

## SENATE BILL NO. 2078

**Presented by:**        **John Arnold**  
                              **Deputy Insurance Commissioner**  
                              **North Dakota Insurance Department**

**Before:**                **House Industry, Business, and Labor Committee**  
                              **Representative Mike Lefor, Chairman**

**Date:**                    **March 16, 2021**

### TESTIMONY

Good afternoon Chairman Lefor and members of the committee. My name is John Arnold and I am the Deputy Insurance Commissioner for the North Dakota Insurance Department. Senate Bill No. 2078, which amends several sections of code pertaining to the licensure of insurance producers, was introduced at the request of Insurance Commissioner Jon Godfread.

Perhaps the most significant change in Senate Bill 2078 is the creation of a process through which individuals with certain felony convictions may be able to become licensed producers. Under 18 United States Code §1033, an individual who is convicted of a felony involving dishonesty or a breach of trust are not eligible to become licensed producers unless their resident state issues the individual a waiver to this exemption. A list of criminal offenses that are considered to involve dishonesty or a breach of trust is included at the end of my written testimony. To be clear, the convictions covered by this process occurred in the past and this does not create a scenario where insurance producers are not subject to administrative action for convictions that occur while licensed.

The Department is asking to be given the authority to create a §1033 waiver process. This process would allow an individual who is exempt under §1033 to make an application to the Commissioner requesting written consent granting permission to participate in the business of insurance. A committee including the Deputy Commissioner, General Counsel, and the Producer Licensing Division Director will review the application and make a recommendation to the

Commissioner. If the Commissioner chooses to give written consent granting permission to participate in the business of insurance, the individual may then begin the application process in the same manner as any other candidate.

Section one of the bill establishes a \$100 fee for applying for the written consent granting permission to participate in the business of insurance. Section three removes the automatic denial language currently in code for an individual convicted of a felony involving dishonesty or breach of trust and give the Commissioner the authority to give written consent granting permission to participate in the business of insurance. Section six adds the exemption language to another section so that a conflict isn't created where an individual could have their license removed for the same offense for which the Commissioner has granted an exemption.

In addition to §1033 waivers, Senate Bill 2078 also cleans up several other areas of code related to producer licensing. To begin with, section two adds the word "producers" to the definition of "business of insurance." The Department is requesting to clear up possible confusion between the meaning of an agent (already in the definition) and a producer.

Section four allows the Commissioner to designate another entity to collect application fees. In practice, producers pay these fees through the National Insurance Producer Registry (NIPR) which are then remitted to the Department. However, if a producer fails to pay the NIPR and the Department processes the application or renewal the NIPR has no recourse to collect the fee. Allowing the Commissioner to designate the NIPR solve this issue.

Section five allows insurance producers to update their address through the NIPR database rather than submitting a form for Department staff to update the address.

Section seven allows the Department to receive electronic notification that non-resident producers have had their resident state license revoked. This would eliminate the need for the Department to contact states and request certified copies when the documents have already been uploaded by the resident state into a secure, multi-state database.

Section eight exempts individuals who only hold a license to sell portable electronics insurance from the continuing education requirements that insurance producers normally have to meet. These are the individuals at electronics stores that offer limited coverage on items such as smart phones.

Sections nine and ten pertain to self-service storage facilities and their licensed producers selling coverage on those units. When chapter 26.1-26.9 was created by the Sixty-Sixth Legislative Assembly there was no requirement that the owner of the facility name the licensed producer responsible for ensuring that all insurance laws are being followed. This would create a problem if the Department is made aware of regulatory issues but does not have a record of the individual over whom administrative action could be taken. Section nine requires that there be a supervising entity, and section ten removes the reporting of individuals over whom the Department has no regulatory authority and replaces them with the producer responsible for being the supervising entity.

Finally, we are offering an amendment to Senate Bill 2078. After Senate Bill 2078's hearing in the Senate an automobile rental company contacted the Department to update the licensed producer with whom they were affiliated. As a result, Department staff found that the cross reference in subsection 1 of section 26.1-26-52 was no longer correct due to an amendment made in Senate Bill 2304 passed by the 63<sup>rd</sup> Legislative Assembly. Attached is the proposed amendment correcting this cross reference as well as chapter 232 of the 2013 Session Laws.

