



NORTH DAKOTA Insurance Department

Safeguarding promises. Fostering Fairness.



FACT SHEET

Senate Bill 2214

Moving the Securities Department to the North Dakota Insurance Department

Senate Bill 2214, as introduced, would merge the North Dakota Securities Department with the Insurance Department and transfer the necessary authorities to the Insurance Commissioner. Both departments share a commitment to safeguarding the financial well-being of North Dakotans. This merger would modernize operations, align overlapping responsibilities, and create a streamlined approach to financial regulation.

Why Merge?

- › Streamlined operations
- › Enhanced consumer protections
- › Cost savings & efficiency
- › Unified regulatory framework
- › Legal & law enforcement resources
- › Successes in other states

Insurance Department

Regulates insurance agents & companies

Oversees life, health, auto & property policies

Handle claims disputes & policyholder complaints

Consumer Protection

Financial fraud investigation

Public education & awareness

Promoting financial stability

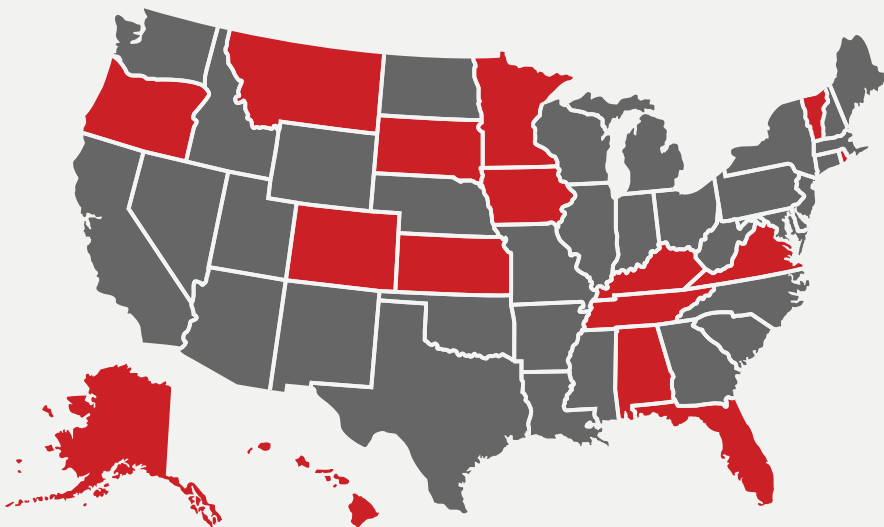
Professional licensing

Securities Department

Regulates securities brokers, dealers & investment advisers

Oversees the sale of stocks, bonds & other investment products

Provide investor education & protection



In the U.S., at least **16 states** have their securities regulatory agency under the same umbrella as their insurance department.

"Writing eight years after the merger and having been here the full duration, I would recommend merging these agencies again without a second thought. At a broad level, insurance and securities regulation affect the same types of financial professionals who are distributing products and services to consumers."

Larry Deiter, Director
Division of Insurance

South Dakota Department of Labor and Regulation



TESTIMONY

Jon Godfread, Insurance Commissioner

Senate Industry and Business Committee

January 29, 2025

Testimony in Support of Senate Bill 2214

Thank you, Chairman Barta and Members of the Industry and Business Committee, for the opportunity to provide testimony in support of Senate Bill 2214, which seeks to merge the North Dakota Securities Department with the North Dakota Insurance Department. This proposed merger is a forward-looking initiative that aligns with best practices from other states and ensures our regulatory framework continues to serve North Dakotans effectively and efficiently.

Overview of Senate Bill 2214

Senate Bill 2214 proposes consolidating the North Dakota Securities Department into the North Dakota Insurance Department.

Section 1: Amendment to Subsection 4 of Section 6-01-07.1

This section updates the entities with which the commissioner may share information and enter into agreements. Specifically, it replaces references to the "office of the securities commissioner" with the "insurance commissioner," reflecting the merger of the two departments.

Section 2: Amendments to Subsections 4 and 5 of Section 10-04-02

Definitions are revised in this section:

- **Subsection 4:** The term "Commissioner" is redefined to mean the "insurance commissioner" instead of the "securities commissioner."
- **Subsection 5:** The term "Department" is redefined to mean the "insurance department" instead of the "securities department."

