

## Testimony for SB 2305– ND House IBL Committee

Chairman Louser and members of the House Industry, Business, and Labor Committee for the record my name is Steve Becher and I am the Executive Director of the Professional Insurance Agents of ND. PIA of ND represents approximately 300 main street insurance agencies with well over 1000 independent agents across the state of North Dakota. I am providing testimony today and asking you for a Do Pass recommendation on Senate Bill **2305**.

Insurance agents place their business through a couple of different types of insurance companies – admitted and non-admitted (surplus lines). Admitted carriers are those that have chosen to get licensed in the state of North Dakota and non-admitted (surplus lines) are those that have chosen not to be licensed. Surplus lines companies still may write business in the state when the coverage that a consumer needs is not available from an admitted carrier and the surplus lines company completes the necessary paperwork for the ND Insurance Dept and pays the applicable premium tax on the policy. Surplus lines companies normally write many of the risks that are out of the ordinary and tend to be riskier than a normal piece of business. These risks also tend to be fairly limited in number which is why the companies choose not to be admitted as the costs and paperwork to be admitted can outweigh the possibility of maybe writing one or two of these accounts.

Insurance agents only write policies with these surplus lines companies as a last resort when they have no admitted company options because of state law but also for many practical reasons that are better for the insurance agency. For

example, most admitted carriers will require a minimum amount of premium from an agency in order to keep the appointment with the company and any policies written through a surplus lines company would not help the agency maintain that premium volume requirement. Admitted companies also have all of their policy forms reviewed and vetted by the ND insurance Dept with many of the forms being standard between many of the admitted companies. Surplus lines companies do not have their forms reviewed and tend to be nonstandard forms which make the job of the agent much more difficult as they must review these forms personally for each different customer and each surplus lines company. Also, commissions tend to be significantly lower on surplus lines policies with a lot more work for the agent to get it in place so it is not cost effective to place a policy in surplus lines unless there is no other option.

Current law requires an insurance agent to make a diligent search of admitted carriers before placing business with a surplus lines company and to file a signed diligent search form with the Insurance Dept verifying this search. This form is unnecessary as the only time an insurance agent is going to place business with a surplus lines company is when they have no other options due to the things I have just talked about. It creates additional work for the insurance agent, additional work for the Insurance Dept, and serves little or no purpose as there is no way to prove or disprove the amount of diligent search. The premium volume requirements, policy form issues, and lower commissions are enough by themselves to guarantee that the insurance agent will diligently search for an admitted company before placing business with a surplus lines company. Senate bill **2305** simply removes the due diligence form requirement from law.

In the interest of efficiency and red tape reduction, I would ask for a “Do Pass” recommendation on Senate Bill **2305**.