value-added products or services at no
22 or reduced cost if the products or services are not specified in the policy of
23 insurance if the product or service:

24 (1) Relates to the insurance coverage and is designed to satisfy one or more of
25 the following:

26 (a) Provide loss mitigation or loss control;

27 (b) Reduce claims costs or claim settlement costs;

28 (c) Provide education about liability risk or risk of loss to persons or
29 property;

30 (d) Monitor or assess risk, identify sources of risk, or develop strategies
31 for eliminating or reducing risk;

- 1 (e) Enhance health;
- 2 (f) Enhance financial wellness through items such as education of
- 3 financial planning services;
- 4 (g) Provide post-loss services;
- 5 (h) Incent behavioral changes to improve the health or reduce the risk of
- 6 death or disability of an individual defined as policyholder, potential
- 7 policyholder, certificate holder, potential certificate holder, insured,
- 8 potential insured, or applicant; or
- 9 (i) Assist in the administration of the employee or retiree benefit
- 10 insurance coverage;
- 11 (2) Is offered by the insurer or producer, the insurer or producer, upon request,
- 12 shall ensure the person is provided with contact information to assist the
- 13 person with questions regarding the product or service.
- 14 (3) Is based on fair ~~written objective~~ documented criteria and offered in a
- 15 manner not unfairly discriminatory. The ~~written~~ documented criteria must be
- 16 maintained by the insurer or producer and produced at the request of the
- 17 commissioner.
- 18 (4) Is reasonable in comparison to that person's premiums or insurance
- 19 coverage for the policy class.
- 20 b. If an insurer or producer does not have sufficient evidence, but has a good-faith
- 21 belief the product or service meets the criteria in subdivision a, the provision by
- 22 the insurer or producer of a product or service in a ~~fair~~ manner that is not unfairly
- 23 discriminatory as part of a pilot or testing program ~~for a reasonable period of~~
- 24 ~~time. The pilot must be reviewed and agreed upon by the department~~no longer
- 25 than one year. An insurer or producer shall notify the department of the pilot or
- 26 testing program offered to consumers in this state before launching and may
- 27 proceed with the program unless the department objects within twenty-one days
- 28 of notice.
- 29 4. An insurer, producer, or representative of an insurer or producer may not offer or
- 30 provide insurance as an inducement to the purchase of another policy or otherwise
- 31 use of the words "free" or "no cost" or words of similar import in an advertisement.

1 5. The commissioner may adopt regulations when implementing the permitted practices
2 set forth in this regulation to ensure consumer protection. Consistent with applicable
3 law, the topics addressed by the regulations may include consumer data protections
4 and privacy, consumer disclosure, and unfair discrimination.

5 **SECTION 4. AMENDMENT.** Subdivision a of subsection 4 of section 26.1-36-09.8 of the
6 North Dakota Century Code is amended and reenacted as follows:

7 a. Provide monetary payments ~~or rebates~~ to any insured person to request less
8 than the minimum coverage required under this section;

9 **SECTION 5. EMERGENCY.** Section 2 of this Act is declared to be an emergency measure.