Section 3: Amendment to Section 10-04-03

This section outlines the administrative changes resulting from the merger:

- The supervision of the state securities department transitions from the securities commissioner to the insurance commissioner.
- The position of the securities commissioner, previously appointed by the governor and confirmed by the senate for a four-year term, is now a position in the Insurance Department.
- Responsibilities previously held by the securities commissioner are transferred to the insurance commissioner, including the use of an official seal and the employment of necessary staff for administration.

Subsequent Sections

The remaining sections of the bill continue the process of updating statutory language to reflect the merger. This includes replacing references to the securities commissioner and securities department with the insurance commissioner and insurance department, respectively, throughout various provisions of the North Dakota Century Code.

In summary, Senate Bill 2214 systematically amends existing statutes to facilitate the integration of the Securities Department into the Insurance Department, thereby centralizing regulatory authority under the insurance commissioner.

This merger aims to enhance consumer protection, streamline operations, and increase responsiveness to evolving market dynamics. It is not a novel concept; numerous states, including South Dakota, have successfully adopted similar measures. These experiences demonstrate that integration creates a more unified and effective regulatory environment without compromising consumer protections.

The North Dakota Insurance Department, led by an elected Commissioner, oversees insurance companies, producers, and consumers, ensuring solvency and market integrity. Similarly, the Securities Department regulates securities markets, professionals, and financial products. With increasing overlap between insurance and securities products, such as annuities and private placements, merging these departments allows us to address these intersections more effectively.

Proven Success: South Dakota's Experience

South Dakota's 2017 merger of its insurance and securities departments provides a compelling example. In a letter submitted by South Dakota's Division of Insurance Director Larry Deiter, he outlines the positive impacts of their consolidation, including increased efficiency, improved consumer protection, and enhanced regulatory capabilities. Their success underscores the feasibility and benefits of such an approach, offering North Dakota a proven roadmap to follow. For your reference, the letter from Director Deiter has been submitted with this testimony, and I encourage you to review it for his detailed perspective.

Benefits of Consolidation

Enhanced Consumer Protection

A unified regulatory body ensures consistent oversight across both insurance and securities markets. Specific benefits include:

- **Streamlined Investigations:** Consolidating investigative resources allows for more efficient enforcement actions against bad actors operating across both sectors, thereby improving consumer protections. As noted by Director Deiter, South Dakota's unified approach enabled faster resolutions and reduced bureaucratic inefficiencies.

- **Simplified Licensing:** Financial professionals holding both insurance and securities licenses will benefit from a streamlined licensing process, reducing regulatory burdens and enhancing service delivery. For example, routine inquiries currently handled separately could be addressed more efficiently under a unified framework.

Operational Efficiencies

Merging the departments eliminates redundancies and maximizes resource utilization. Key efficiencies include:

- **Cross-Appointment of Staff:** Investigators, examiners, and licensing personnel can handle issues spanning both insurance and securities, reducing duplication and fostering collaboration. South Dakota’s cross-training of staff has resulted in a more versatile and capable regulatory team.
- **Shared Resources:** Access to regulatory databases from entities like the Financial Industry Regulatory Authority (FINRA), the U.S. Securities and Exchange Commission (SEC), and the National Association of Insurance Commissioners (NAIC) ensures a more robust regulatory capacity and streamlined information-sharing.

Improved Responsiveness to Market Innovation

The financial services sector continues to evolve, with many products blending aspects of insurance and securities. A consolidated department offers:

- **Adaptive Regulation:** Faster adaptation to market innovations ensures effective oversight of emerging financial products.
- **Expedited Approvals:** Collaborative reviews shorten approval times for new products, benefiting consumers and market participants alike. Director Deiter’s letter highlights how a single agency can accelerate product reviews without sacrificing oversight quality.

Comprehensive Consumer Education

A unified department is better positioned to develop holistic financial education programs, empowering North Dakotans to make informed decisions and avoid financial pitfalls. These programs would encompass both insurance and securities topics, ensuring comprehensive coverage.

