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ROLL NUMBER

DESCRIPTION

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2001 HOUSE INDUSTRY, BUSINESS AND LABOR

HB 1176

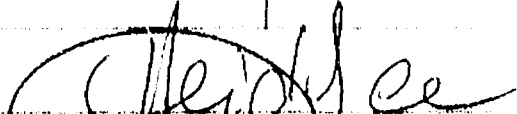
2001 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. HB 1176

House Industry, Business and Labor Committee

Conference Committee

Hearing Date Jan 16, 2001

Tape Number	Side A	Side B	Meter #
1		X	14.60-37.81
Committee Clerk Signature 			

Minutes: Chairman R. Berg, Vice-Chair G. Keiser, Rep. M. Ekstrom, Rep. R. Froelich, Rep. G. Froseth, Rep. R. Jensen, Rep. N. Johnson, Rep. J. Kasper, Rep. M. Klein, Rep. Koppang, Rep. D. Lemieux, Rep. B. Pietsch, Rep. D. Ruby, Rep. D. Severson, Rep. E. Thorpe.

Chairman Berg: Let's open the hearing on HB 1176

Carol Kessel: *Chief Examiner ND Insurance Dept. Written testimony sponsoring bill. Sec 1*

Chairman Berg: Are these percentages by the insurance manual?

Kessel: They are not by the manual, they come out of the model log.

Chairman Berg: Are you saying these are liquid assets they can invest in?

Kessel: This refers to investments and common stock and the maximum amount that a nonlife company is able to invest in is a 25% cap of admitted assets or 100% of their surplus.

Keiser: What is nonlife?

Kessel: Nonlife companies are property and casualty type companies. **written testimony Sec 2**

Rep Ekstrom: Why reduce to 3%?

Kessel: This standard follows the Common Procedures manual.

Rep. Keiser: Would you apply the same rules to foreign and local investments?

Kessel: Yes

Rep. Kasper: Does this represent the newer fact of international insurance?

Kessel: Yes written testimony Sec 3-6

Rep. Johnson: What is an evergreen letter?

Kessel: It requires the issuing bank to provide a notice to insured if the letter of credit were not maintained.

Pat Ward: *NAH, HAA, ACLI, ND Domestic Cos.* We do support the bill, Clarion would like to see some of the percentages more liberal, but will agree to the bill as it is.

Rep. Kasper: What is this bill was not passed as far as the ability of insurance companies doing business here in ND?

Ward: It would restrict it, it would not recognize some of the modern realities of growing.

Rep. Kasper: How do you compare to other states on this bill?

Ward: This is taking place across the country.

Greg Morris: *Pioneer Mutual Life* We support this bill with all its elements.

Chairman Berg: Why will this benefit domestic companies?

Morris: It will prevent us from falling behind other companies.

Chairman Berg: We will close the hearing on HB 1176.

Rep. Keiser: I move a do pass.

Rep. Koppang: I second.

14 yea, 0 nay, 1 absent with Carrier Rep Kasper

Date: 1-16-01
Roll Call Vote #: 1

2001 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. ~~Click here to type Bill/Resolution No.~~ 1176

House Industry, Business and Labor Committee

- Subcommittee on _____
or
 Conference Committee

Legislative Council Amendment Number _____

Action Taken Do Pass

Motion Made By Keiser Seconded By Koppang

Representatives	Yes	No	Representatives	Yes	No
Chairman- Rick Berg	✓		Rep. Jim Kasper	✓	
Vice-Chairman George Keiser	✓		Rep. Matthew M. Klein	✓	
Rep. Mary Ekstorm	✓		Rep. Myron Koppang	✓	
Rep. Rod Froelich			Rep. Doug Lemieux	✓	
Rep. Glen Froseth	✓		Rep. Bill Pietsch	✓	
Rep. Roxanne Jensen	✓		Rep. Dan Ruby	✓	
Rep. Nancy Johnson	✓		Rep. Dale C. Severson	✓	
			Rep. Elwood Thorpe	✓	

Total (Yes) 14 No 0

Absent 1

Floor Assignment Keiser

If the vote is on an amendment, briefly indicate intent:

REPORT OF STANDING COMMITTEE (410)
January 16, 2001 11:22 a.m.

Module No: HR-06-1046
Carrier: Kasper
Insert LC: . Title: .

