



TESTIMONY SUPPORTING HB 1088

John Arnold, Deputy Commissioner

Senate Industry and Business Committee

February 19, 2025

Chairman Barta and members of the Senate Industry and Business Committee,

House Bill 1088 is fairly simple. It grants the Insurance Commissioner the ability to seek restitution for victims of persons who violate the insurance title, 26.1. Currently, §26.1-01-03.3 only provides for administrative penalties which are paid to the state and not victims. Historically, the Department has been successful in negotiating restitution in lieu of all, or a portion of, administrative fines, however the time has come for us to request formal authority to help make these victims financially whole.

The reason we are seeking this expanded authority is due to an egregious case the Department has been dealing with since the 68th Legislative Assembly. The case is still open, so I can only provide high-level details, but I believe that it is still shocking enough to illustrate why we filed House Bill 1088.

Putting it bluntly, a broker sold a farm family a “health insurance policy” that wasn’t worth the paper that it was written on. I put quotation marks around “health insurance policy” because the family was paying the broker a fee to be uninsured. The family was unaware of their lack of coverage until they experienced a medical emergency and acquired over half a million dollars in debt to a hospital. Quite literally, this family was on the brink of losing their farm.

The victims of this scheme were harmed by far more than the \$10,000 which we could attempt to use as negotiation leverage with the broker.

The farmer in this case also happens to be a veteran. Having served, he was eligible to apply for funding from a non-profit entity that aids veterans. Due to this, the medical debt has been paid to the hospital and the family is no longer at risk of losing their farm. However, now due to the bad actions of the broker, this veteran’s aid non-profit has half a million less in funding to help another veteran. Frankly, I find this as egregious as the original case.

I want to stress with the committee that this is simply restitution for victims. We are not requesting *carte blanche* authority to attach subjective punitive or pain and suffering damages to any penalties. We are not seeking to grant the Commissioner authority to penalize entities that have not violated a provision in Title 26.1. We simply want to make victims financially whole.

Lastly, I would like to briefly address any concern that may exist over the addition of the words “for each violation” found on line 9. The Department has long understood, under numerous Commissioners, that the administrative fine could be applied per violation. On rare occasion, however, we do run into companies that attempt to make the argument that the Department is incorrect in that understanding. Upon explaining the history of how these fines are applied, no company has further challenged the practice. However, since we were amending §26.1-01-03.3 we felt the time as appropriate to add the clarification.

I would appreciate your support for House Bill 1088, and I am happy to answer any questions that you may have.