

TESTIMONY OF

Tag Anderson, Director Risk Management Division

Chairman Warrey and members of the committee, my name is Tag Anderson. I am the Director of the Risk Management Division of the Office of Management and Budget (OMB). I appear today in a neutral position on HB 1027.

This legislation came out of interim study and prior testimony from OMB, the Insurance Department, and the North Dakota Insurance Reserve Fund is available for review. OMB has maintained and continues to maintain that there is no legal conflict between the state through the Insurance Department having a contractual relationship with an entity (North Dakota Insurance Reserve Fund/NDIRF) that it regulates in other areas. Should this legislation pass, OMB will ensure proper administration of the Fire and Tornado Fund through contract administration no differently than the Insurance Department, without any concurrent regulatory oversight by the Insurance Department. However, recognizing that this is a legislative policy decision as to what agency can best administer the Fire and Tornado Fund, OMB has and remains neutral.

The day-to-day administration of the Fire and Tornado Fund is currently being handled by NDIRF through a statutorily authorized contractual relationship. If that working relationship were to end, OMB would not be able to properly administer the Fire and Tornado Fund, and it is unknown if any other entity could step up and fulfill day-to-day administration let alone do so in a cost-effective manner. OMB does not currently have the staff or resources to directly administer the Fire and Tornado Fund, which would be necessary if the current relationship with NDIRF were to be terminated.

Section 3 of the bill, amending subsection 2 of NDCC 26.1-22-02, requires the contractual relationship with NDIRF or other entity to have a two-year term that cannot be terminated except upon sufficient notice given prior to the next legislative session to address the need for an appropriation or other legislative changes. But the bill as drafted does not take into account there is an existing contract that does not incorporate these statutory terms. Ensuring that NDIRF will continue to administer day to day activities of the Fire Tornado Fund is essential.

Chairman Warrey and committee members, this concludes my testimony. I would be happy to answer any questions.

Thank you.