REPORT OF STANDING COMMITTEE

**HB 1176: Industry, Business and Labor Committee (Rep. Berg, Chairman) recommends
DO PASS (14 YEAS, 0 NAYS, 1 ABSENT AND NOT VOTING). HB 1176 was placed
on the Eleventh order on the calendar.**

2001 SENATE INDUSTRY, BUSINESS AND LABOR

HB 1176

2001 SENATE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. HB 1176

Senate Industry, Business and Labor Committee

Conference Committee

Hearing Date February 20, 2001.

Tape Number	Side A	Side B	Meter #
1	x		37.5 to end
1		x	0 to 5.8
(Feb. 21/01) 2	x		19.8 to 23.2
Committee Clerk Signature <i>Doris Perez</i>			

Minutes:

The meeting was called to order. All committee members present. Hearing was opened on HB 1176 relating to authorized investment of funds of insurance companies and reinsurance credit for a domestic insurer.

Carole Kessel, Chief Examiner, ND Insurance Dept. Intent : to bring certain accounting related provisions into conformity with statutory guidelines. Explained proposed changes related to codification of statements of statutory accounting principles, written testimony attached.

Senator Espegard : All of these changes are consistent with the manual?

C Kessel : All except four requested by the industry: 1) loan to value change for mortgage loans; 2) five year depreciation period on data processing equipment (at the request of the health industry because the manual says three years but federal statutes say five years); 3) expansion of authority to invest in foreign investments; 4) to require authorization by board of directors for officer and director's salaries exceeding \$100,000.

Page 2

Senate Industry, Business and Labor Committee

Bill/Resolution Number HB 1176

Hearing Date February 20, 2001.

Senator Espgaard: These changes, especially those proposed by the industry, are they because insurance companies are out of compliance or because they want a more liberal policy?

C Kessel: They are not out of compliance. Insurance companies are now authorized foreign investments under rather limited statute and this puts them in a competitive disadvantage with insurance companies from other states.

Senator Krebsbach: Suggest reference to Myron G. Nelson Fund be deleted since fund is no longer in place. Check with Legislative Council.

Jim Poolman, Insurance Commissioner. Wants to make clear that the change made regarding foreign investments is to maintain competitiveness, especially of life companies. We are concerned both about solvency and competitiveness.

Pat Ward, ND Domestic Insurance Cos., in favor of the bill. Stated that the accounting practices spelled here are very conservative and basically consistent with national model in place in many other states. Distributed and read letter from **Greg Morris** from Pioneer Mutual in support of this bill.

No opposing testimony.

Senator Klein: Intern may work on amendment regarding Nelson Fund.

Hearing closed.

Feb. 21/01 Tape 2-A-19.7 to 22.8

Committee reconvened. All members present. Discussion held. Intern said he was informed by the Legislative Council that the reference to the Nelson fund can be amended only at the request of the Bank of ND.

Senator Klein: Motion: do pass. **Senator Espgaard:** Second.

Roll call vote: 7 yes; 0 no. Floor assignment: **Senator Klein**

Date: Feb 21, 01
Roll Call Vote #: 1

2001 SENATE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. 1176

Senate Industry, Business and Labor Committee

- Subcommittee on _____
or
 Conference Committee

Legislative Council Amendment Number _____

Action Taken Do Pass

Motion Made By Sen Klein Seconded By Sen Espgaard

Senators	Yes	No	Senators	Yes	No
Senator Mutch - Chairman	✓		Senator Every	✓	
Senator Klein - Vice Chairman	✓		Senator Mathern	✓	
Senator Espgaard	✓				
Senator Krebsbach	✓				
Senator Tollefson	✓				

Total (Yes) 7 No 0

Absent 0

Floor Assignment Sen Klein

If the vote is on an amendment, briefly indicate intent:

REPORT OF STANDING COMMITTEE (410)
February 21, 2001 1:40 p.m.

Module No: SR-32-4222
Carrier: Klein
Insert LC: . Title: .

REPORT OF STANDING COMMITTEE

HB 1176: Industry, Business and Labor Committee (Sen. Mutch, Chairman) recommends DO PASS (7 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING). HB 1176 was placed on the Fourteenth order on the calendar.

2001 TESTIMONY

HB 1176

HOUSE BILL NO. 1176

Presented by: Carole Kessel
Chief Examiner, North Dakota Insurance Department

Before: Industry, Business and Labor Committee
Representative Rick Berg, Chairman

Date: January 16, 2001

TESTIMONY

Mr. Chairman and members of the committee:

House Bill No. 1176 revises certain accounting-related provisions in our insurance statutes to provide for greater consistency with the statutory accounting guidance. Insurance companies are required to provide financial information so that the financial condition of the companies can be analyzed. Senate Bill No. 2156, the 1999 Legislative Assembly specifically authorized the Insurance Commissioner to adopt the National Association of Insurance Commissioner's (NAIC) *Accounting Practices and Procedures Manual - Effective January 1, 2001* (the "Manual"). This new accounting guidance is the result of a 4-year project, which revamped the prior manuals. All states have adopted the new version of the Manual.

