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10/3/03
Date

2003 HOUSE INDUSTRY, BUSINESS AND LABOR

HB 1323

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2003 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. HB 1323

House Industry, Business and Labor Committee

Conference Committee

Hearing Date 1-29-03

Tape Number	Side A	Side B	Meter #
1	x		0.0-11.1
2	x		14.6-15.6
3	x		7.6-15.5

Committee Clerk Signature *Judith Hammer*

Minutes: All members of the IBL Committee were present when roll was called.

Chairman Keiser opened the hearing on HB 1323. Pat Ward, representing the National Association of Independent Insurers, presented testimony in support of this legislation. (see attached)

Ekstrom: What examples of businesses in ND are large commercial risk?

Ward: MDU, those companies with in house risk management capable of making insurance decision, they can go out on the open market and do better for themselves. Larger municipalities too.

Ekstrom: re:page 8, section 5, Why is that onerous to do?

Ward: Actual filing is onerous but we have a prior approval system in ND.

Ekstrom: In your testimony on page 2, "may" implies that you won't be filing them necessarily.

Will they be filed for informational purposes?

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Page 2
House Industry, Business and Labor Committee
Bill/Resolution Number HB 1323
Hearing Date 1-29-03

Ward: It's optional, not a requirement under this new legislation. Companies not doing business in the state could enter the market.

Jasper: Is this typically done when companies like this are exempt for clients in North Dakota? Must they use an agent licensed in ND or will they have out of state agents marketing products in ND?

Ward: that's possible that companies could use a broker that isn't licensed here.

Jasper: So, this is like a controlled group, and agents would be wiped out and not getting commissions?

Ward: This would eliminate the middle man for larger businesses.

Kelser: Basin Electric submitted an amendment. They are requesting that the language requiring an agent or broker be removed. This insurance is a negotiated program between large companies and buyers, to reduce costs and customize policies.

Ward: Correct.

Kelser: This legislation has been here before.

Ward: Was here two sessions ago, was ultimately voted down by the Senate.

Kelser: How many companies could meet three out of the five criteria.

Ward: Not even a dozen. This is a NAIC model, developed for Forbes 4000 companies..

As there was no one present to testify in opposition to HB 1323, **Chair Kelser** closed the hearing.

After the slate of morning hearings were completed, **Chair Kelser** called for committee work on HB 1323.

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10/3/03
Date

Page 3
House Industry, Business and Labor Committee
Bill/Resolution Number HB 1323
Hearing Date 1-29-03

Rep. Kasper: I have some concerns about this. The action would let large employers to solicit or obtain insurance without using an agent or broker in the state of North Dakota, with little or no oversight from the Insurance Department and almost be a controlled group situation like the bill we had yesterday. I favor a Do Not Pass on this.

Chairman Kelsner: The amendment that was handed out on behalf of Basin Electric would have taken out that requirement.

During the afternoon work session, **Chairman Kelsner** called for committee work on HB 1323, large insurance purchasers would be able to circumvent the process of having the Insurance Commissioner approve the policy and program. Basin Electric offered an amendment.

Rep. Kasper: I want to restate my concerns. The way I understand it, larger companies no longer have to utilize an agent when procuring their policies and insurance services. It allows them to use a full time risk manager or qualified consultant instead. It eliminates insurance business in our state. Isn't this like our controlled business bill?

Chairman Kelsner: The amendment does what you describe but the bill as it exists does just the

Rep. Kasper: If we must use the services of an agent or broker, that would solve my problem with this.

Rep. Ekstrom: Could we not ask them to file the policies for informational purposes, at least, with the Insurance Commissioner's office?

Rep. Klein: The broker doesn't necessarily have to be registered in ND, the way I understand it. I'm opposed to this the way it reads.

Rep. Klein: I move a **Do Not Pass**.

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Date

Page 4
House Industry, Business and Labor Committee
Bill/Resolution Number HB 1323
Hearing Date 1-29-03

Rep. Kasper: I second the motion.

Chairman Keiser: This plan is so unique. Filing is an unnecessary expense.

Rep. Klein: We're leaving the Insurance Department out of this.

Results of the roll call vote were: 7-5-2.

Rep. Kasper will carry this bill on the floor.