Addressing Potential Concerns

While some may worry that merging two departments could dilute focus or expertise, South Dakota’s experience shows otherwise. Their Division of Insurance has demonstrated that combining resources enhances, rather than diminishes, the ability to oversee both sectors effectively. Concerns about initial implementation challenges are valid but manageable, as seen in other states where these transitions have been carried out successfully.

Additionally, questions about whether the merger could lead to job losses or reduced services are unfounded. Instead, operational efficiencies create opportunities for existing

staff to take on broader roles, supported by cross-training and resource sharing. The ultimate goal is not cost-cutting but improving service delivery for North Dakota consumers and market participants.

Support from the Governor's Office

While this merger would reduce the Governor's number of cabinet appointments, Governor Armstrong supports this transition due to its clear benefits. As you all know, Governor Armstrong has no difficulty articulating his positions, so I will let him speak for himself on this matter. However, his support reflects the administration's recognition of the value this move brings to our state.

The integration of the North Dakota Securities Department into the North Dakota Insurance Department represents a strategic and necessary step to modernize our regulatory framework. By consolidating oversight of these two interconnected sectors, we can:

- Enhance consumer protections.
- Realize operational efficiencies.
- Respond effectively to market innovations.
- Provide comprehensive consumer education.

The success of states like South Dakota demonstrates that this approach works. With their experience as a guide, North Dakota is well-positioned to implement this transition seamlessly and effectively.

I respectfully urge the Committee to support Senate Bill 2214. Thank you for your time and consideration. I am happy to answer any questions you may have.

January 27, 2025

SENT ELECTRONICALLY

Honorable Insurance Commissioner Jon Godfread
600 E Boulevard Ave
Bismarck, ND 58505

Re: Merger of Insurance and Securities Operations in South Dakota

Commissioner Godfread,

The South Dakota Division of Insurance is pleased to share its experience from merging the former South Dakota Division of Securities into its operations in January 2017.¹ Writing eight years after the merger and having been here the full duration, I would recommend merging these agencies again without a second thought. At a broad level, insurance and securities regulation affect the same types of financial professionals who are distributing products and services to consumers. From life and annuity products, health care, property insurance, and investment products, the regulatory protections offered by each area are analogous on many levels. Observations we have noted from our experiences merging these two regulatory entities include but are not limited to:

Consumer Protection. Individuals operating as securities brokers are often licensed as insurance producers, as well. By administering market oversight in one Division, we have created a more consistent approach in handling complaints, investigations, examinations, and enforcement actions by the State. Since the 2017 merger, the South Dakota Division of Insurance has conducted numerous investigations and examinations of individuals who are cross-licensed. Those efforts would have been complicated by unnecessary interaction with another agency, requiring further meetings, coordination, and bureaucracy. Duplicative efforts are inefficient and increase cost. We have had no difficulty applying both the Insurance Code and the Uniform Securities Act to resolve files with existing skill and expertise. An efficient review of an individual's comprehensive conduct with consumers in the market is the end result. This cohesive approach has better served the public by providing protection and quickly removing bad actors.

Operational Efficiency. When merging, we found many parallel administrative processes between the license types. Both sets of licensees take examinations, complete applications for review, pay license fees, provide criminal background information, receive review by the regulator, pay taxes, and receive continuing education. Aside from nuances in the regulation, these functions are largely the same. We have continuously found ways to streamline processes, integrate solutions, and combine data systems across license types. This has led to cross-training staff on many topics to support these markets.

¹ Executive Order 2017-02.



Innovation. A variety of new products blur the lines between insurance and securities, often causing decreased speed-to-market deployment by industry. Instead of multiple agencies and wrangling about which regulation to apply, a single Division is better positioned to respond to new and innovative product offerings. Working collaboratively allows innovative products to receive expediated review, providing the public with greater options and a consistent regulatory approach.

As discussed, South Dakota has experienced positive advantages to merging its Insurance and Securities Divisions. Around a dozen states have combined their insurance and securities departments in a growing national trend for efficient and effective regulation of these related financial services markets.

If you have additional questions regarding South Dakota's experience since the 2017 merger, I would be happy to provide more detailed information. Thanks!

Sincerely,

Larry Deiter, Director
South Dakota Division of Insurance
Department of Labor & Regulation