Chairman Lefor and members of the committee, I respectfully request that the committee adopt the attached amendment and then give a "do pass" recommendation on Senate Bill 2078. I am happy to answer any questions that you may have. Thank you.

Felony offenses that are considered to involve dishonesty or a breach of trust include:

- 1) Any type of fraud
- 2) Counterfeiting or passing counterfeit money
- 3) Bribery or bribe receipt
- 4) Any crime involving false pretenses
- 5) Money laundering
- 6) Extortion
- 7) Forgery
- 8) Embezzlement
- 9) Criminal impersonation
- 10) Theft by deception

**PROPOSED AMENDMENTS TO SENATE BILL NO. 2078**

Page 1, line 5, after “26.1-26-42.1,” insert “subsection 1 of section 26.1-26-52,”

Page 3, after line 28, insert:

**“SECTION 8. AMENDMENT.** Subsection 1 of section 26.1-26-52 of the North Dakota Century Code is amended and reenacted as follows:

1. The automobile rental company is appropriately licensed in this state under subsection ~~2~~ 4 of section 26.1-26-13.3 or is affiliated with an appropriately licensed North Dakota insurance producer”

Renumber accordingly

## CHAPTER 232

### SENATE BILL NO. 2304

(Senators Larsen, Klein)  
(Representatives Beadle, Kasper)

AN ACT to create and enact a new subdivision to subsection 2 of section 12-60-24 of the North Dakota Century Code, relating to insurance producer criminal history record checks; to amend and reenact section 26.1-26-13.3 of the North Dakota Century Code, relating to insurance producer criminal history record checks; and to provide an effective date.

#### BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:

<sup>105</sup> **SECTION 1.** A new subdivision to subsection 2 of section 12-60-24 of the North Dakota Century Code is created and enacted as follows:

The insurance department for criminal history record checks authorized under chapter 26.1-26.

**SECTION 2. AMENDMENT.** Section 26.1-26-13.3 of the North Dakota Century Code is amended and reenacted as follows:

#### **26.1-26-13.3. Application for license.**

1. An individual applying for a resident insurance producer license shall make application to the commissioner on the uniform application and declare under penalty of refusal, suspension, or revocation of the license that the statements made in the application are true, correct, and complete to the best of the individual's knowledge and belief. Before approving the application, the commissioner must find that the individual:
  - a. Is at least eighteen years of age;
  - b. Has not committed any act that is a ground for denial, suspension, or revocation set forth in section 26.1-26-42;
  - c. Has paid the fees set forth in section 26.1-01-07; and
  - d. Has successfully passed the examinations for the lines of authority for which the individual has applied.
2. An individual applying for a resident producer license shall complete a criminal history record check as provided in section 12-60-24. All costs associated with the criminal history record check are the responsibility of the applicant. This subsection does not apply to license continuation under section 26.1-26-13.4 or individuals who apply for an insurance producer license within twelve

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<sup>105</sup> Section 12-60-24 was also amended by section 7 of House Bill No. 1012, chapter 12, section 1 of House Bill No. 1327, chapter 491, section 1 of House Bill No. 1389, chapter 325, and section 1 of Senate Bill No. 2110, chapter 324.

months following the cancellation or expiration of a valid resident insurance producer license issued by the North Dakota insurance department, unless the license was suspended or revoked.

3. The commissioner may make arrangements, including contracting with an outside service, for the collection and transmission of fingerprints for conducting criminal history record checks.
4. A business entity acting as an insurance producer must obtain an insurance producer license. Application must be made using the uniform business entity application. Before approving the application, the commissioner must find that:
  - a. The business entity has paid the fee set forth in section 26.1-01-07;
  - b. The business entity has designated a licensed individual principal insurance producer responsible for the business entity's compliance with the insurance laws, rules, and regulations of this state; and
  - c. The individual designated as the licensed principal insurance producer of the business entity has taken the examination required by section 26.1-26-13.2. The business entity may only be licensed for those lines of insurance for which one or more of its principal insurance producers is licensed. The business entity shall inform the commissioner within ten working days of any change in the status of its principal insurance producer or producers.
  - d. The commissioner may require any documents reasonably necessary to verify the information contained in an application.

**SECTION 3. EFFECTIVE DATE.** This Act becomes effective on September 1, 2013.

Approved March 19, 2013  
Filed March 19, 2013