



TESTIMONY SUPPORTING HB 1027

John Arnold, Deputy Commissioner

Senate Industry and Business Committee

February 18, 2025

Good morning, Chairman Barta and members of the House Industry, Business and Labor Committee,

On behalf of Commissioner Godfread, I encourage your favorable consideration and a Do Pass recommendation for House Bill 1027. I want to assure the committee that the Department does not view the transition of the Fire and Tornado (F&T) Fund to the Office of Management of Budget (OMB) as a negative. In fact, we view this as the natural progression of the efforts that Commissioner Godfread initiated with the 66th Legislative Assembly to allow for the authority to enter into a contract with the North Dakota Insurance Reserve Fund (NDRF) to administer the F&T Fund.

Commissioner Godfread sought this authority for two reasons. First, we simply were not good at it. While it's true that rates were kept artificially low, coverage was not adequate, and political subdivisions were under insured. Since contracting these services, NDRF has increased the insured value of public property by many millions of dollars. These are properties that were not adequately covered by the Department. The second reason Commissioner Godfread sought this authority is because there is an inherent conflict in the regulator of the insurance industry also participating and competing in a segment of the industry. While the contracting authority did not completely remove this conflict, removing itself from the day-to-day administration of the fund was a step in the right direction.

Completely removing the responsibility of the F&T Fund from the Commissioner removes an additional regulatory conflict that was created by the contracting authority. Currently, the Department has both a regulatory relationship with NDRF and a contractual relationship with NDRF for services conducted within the insurance sector. This has led to conflicts when, for example, the contract for the administration of the F&T fund was due to be renegotiated and renewed while the Department was also preparing to conduct a regulatory examination of NDRF. By completely removing the F&T Fund from the Department, HB 1027 reestablishes a purely regulatory relationship with the NDRF by placing the contractual relationship with the OMB.

Thank you for your consideration.