

HOUSE BILL NO. 1086

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Before: Senate Industry, Business, and Labor Committee
Senator Jerry Klein, Chairman

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TESTIMONY

Good morning Chairman Klein and members of the committee. My name is Johannes (Johnny) Palsgraaf and I am General Counsel for the North Dakota Insurance Department. House bill 1086 was introduced at the request of Insurance Commissioner Jon Godfread.

HB 1086 amends the existing State Fire and Tornado Fund chapter in the insurance code, Title 26.1. For those members of the committee not familiar with the State Fire and Tornado Fund (F&T Fund), the F&T Fund is the primary property insurer for state owned property, political subdivisions and state industries.

In 2019 the Sixty-sixth Legislative Assembly passed SB 2010 which permitted the Commissioner to contract for the services of assistance of the North Dakota Insurance Reserve Fund (NDRF) to administer the F&T Fund. One of the primary reasons for transferring the administration of the F&T Fund to NDRF was to take advantage of NDRF's expertise in providing insurance to state entities. The Insurance Department anticipated that NDRF's expertise would enable the Department to identify beneficial changes to the F&T chapter and NDRF would be better able to make practical suggestions to improve the overall function of the F&T Fund.

HB 1086 updates the F&T chapter in response to NDIRF's experience administrating the F&T Fund and NDIRF's expertise insuring state entities. HB 1086 reduces the burden associated with administering the F&T Fund and improves insurance coverage of state entities and political subdivisions as follows:

- Section 1 permits the Commissioner to use underwriting guidelines for indirect loss coverage.
- Section 2 ensures that replacement cost appraisals are not required for actual cash value insurance coverages.
- Section 3 removes reference to the outdated "standard fire insurance policy and standard endorsement" and allows for the F&T Fund insurance coverage to be in-line with modern coverages. Additionally, Section 3 permits the F&T Fund to provide coverage on a blanket policy, which both reduces F&T fund administrative burdens for insureds, and NDIRF, and provides more comprehensive coverage for insureds.
- Section 4 removes unnecessary references to the Insurance Services Offices, which is a specific insurance services entity, and enables the F&T Fund to use assessment rates based on the actual insured rates.
- Section 5 shifts any interest owed on late premium payments to court judgements, which maintains the interest penalty for delinquent entities and significantly reduces a current administrative burden of collecting and processing de minimis interest amounts.
- Section 6 permits insureds that have current personnel with the knowledge, experience, and expertise in repairing and improving state property to use their own personnel to make repairs, which effectually reduces claim costs to the F&T Fund.

This bill contains an emergency clause and effective date clause to sync up the effective date of the bill with the current renewal term of insurance coverage provided to state entities and political subdivisions by the F&T Fund.

In conclusion, these F&T Fund updates reduce some of the administrative burden of managing the fund and allow for enhancements to F&T Fund insurance coverage to

better serve the insurance purposes of state entities and political subdivisions. I respectfully request a “do pass” recommendation from this committee on HB 1086 and I am happy to take any questions.