The Manual must be followed by insurance companies to the extent that the statutes and regulations of the state of domicile are silent or do not conflict with the Manual. In the event of a conflict, companies must comply with the accounting practices and procedures prescribed by the state of domicile, but the difference in accounting treatment must be disclosed in the financial statements. This bill reconciles the differences between our laws and the Manual.

Also, insurers' suggestions for several additional revisions to the investment and general insurance provisions have been incorporated into House Bill No. 1176.

A detailed explanation of each statutory change contained in House Bill No. 1176 is attached to this testimony and a brief summary of each section of the bill is noted below.

Sections 1 and 2 expand the scope of authorized investments and investment practices to specifically permit ownership of assets that are treated as admitted assets in the Manual, for example, interests in limited liability companies, loan-backed securities, mutual funds, and other equity types, construction loans, and certain foreign investments. Section 2 also contains amendments to our authorized investment provisions that:

- Remove earnings and dividend payment requirements in a stock acquisition;
- Add percentage limitations for investments in stocks and construction loans;
- Increase the loan to value requirement for mortgage loans from 75% to 80%;
- Modify the definition of home office property; and
- Reduce the maximum depreciation period for a data processing system from 7 years to 5 years.

Section 3 amends a provision applicable to domestic life insurers that will require authorization by the company's board of directors for officer and director salaries exceeding \$100,000 rather than the current limitation of \$50,000.

Sections 4 and 5 address changes to the insurance holding company provisions under Chapter 26.1-10. The most significant change permits a subsidiary of a domestic company to conduct any kind of business activity; whereas, current law specifies insurance-related business activities that may be conducted by a subsidiary. In addition, an existing 5% limitation on investments in subsidiaries is increased to 10% of admitted assets.

Section 6 deletes a provision that prohibits commercial insurance carriers from estimating premiums during the 180-day period after a policy's expiration date. This restriction conflicts with the Manual's accounting treatment for audit premiums and retrospective premiums.

Finally, Sections 7 and 8 amend reinsurance credit provisions under Chapter 26.1-31.2 by adding language to require a qualifying reinsurer to be licensed to write or assume the class of business that is reinsured, by changing approval and filing requirements for a reinsurance trust fund, and by modifying requirements for letters of credit used to secure reinsurance transactions.

Passage of House Bill No. 1176 is an important step in implementing the accounting guidance contained in the new version of the *Accounting Practices and Procedures Manual* and in assuring consistency between the provisions in our insurance law and the accounting standards followed by the insurance industry. We urge your support of House Bill No. 1176.

**Summary of Proposed Legislative Changes Related
to Codification of Statements of Statutory Accounting Principles (SSAPs)**

The North Dakota Department of Insurance has adopted the new *Accounting Practices and Procedures Manual - Effective January 1, 2001* which codifies statutory accounting standards into numerous Statements of Statutory Accounting Principles (SSAPs). The Department's staff has evaluated each SSAP to identify standards that may conflict with provisions in North Dakota's insurance laws and regulations. In the event of a conflict, the state's statutory provisions supercede the SSAP provisions in preparing the company's annual statement and audited financial statements. Allowing a conflict to stand may result in a permanent accounting difference that the insurer must quantify and reconcile each year in order to properly disclose the difference in its annual statement and audited financial statements. The proposed amendments contained in this bill are intended to eliminate conflicts between North Dakota law and the SSAP provisions.

Section 1

- SSAP 48 treats investments in limited liability companies as admitted assets. North Dakota investment statutes currently do not authorize investments in limited liability companies. Subsections 2 and 3 of Section 26.1-05-18 are amended to exempt authorized real estate limited liability companies from the statutory prohibitions relating to joint ownership of securities or property and to restrictions on the sale of property.

- SSAP 21 treats as non-admitted any collateral loan balance in excess of the fair value of a pledged investment. North Dakota law prohibits unsecured loans or inadequately secured loans, treating the entire loan balance as non-admitted if the loan is inadequately secured. To conform to SSAP 21, subsection 5 of Section 26.1-05-18 is amended to delete the phrase "to the full extent of the investment" in order to treat as non-admitted only the loan balance in excess of collateral security.

