

## ANALYSIS OF THE STATE BONDING FUND FOR THE 2007-09 AND 2009-11 BIENNIUMS

	2007-09 Biennium Actual		2009-11 Biennium Estimated	
Beginning balance		\$2,302,806		\$2,515,053
Add revenues				
Investment income	(\$476,318) <sup>1</sup>		\$300,000	
State bonding fund claims collections	110,149		50,000	
Transfer from the insurance regulatory trust fund (2009 HB 1010)	500,000			
Total revenues		133,831		350,000
Total available		\$2,436,637		\$2,865,053
Less expenditures and transfers				
Insurance Department administration (2007 SB 2010; 2009 HB 1010)	\$44,131		\$41,518	
Investment management expense	14,177		10,000	
State bonding fund claim losses - Net of subrogated and dismissed claims	(139,998) <sup>2</sup>		125,000	
Claims-related expenditures	3,274		15,000	
Total expenditures and transfers		(78,416)		191,518
Ending balance		\$2,515,053		\$2,673,535

<sup>1</sup>The state bonding fund had a decline in investment value of 15.49 percent during fiscal year 2009.

<sup>2</sup>Amount is shown for claims losses due to the dismissal of a claim that was originally anticipated to be paid and adjustments made to reflect the estimated amount of reserves needed for claims against the fund.

**NOTE:** The estimated June 30, 2011, balance made at the end of the 2009 legislative session was \$2,477,526. The increase in the estimated balance of \$196,009 is primarily due to anticipated improved investment results.

### FUND HISTORY

The state bonding fund was created in 1915 and is maintained for bond coverage of public employees. The state bonding fund is managed by the Insurance Commissioner and the amount of coverage provided to each state agency, department, industry, and institution is determined by the commissioner based upon the amount of money and property handled and the opportunity for default. North Dakota Century Code Section 26.1-21-09 provides that premiums for bond coverage are to be determined by the Insurance Commissioner but can be waived if the state bonding fund's balance is in excess of \$2 million. No premium has been charged, possibly since 1953, because the bonding fund's balance has exceeded the minimum level established by the Legislative Assembly.