

Sixty-second
Legislative Assembly
of North Dakota

ENGROSSED HOUSE BILL NO. 1175

Introduced by

Representatives Keiser, Ruby, Vigesaa

Senators Andrist, Klein, Laffen

1 A BILL for an Act to create and enact a new subdivision to subsection 8 of section 26.1-04-03 of
2 the North Dakota Century Code, relating to limitations on insurance rebates; and to amend and
3 reenact sections 26.1-04-06 and 26.1-25-16 of the North Dakota Century Code, relating to
4 limitations on insurance rebates.

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

6 **SECTION 1.** A new subdivision to subsection 8 of section 26.1-04-03 of the North Dakota
7 Century Code is created and enacted as follows:

8 Notwithstanding any other provision in this subsection, if the cost does not
9 exceed an aggregate retail value of fifty dollars per person per year, an insurance
10 producer may give a gift, prize, promotional article, logo merchandise, meal, or
11 entertainment activity directly or indirectly to a person in connection with
12 marketing, promoting, or advertising the business ~~for the sale or retention of~~
13 ~~contracts of insurance. However, a reduction or discount in premium or a giving~~
14 ~~of cash or cash equivalent is prohibited under this section. As used in this~~
15 subdivision, "person" means the named insured, policy owner, or prospective
16 client or the spouse of any of these individuals, but the term does not include a
17 certificate holder, child, or employee of the named insured, policy owner, or
18 prospective client. Subject to the limits of this subdivision, an insurance producer
19 may give a gift card for specific merchandise or services such as a meal,
20 gasoline, or car wash but may not give cash, a cash card, any form of currency,
21 or any refund or discount in premium. An insurance producer may not condition
22 the giving of a gift, prize, promotion article, logo merchandise, meal, or
23 entertainment activity on obtaining a quote or a contract of insurance.
24 Notwithstanding the limitation in this subdivision, an insurance producer may

1 make a donation to a nonprofit organization that is exempt from federal taxation
2 under Internal Revenue Code section 501(c)(3) [26 U.S.C. 501(c)(3)] in any
3 amount as long as the donation is not given as an inducement to obtain a quote
4 or a contract of insurance.

5 **SECTION 2. AMENDMENT.** Section 26.1-04-06 of the North Dakota Century Code is
6 amended and reenacted as follows:

7 **26.1-04-06. Insured persons and applicants for insurance prohibited from accepting**
8 **rebates - Exception.**

9 1. An insurance producer or agent of any insurance or surety company, reciprocal,
10 benevolent society, or any other insurance organization or association, however
11 constituted or entitled, may not grant, and an insured person or party or applicant for
12 insurance, either directly or indirectly, may not receive or accept, or agree to receive or
13 accept, any rebate of premium or of any part thereof, or all or any part of any
14 insurance producer's commission thereon, or any favor or advantage, or any share in
15 any benefit to accrue under any insurance policy, or any other valuable consideration
16 or inducement other than such as may be specified in the policy, except as provided in
17 an applicable filing which is in effect under the provisions of the laws regulating
18 insurance rates or except as provided under subsection 2.

19 2. Notwithstanding any other provision in this section, if the cost does not exceed an
20 aggregate retail value of fifty dollars per person per year, an insurance producer may
21 give a gift, prize, promotional article, logo merchandise, meal, or entertainment activity
22 directly or indirectly to a person in connection with marketing, promoting, or advertising
23 the business ~~for the sale or retention of contracts of insurance. However, a reduction~~
24 ~~or discount in premium or a giving of cash or cash equivalent is prohibited under this~~
25 ~~section. As used in this subsection, "person" means the named insured, policy owner,~~
26 ~~or prospective client or the spouse of any of these individuals, but the term does not~~
27 ~~include a certificate holder, child, or employee of the named insured, policy owner, or~~
28 ~~prospective client. Subject to the limits of this subsection, an insurance producer may~~
29 ~~give a gift card for specific merchandise or services such as a meal, gasoline, or car~~
30 ~~wash but may not give cash, a cash card, any form of currency, or any refund or~~
31 ~~discount in premium. An insurance producer may not condition the giving of a gift,~~

1 prize, promotion article, logo merchandise, meal, or entertainment activity on obtaining
2 a quote or a contract of insurance. Notwithstanding the limitation in this subsection, an
3 insurance producer may make a donation to a nonprofit organization that is exempt
4 from federal taxation under Internal Revenue Code section 501(c)(3) [26 U.S.C. 501(c)
5 (3)] in any amount as long as the donation is not given as an inducement to obtain a
6 quote or a contract of insurance.

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

9 **26.1-25-16. Rebates prohibited - Exception.**

10 1. No insurance producer may knowingly charge, demand, or receive a premium for any
11 insurance policy except in accordance with this chapter. No insurer or employee of an
12 insurer, and no broker or agent may pay, allow, or give, or offer to pay, allow, or give,
13 directly or indirectly, as an inducement to insurance, or after insurance has been
14 effected, any rebate, discount, abatement, credit, or reduction of the premium named
15 in an insurance policy, or any special favor or advantage in the dividends or other
16 benefits to accrue on the policy, or any valuable consideration or inducement
17 whatever, not specified in the insurance policy, except to the extent provided for in
18 applicable filing. No insured named in an insurance policy, nor any employee of the
19 insured, may knowingly receive or accept, directly or indirectly, any such rebate,
20 discount, abatement, credit, or reduction of premium, or any such special favor or
21 advantage or valuable consideration or inducement. This section does not prohibit the
22 payment of commissions or other compensation to licensed insurance producers, nor
23 any insurer from allowing or returning to its participating policyholders, members, or
24 subscribers dividends, savings, or unabsorbed premium deposits. As used in this
25 section, "insurance" includes suretyship and "policy" includes bond.

26 2. Notwithstanding any other provision in this section, if the cost does not exceed an
27 aggregate retail value of fifty dollars per person per year, an insurance producer may
28 give a gift, prize, promotional article, logo merchandise, meal, or entertainment activity
29 directly or indirectly to a person in connection with marketing, promoting, or advertising
30 the business for the sale or retention of contracts of insurance. However, a reduction
31 or discount in premium or a giving of cash or cash equivalent is prohibited under this

1 section. As used in this subsection, "person" means the named insured, policy owner,
2 or prospective client or the spouse of any of these individuals, but the term does not
3 include a certificate holder, child, or employee of the named insured, policy owner, or
4 prospective client. Subject to the limits of this subsection, an insurance producer may
5 give a gift card for specific merchandise or services such as a meal, gasoline, or car
6 wash but may not give cash, a cash card, any form of currency, or any refund or
7 discount in premium. An insurance producer may not condition the giving of a gift,
8 prize, promotion article, logo merchandise, meal, or entertainment activity on obtaining
9 a quote or a contract of insurance. Notwithstanding the limitation in this subsection, an
10 insurance producer may make a donation to a nonprofit organization that is exempt
11 from federal taxation under Internal Revenue Code section 501(c)(3) [26 U.S.C. 501(c)
12 (3)] in any amount as long as the donation is not given as an inducement to obtain a
13 quote or a contract of insurance.