Section 2

- SSAP 43 treats loan-backed securities, such as pass-through certificates, collateralized mortgage obligations, and other securitized loans as admitted assets. North Dakota law does not specifically authorize investments in loan-backed securities. Subsections 2 and 20 of Section 26.1-05-19 are amended to add the term "loan-backed securities" to the classes of government bonds and corporate bonds that an insurer may acquire.
- Subsection 20 of §26.1-05-19 is also amended to clarify an insurer's authority to invest in U.S. and Canadian corporate bonds as reflected by industry practice and to specifically authorize participation certificates as a class of bond in conformity with SSAP 26.
- Subsection 21 of Section 26.1-05-19 currently authorizes preferred and common stock acquisitions that meet applicable earnings and dividends-in-arrears tests; these tests are generally considered outdated and unnecessarily prohibitive by both the domestic insurance industry and the Insurance Department. The earnings tests also conflict with SSAP 30 provisions that treat common stock acquired under subscription as an admitted asset. Subsection 21, paragraphs a through c, are amended to delete and replace these tests with a single issuer limitation of 3% of admitted assets and with an aggregate limitation for nonlife insurers equal to the greater of 25% of admitted assets or 100% of the insurer's capital and surplus. Life insurers are already subject to an aggregate limitation of 20% of admitted assets. The single issuer and aggregate limitations are consistent with similar safeguards in the NAIC's Defined Limits Model Investment Act which has been adopted by numerous states.
- Subsection 21 of Section 26.1-05-19 is also amended to include master limited partnerships, American deposit receipts, and mutual funds under the common stock provisions and to include mandatory sinking fund preferred stock under the preferred stock provisions. These proposed changes are consistent with the

categories of common and preferred stock given in SSAPs 30 and 32.

- SSAP 37 treats a construction loan as an admitted asset. North Dakota law authorizes mortgage loans on improved real estate only. To conform to SSAP 37, subsection 24 of Section 26.1-05-19 is amended to delete the term "improved" and add the phrase "construction loans" to the existing mortgage loan provision. Provisions are also added to establish single parcel and aggregate limitations on the amount of construction loans that may be acquired by an insurer. These limitations are consistent with similar safeguards in the NAIC's Defined Limits Model Investment Act.
- Based on comments received from a North Dakota domestic life company, subsection 24 of Section 26.1-05-19 is also amended to change the loan-to-value requirement for mortgage loans from 75% to 80% if periodic payments are made annually. If this condition is not met, the 75% loan-to-value restriction will apply. These provisions are consistent with the mortgage loan provisions in the NAIC's Defined Limits Model Investment Act.
- As previously mentioned, SSAP 48 treats investments in limited liability companies as admitted assets; whereas, North Dakota law currently does not authorize investments in limited liability companies. To conform to SSAP 48, subsections 24 and 26 of Section 26.1-05-19 are amended to permit an insurer to indirectly acquire an interest in mortgage loans or real estate through an investment in a limited liability company.
- SSAP 40 classifies "property occupied by the company" in a manner incompatible with the North Dakota statutory provision that authorizes an investment in land and buildings used as the home or regional offices of an insurer. To conform to SSAP 40, subsection 27 of Section 26.1-05-19 is amended to delete language referring to principal and regional offices requisite for the convenient accommodation of business and add a requirement specifying that more than 50% of the square

footage of the property must be occupied by the company and its affiliates.

- SSAP 16 limits the treatment of electronic data processing (EDP) equipment and operating software as an admitted asset to 3% of an insurer's capital and surplus and it also establishes a maximum 3-year depreciation period for EDP equipment and software. North Dakota law allows an insurer to admit the cost of EDP equipment and operating software that does not exceed 5% of the company's admitted assets and restricts the depreciation period to a maximum 7 years. Comments received from a North Dakota domestic health insurer reflect opposition to a 3-year depreciation period due to conflicting federal accounting rules and a material impact on its surplus. Upon consideration of these comments, the Department agreed to support a 5-year depreciation period. Therefore, subsection 28 of Section 26.1-05-19 is amended to replace the 5% of admitted assets limitation and 7-year maximum depreciation period with a 3% of capital and surplus limitation and a 5-year depreciation period.
- Based on comments received by a North Dakota domestic life company, a new subsection is created under Section 26.1-05-19 to authorize investments in foreign bonds and stocks issued by a foreign jurisdiction or issued by a legal entity domiciled in a foreign jurisdiction. Per issuer and aggregate limitations are imposed that are consistent with similar safeguards in the NAIC's Defined Limits Model Investment Act.