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Date: 1/29/03
 Roll Call Vote #: 1

2003 HOUSE STANDING COMMITTEE ROLL CALL VOTES
 BILL/RESOLUTION NO. 1323

House Industry, Business & Labor Committee

Check here for Conference Committee

Legislative Council Amendment Number _____

Action Taken Do Not Pass

Motion Made By Klein Seconded By Kasper

Representatives	Yes	No	Representatives	Yes	No
Chairman Kelser	✓	✓	Rep.Boe	✓	
Rep. Severson, Vice-Chair	✓		Rep. Ekstrom		✓
Rep. Dosch	✓		Rep. Thorpe	✓	
Rep. Froseth	✓		Rep. Zaiser		
Rep. Johnson		✓			
Rep. Kasper	✓				
Rep. Klein	✓				
Rep. Nottlestad		✓			
Rep. Ruby		✓			
Rep. Tieman	✓				

Total (Yes) 7 No 5

Absent 2

Floor Assignment Kasper

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

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REPORT OF STANDING COMMITTEE (410)
January 30, 2003 10:25 a.m.

Module No: HR-18-1333
Carrier: Kasper
Insert LC: . Title: .

REPORT OF STANDING COMMITTEE
HB 1323: Industry, Business and Labor Committee (Rep. Kelsner, Chairman)
recommends **DO NOT PASS** (7 YEAS, 5 NAYS, 2 ABSENT AND NOT VOTING).
HB 1323 was placed on the Eleventh order on the calendar.

(2) DESK, (3) COMM

Page No. 1

HR-18-1333

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2003 TESTIMONY

HB 1323

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1/29/03

Amendment language for HB 1323

26.1-25-02.1 **Definitions.**

4. "Exempt commercial policyholder" means a large commercial risk that meets three of the following seven criteria. An "exempt commercial policyholder" is not subject to policy, form, and rate regulatory oversight.

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Attachment #1
1/29/03

Testimony of Patrick Ward in Support of HB 1323 in the House Industry,
Business and Labor Committee

My name is Patrick Ward. I am an attorney with the law firm of Zuger Kirmis & Smith of Bismarck. I represent the National Association of Independent Insurers in support of HB 1323.

HB 1323 offers amendments to sections of the North Dakota Insurance Code relating to large commercial risks. It would provide them some independence from the prior approval structure for rates and forms, and regulation by the Commissioner's office in order to obtain more competitive pricing of some commercial insurance products. It is a very modest step towards deregulation of property and casualty insurance for the very savvy and financially sound Forbes 4000 business or municipality.

Section 2 would provide that exempt commercial policies are removed from the rate regulation structure for fire property and casualty rates.

Section 3 adds a definition of an exempt commercial policyholder to the other definitions in that section. An exempt commercial policyholder must meet three of the seven criteria in subsection 4. These are obviously only the largest of companies or municipalities in excess of 25,000 persons.

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Section 4 relates to rate filings which must be filed with the Commissioner. It removes exempt commercial policyholders from the rate filing requirement. Section 4 provides in subsection 6 that commercial risk rate changes of no more than 5% for a class of risk are presumed to meet the requirements of the chapter upon implementation. Such changes must be filed with the Commissioner within 60 days of implementation for informational purposes but are now removed from the requirement that they be filed 60 days in advance before becoming effective.

Section 5 provides that the filing for exempt commercial policyholder risks may be made for informational purposes and need not be first filed with the Commissioner. Section 5 removes large commercial risks from the requirement that policy forms be filed and approved by the Commissioner before issuance or delivery.

Section 6 removes exempt commercial policyholders from the category of persons covered under the cancellation and nonrenewal insurance provisions of the insurance code relating to commercial insurance.

Section 7 refers to surplus lines insurance.

Competition has proved again and again to lead to more competitive insurance premiums for consumers in states that have been willing to deregulate the insurance industry. Prime examples of this are Illinois and South Carolina. New

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Hampshire just recently has also taken steps towards greater deregulation of the insurance industry. This is a modest step in the direction of deregulation for sophisticated and savvy commercial insurance risks. It is an experiment the legislature should be willing to try. If it is unsuccessful, it could always be changed in a future session.

We urge Do Pass on HB 1323.

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