

TESTIMONY OF

Tag Anderson, Director Risk Management Division

Chairman Barta 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 engrossed HB 1027.

This legislation came out of interim study and prior testimony from OMB, the Insurance Department, and the North Dakota Insurance Reserve Fund (NDIRF) is available for review. Should this legislation pass, OMB will ensure proper administration of the Fire and Tornado Fund through contract administration no differently than the Insurance Department. OMB recognizes that which agency can best administer the Fire and Tornado Fund is a legislative policy decision, and therefore we remain 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. It is currently unknown if any other entity could fulfill the day-to-day administration 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. It is our understanding, the current contract between NDIRF and the Insurance Department ends on June 30, 2025. If engrossed HB 1027 passes, there will be a one-month Insurance Department and NDIRF contract renewal delay, which would need to be addressed as OMB takes over administration. As we have been clear from the start during the interim study, ensuring that NDIRF will continue to administer day-to-day activities of the Fire Tornado Fund is essential.

There were some substantive amendments that were adopted by the House that more clearly define the relationship between the state and NDIRF, address spending limitations that a state agency could face with substantial premiums increases, as well as continued study of the Fire and Tornado Fund and coverage afforded political subdivisions.

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