Section 3

- Based on comments received by a North Dakota domestic life company, Section 26.1-05-31 is amended to require authorization by a company's board of directors for officer and director salaries exceeding \$100,000 rather than current limitation of \$50,000.

Section 4

SSAP 25 specifies accounting treatment for related party transactions that do not meet the standards set out in Appendix A-440. Certain standards described in Appendix A-440 conflict with North Dakota statutory provisions. To conform to Appendix A-440, the following amendments are proposed to Section 26.1-10-02:

- In subsection 1, the provision allowing a subsidiary of a domestic insurer to conduct only listed business activities is deleted and replaced with language permitting a subsidiary to conduct any kind of business;
- In subsection 2(a), the 5% limitation on investments in subsidiaries is changed to 10% of admitted assets and a provision specifying how to calculate the amount of investments is modified by adding language to exclude investments in domestic or foreign insurance subsidiaries and HMOs;
- In subsection 4, the provision requiring a determination of a qualified investment in a subsidiary immediately after such investment is made is deleted and replaced with language requiring the determination before the investment is made.

Section 5

Appendix A-440 also contains several standards that vary from those provided in Section 26.1-10-05. To conform to Appendix A-440, the following amendments are proposed:

- In subsection 1, add a provision to clarify that accounting information must be provided to support the reasonableness of charges and fees relating to holding company transactions.
- In subsection 6, the quality and liquidity of investments in subsidiaries is replaced with those of affiliates as a required factor to be considered by the Commissioner in determining whether an insurer's surplus is reasonable for purposes of the chapter.

Section 6

- SSAPs 53 and 66 require insurers to estimate audit premiums and retrospective premium adjustments and record the amounts as an immediate adjustment to premium. The provisions of Section 26.1-24-10 conflict with the SSAP requirements by prohibiting an estimation of premium subject to refund or payment during a commercial insurer's performance of a premium audit. To conform to the SSAP requirements, the last sentence in Section 26.1-24-10 is deleted.

Section 7

SSAPs 61 and 62 incorporate the standards contained in Appendix A-785 pertaining to credit for reinsurance. These standards vary somewhat from the statutory provisions set out in Section 26.1-31.2-01. To conform to Appendix A-785, the following changes to Section 26.1-31.2-01 are proposed:

- Add a provision allowing credit for reinsurance under subsections 1, 2, or 3 only when the assuming insurer is authorized to write the class of business in its state of domicile.
- Under subsection 4(a), relating to a trust fund maintained by an assuming reinsurer, several minor changes are made and a 90-day deadline is added for filing an annual certification of solvency from the assuming insurer's domiciliary regulator. An alternate filing requirement is also added providing that audited financial statements be submitted if an annual certification is unavailable.
- Under subsection 4(b), a 90-day deadline for making an annual certification and audited financial statements available to the Commissioner is added to the trust fund requirements pertaining to a qualifying group of incorporated insurers under common administration.
- Under subsection 4(c), language is added to change the requirement for approval of the trust by this state's Commissioner of Insurance to provide instead for approval

by the Commissioner of the state where the trust is domiciled or by the Commissioner with principal regulatory oversight. A provision is also added requiring the trust and any amendments to be filed with every state in which the trust beneficiaries are domiciled. A provision that the trust must be maintained for as long as obligations exist under the reinsurance agreement is amended to include any member or former member of a group as well as the assuming insurer.

Section 8

Appendix A-785 also contains several standards that vary from the provisions in Section 26.1-31.2-02 relating to the reduction from liability for reinsurance ceded by a domestic insurer. To conform to Appendix A-440, the following changes are proposed to Section 26.1-31.2-02:

- Subsection 3 is amended to add clarifying terms relating to letters of credit that are used to secure a trust held on behalf of a ceding insurer.
- Subsection 4 is deleted to remove the provision allowing the Commissioner to accept any other form of security.

HOUSE BILL NO. 1176

Presented by: Carole Kessel
Chief Examiner, North Dakota Insurance Department

Before: Industry, Business and Labor Committee
Senator: Duane Mutch, Chairman

Date: February 20, 2001

TESTIMONY

Mr. C' nan and members of the committee:

House Bill No. 1176 revises certain accounting-related provisions in our insurance statutes to provide for greater consistency with the statutory accounting guidance. Insurance companies are required to provide financial information so that the financial condition of the companies can be analyzed. By passing Senate Bill No. 2156, the 1999 Legislative Assembly specifically authorized the Insurance Commissioner to adopt the National Association of Insurance Commissioner's (NAIC) *Accounting Practices and Procedures Manual - Effective January 1, 2001* (the "Manual"). This new accounting guidance is the result of a 4-year project, which revamped the prior manuals. All states have adopted the new version of the Manual.

