



TESTIMONY IN SUPPORT OF SB 2272

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Senate Appropriations – Government Operations Division

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Good morning, Chairman Wanzek and members of the committee, thank you for the opportunity to speak in support of Senate Bill 2272. I'd like to begin by providing some context about how this legislation came to fruition, then provide a brief overview of the policy being considered and finally explain why it's important for North Dakota's property insurance market.

In recent years, we've seen increased upward pressure on insurance premiums and greater difficulty in maintaining adequate coverage. These challenges have impacted residents and businesses in every community across our state. I know many of you have experienced this firsthand, either through your own insurance needs or through conversations with your constituents.

These difficulties are not unique to North Dakota. Across the nation, insurance markets are struggling due to factors like increased severe weather events, rising claims costs, and reduced participation by insurers. However, North Dakota is in a better position than many other states, and this is exactly why we must take proactive steps to ensure that we remain ahead of these challenges.

In 2024, recognizing the urgency of this issue, we submitted a request to the Emergency Commission for funding to study potential solutions for improving North Dakota's property and casualty insurance market. We felt it was critical to act immediately rather than wait for this legislative session to seek the study, which would have delayed any action until the 70th Legislative Assembly in 2027. We are grateful that the Emergency Commission and Budget Section agreed with this approach.

Senate Bill 2272 is the first of two legislative proposals resulting from that study, and the only proposal that contains a fiscal note. This bill establishes the North Dakota Insurance Incentive Program, a public-private initiative designed to attract new insurers to our market and encourage existing insurers to expand their offerings.

This program is modeled after Louisiana's successful Insure Louisiana Incentive Program, which was implemented in response to a severe property insurance crisis following hurricane-related losses. That program offered matching funds to insurers willing to invest in Louisiana's market, and it has delivered tangible results. In its first year, Louisiana's program facilitated the issuance of over 50,000 new policies, including 24,000 policies for individuals previously relying on the state-run insurer of last resort. Seeing this success, Louisiana allocated additional funding to the program in late 2023.

While North Dakota is not facing a crisis of the same magnitude as Louisiana, we can learn from their experience. Our challenges—severe weather events, limited insurer participation, and rising premiums—make it clear that we should act now to bolster our property insurance market.

How the Program Works:

Senate Bill 2272 establishes a fund to provide matching grants to insurance companies willing to allocate capital to write property insurance in North Dakota. Here's how it would work:

- Insurers can apply for grants ranging from \$2 million to \$10 million.
- The state provides matching funds for the insurer's capital investment on a 1:1 basis, distributed over five years (20% annually).
- To qualify, insurers must meet rigorous eligibility criteria, including:
 - A capital surplus of at least \$10 million.
 - A stable financial condition, demonstrated by satisfactory risk-based capital levels.
 - An adequate risk-based reinsurance program.

These safeguards ensure that the program supports financially stable insurers with the capacity to deliver real benefits to North Dakota consumers.

Once approved, participating insurers must use the funds to write property insurance in North Dakota, generating at least \$2 in new premiums for every \$1 of combined grant and capital investment. This ensures a strong return on public investment while increasing competition and availability in the market.

Why This Program Matters

This program addresses one of the root causes of rising premiums and limited coverage—insufficient competition. By lowering barriers to entry and incentivizing insurers to invest in North Dakota, we can:

- Increase market competition, which helps to stabilize and potentially reduce premiums.
- Expand access to coverage, particularly in underserved areas such as rural communities.
- Ensure residents and businesses have reliable options to protect their homes, farms, and other assets.

Importantly, this program is designed with fiscal responsibility in mind. The state's investment is matched dollar-for-dollar by private insurers, leveraging public funds to generate significant market impact.

Funding For the Program

We recommended to the Industry and Business Committee that the initial funding of \$20 million be drawn from premium taxes paid by consumers. Additionally, we suggest that on an ongoing basis—or at least as long as this program is in effect—any excess dollars from the

Insurance Regulatory Trust Fund above the legislatively mandated cap be swept into the Insurance Incentive Fund, up to a \$20 million cap. Any funds exceeding this cap would then flow into the General Fund at the close of the biennium.

These funding sources—derived from taxes paid by consumers and fees and fines paid by the insurance industry—ensure that insurance dollars are reinvested back into the market to benefit North Dakota consumers. This approach would help reduce premiums and increase competition, achieving the goals of this program.

The North Dakota Insurance Incentive Program is a forward-thinking solution that seeks to prevent the further deterioration of our state's property insurance market. By proactively addressing issues of affordability and availability, this program helps us avoid the potential for a hard market in North Dakota—a situation where premiums skyrocket and coverage options diminish.

If left unaddressed, a worsening insurance market could lead us to a critical availability crisis, where certain areas of the state may struggle to find any insurance at all. The North Dakota Insurance Incentive Program offers a proactive alternative. Instead of waiting for a crisis to unfold, this program takes steps to attract private insurers, foster competition, and stabilize the market before it reaches a breaking point. By offering targeted incentives to leverage private investment, we create an environment where insurers are motivated to invest in North Dakota, develop innovative products, and provide affordable coverage options for consumers and businesses alike while ensuring accountability through performance-based grants.

We believe that by passing this legislation, we can safeguard our property insurance market, ensure its availability and affordability, and protect North Dakota consumers from the costly consequences of market failure.

Thank you for your time and consideration. I'm happy to answer any questions you may have.

