

Good morning, Chairman Louser, members of the House Industry Business, and Labor, member of Commissioner Godfread's office. My name is Chris Oen, Vice President of Claims for Nodak Insurance Company. I am also a board member of the Association of North Dakota Insurers. We represent those insurance companies that are domesticated and operate in North Dakota. Those primary members being Heartland Mutual of Minot, ND; Center Mutual Insurance of Rugby, ND; Farmers Union Insurance of Jamestown; and Nodak Insurance Company of Fargo. I present today in opposition of HB 1373.

Insurance contracts are robust and complicated. But at their core, they are a contract between an individual entity (like a homeowner or businessowner) and the insurance company that issues that policy. It gives both parties rights under that contract to administer covered claims that the policy provides coverage.

HB 1373 is looking to insert a government entity to that private contract. While I'm not an attorney or represent any type of in-depth knowledge of constitutional law, I do believe that HB 1373 would be unconstitutional in its overall reach to try include a city, township or any government agency into a privately agreed contract.

All insurance policies define who can legally make a claim for coverage. Use the typical example of a homeowner's policy. The homeowner, residents of the household, or even the mortgage company have defined parameters on when and how a claim for coverage can be made.

Certain types of losses are covered, some are not. I could easily see a scenario where there is a partially covered loss, but non-covered losses could deem the home uninhabitable. I'll give you an example from my work in claims experience.

Many years ago, in Walsh County ND a claim was submitted by a mortgage company for a home that was in foreclosure and vacated. Upon my inspection, there were a number of issues with the house. There had been a small kitchen fire, which was covered under the policy. However, the main issue that created the house being destroyed was failure to keep heat in the home, which caused extensive water issues from frozen pipes.

The fire loss was covered and that claim was paid. But the water loss was not covered under the policy. I presumed the home was eventually razed due to the water damage. But how would that work if HB 1373 was enacted? It would likely create a conflict between the insurance company and government entity attempting to make a claim, with litigation becoming likely. Neither side of this issue wants that to occur.

Furthermore, who determines if the home (in this scenario) is uninhabitable and determines the home needs to be razed or destroyed? It appears by the wording of this bill that determination would be by the government entity that wants the structure destroyed with no built in rights for the insurance

company to disagree. Extensive costs would be passed onto the insurance company, no doubt giving a significant increase in property insurance rates within North Dakota.

If HB 1373 was to become the law, this would create extreme confusion on under what rights a government entity of subdivision would have. Would insurance companies be required at a great expense to define those rights? And who? Would it be the county, township, city?