

January 25, 2023

John Ward, Association of North Dakota Insurers

Testimony in Opposition to HB 1373

Good Morning Chairman Louser and Members of the Committee:

My Name is John Ward. I am here representing the Association of North Dakota Insurers or ANDI. ANDI is an association of North Dakota domestic insurance companies.

I am here today in Opposition to HB 1373 which is a well-intended bill that like many well-intended bills poses a significant number of unintended consequences for Industry. Furthermore, HB 1373 is also likely both unconstitutional and wholly upends property and casualty insurance as it is written today.

An insurance policy purchased by a consumer that covers a dwelling is underwritten in a way that values the risk that is covered by the policy. It is a contract between an insurance company and the policyholder. Some of these policies may provide coverage for demolition or debris removal.

HB 1373 appears to try and address a circumstance where a policyholder receives the proceeds of the policy for a covered loss but does not remediate the damaged property. While HB 1373 attempts to prevent that burden from being borne by the city seeking to remediate the damaged or substandard structure, it impermissibly injects itself as a third party into the private contract. This third party risk has not been underwritten by the insurance company.

In practice, the insurance company generally has made payment to the insured long before the work is ever completed by the contractor. If this bill were to pass, it may cause the insurer to pay twice for the same covered loss.

The contracts clause of the United States' Constitution prevents a State from enacting laws, which impairs contracts between private parties. This bill seems to run afoul of the Contracts Clause.

ANDI urges a DO NOT PASS on HB 1373.

Thank you for your time and attention,

John Ward