The Manual must be followed by insurance companies to the extent that the statutes and regulations of the state of domicile are silent or do not conflict with the Manual. In the event of a conflict, companies must comply with the accounting practices and procedures prescribed by the state of domicile, but the difference in accounting treatment must be disclosed in the financial statements. This bill reconciles the differences between our laws and the Manual.

Also, Insurers' suggestions for several additional revisions to the investment and general insurance provisions have been incorporated into House Bill No. 1176.

A detailed explanation of each statutory change contained in House Bill No. 1176 is attached to this testimony and a brief summary of each section of the bill is noted below.

Sections 1 and 2 expand the scope of authorized investments and investment practices to specifically permit ownership of assets that are treated as admitted assets in the Manual, for example, interests in limited liability companies, loan-backed securities, mutual funds, and other equity types, construction loans, and certain foreign investments. Section 2 also contains amendments to our authorized investment provisions that:

- Remove earnings and dividend payment requirements in a stock acquisition;
- Add percentage limitations for investments in stocks and construction loans;
- Increase the loan to value requirement for mortgage loans from 75% to 80%;
- Modify the definition of home office property; and
- Reduce the maximum depreciation period for a data processing system from 7 years to 5 years.

Section 3 amends a provision applicable to domestic life insurers that will require authorization by the company's board of directors for officer and director salaries exceeding \$100,000 rather than the current limitation of \$50,000.

Sections 4 and 5 address changes to the insurance holding company provisions under Chapter 26.1-10. The most significant change permits a subsidiary of a domestic company to conduct any kind of business activity; whereas, current law specifies insurance-related business activities that may be conducted by a subsidiary. In addition, an existing 5% limitation on investments in subsidiaries is increased to 10% of admitted assets.

Section 6 deletes a provision that prohibits commercial insurance carriers from estimating premiums during the 180-day period after a policy's expiration date. This restriction conflicts with the Manual's accounting treatment for audit premiums and retrospective premiums.

Finally, Sections 7 and 8 amend reinsurance credit provisions under Chapter 26.1-31.2 by adding language to require a qualifying reinsurer to be licensed to write or assume the class of business that is reinsured, by changing approval and filing requirements for a reinsurance trust fund, and by modifying requirements for letters of credit used to secure reinsurance transactions.

Passage of House Bill No. 1176 is an important step in implementing the accounting guidance contained in the new version of the *Accounting Practices and Procedures Manual* and in assuring consistency between the provisions in our insurance law and the accounting standards followed by the insurance industry. We urge your support of House Bill No. 1176.



**PIONEER
MUTUAL**
LIFE INSURANCE CO.

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February 19, 2001

Senate Industry, Business and Labor Committee
Fifty-seventh Legislative Assembly of North Dakota

Re: House Bill 1176

Dear Chairman Mutch and Members of the Committee:

Pioneer Mutual Life Insurance Company is a Fargo based domestic life insurance company. We have been in existence since 1868, first as the Ancient Order of United Workmen, a Fraternal Life Insurance Company, and since 1948 as a mutual life insurance company. We have always been located in North Dakota.

Pioneer Mutual Life favored Codification of Statutory Accounting and its adoption last session, even though it does have some negative impact on our financial statement. In supporting codification it is apparent that we also support eliminating the conflicts created by codification with our existing statutes. We believe this Bill helps us to do just that.

We are also highly supportive of the several changes to the investment laws. Our statutes in many areas have not kept pace with the needs of those being regulated nor with current investment practices. The changes requested are meant to, among other things, broaden our domestic companies' ability to invest in foreign investments and mortgage obligations yet impose proper limits for the protection of the consumer. It allows North Dakota companies to do what companies in other states are already permitted to do.

In Pioneer Mutual's case, it allows us to work with the out of state company handling our investments, American United Life, an Indiana company, in obtaining better returns through pooling and other investment mechanisms impacted by these changes.

For these reasons we respectfully ask the Committee for a Do Pass Recommendation.

Sincerely,

Gregory D. Morris
Vice President, General Counsel,
Corporate Secretary & Treasurer
GDM:ss



INSURANCE
MARKETPLACE
STANDARDS
ASSOCIATION

Member of the insurance industry's national market conduct