

TESTIMONY SB 2365

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Before: Senate Industry and Business Committee and Senator Doug
Larsen, Chairman

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Good morning, Chairman Larsen and members of the committee, my name is Johannes (“Johnny”) Palsgraaf, and I am general counsel for the North Dakota Insurance Department. I am here today testifying in support of senate bill 2365.

In December of 2022, a North Dakota insurance agent contacted our office to report a concern related to the National Flood Insurance Program (“NFIP”). This agent had two clients that had made claims on their NFIP policies, but their policies were cancelled. It turned out the policies of these two insureds were cancelled because their properties were situated in North Dakota townships that did not have participation agreements allowing the townships eligibility for NFIP coverage, which the Federal Emergency Management Agency (“FEMA”) administers.

After working with North Dakota’s Department of Water Resources and researching the issue we learned that the NFIP interpreted federal law to exclude coverage for organized townships that did not have participation agreements with the NFIP or did not have participation agreements with the county in which the organized township resides.

After further investigation we learned that North Dakota insurance agents do not have access to accurate township participation information that would permit them to correctly identify properties eligible for NFIP coverage. FEMA does have a website that lists participating communities, but the information on the website is not accurate or incomplete. See <https://www.fema.gov/cis/ND.pdf>

At this time, we have learned that approximately 90 to 100 NFIP flood policies sold in North Dakota may not be eligible for NFIP coverage due to lack of a township participation agreement. It our understanding that FEMA is currently conducting a study to identify which North Dakota townships have participation agreements. North Dakota will need to undertake this study in SB 2365 to make use of information provided by FEMA and to maintain accurate information following the FEMA study.

I urge the committee to give SB 2365 a do pass recommendation, and I will stand for any questions from the committee.