

MICROFILM DIVIDER

OMB/RECORDS MANAGEMENT DIVISION
SFN 2053 (2/85) 5M



ROLL NUMBER

DESCRIPTION

2010

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Theresa J. Bee
Operator's Signature

10-14-03
Date

2003 SENATE APPROPRIATIONS

SB 2010

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10-11-03
Date

2003 SENATE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. SB 2010

Senate Appropriations Committee

Conference Committee

Hearing Date January 8, 2003

Tape Number	Side A	Side B	Meter #
1		x	216-2655 -216
Committee Clerk Signature <i>Jand Hendrickson</i>			

Minutes:

Committee was called back to order by Senator Ray Holmberg, Chairman

Insurance Bill SB 2010 was next on the Agenda for this day.

presented his budget requests for 2003-2005

Commissioner introduced his staff. These people are available to the commissioners during the session and after the session as well. They can answer all questions that the Senators may have.

Commissioner Poolman explained the North Dakota Insurance Department. He explained that the department is made up of the Commissioner, Deputy Commissioner, his Administrative Assistant, the Legal/Enforcement Division; the Consumer Protection Property/Cassulty Division; Consumer Protection Life/Health Division and Senior Health Insurance Counseling Program; Examinations and Company Licensing Division; Agent Licensing & Investigation Division;

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10-14-03
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Page 2

Senate Appropriations Committee

Bill/Resolution Number SB 2010

Hearing Date January 8, 2003

Administration Division and Special Funds Division. This information can be found in Appendix A of Exhibit 1.

Commissioner Pullman's testimony is attached in written format (Exhibit 1).

The following is questions posed by the Senate Appropriations Senators:

Senator Robinson (#1167): Question regarding State Farm that stated they were leaving ND and within a few months they were back in again. What made them change their minds?

Commissioner Poolman: State Farm needed to get a handle on the growth of their business.

When you have companies that are completely rewriting their book of business, they may not renew some customers. They were talking more business than they could technically handle according to their business plan and so they technically cut off new business so they could get a handle on first of all where their results would be for this year and when they got a better handle on their results on 2002 and working with them to encourage them to get back in the market place, because we needed them to absorb some of that capacity for those people that are searching for insurance. Once they got a handle on what their growth plan would be and if you were to visit with State Farm, they are not opening those policies up for everyone to get on board, their underwriting is still pretty restrictive, but this a first step for them to get a handle on what kinds of business they can take and then to continue to open up once the growth patterns are to be.

Senator Holmberg (#2205): Are you saying that if we pass this budget as it is and that bill was to pass we would not have to change the budget, you have the flexibility within in your budget to handle the fraud unit?

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Page 3
Senate Appropriations Committee
Bill/Resolution Number SB 2010
Hearing Date January 8, 2003

Commissioner Poolman: Yes, on the staffing side. There is an appropriations attached to the fraud bill for approximately \$150,000 that would come out of the Insurance Regulatory Trust Fund to market that fraud unit, much like the workmen's compensation does with their fraud unit. They go out and market their unit so that the public know where and who to call to report any fraud..

Senator Holmberg: Has that bill been introduced?

Commissioner Poolman: No it has not been introduced, it is a legislature sponsored bill, and it will start in the House.

Senator Lindaas (#2305): Who prosecuted the insurance fraud at this time?

Commissioner Poolman: When we receive an insurance fraud tip, we work with the Bureau of Criminal Investigations. They are not necessarily the experts in insurance. With all the work they have, insurance fraud is the last rather last on their agenda. We want to have the ability to subpoena, to investigate and to work with local prosecutors to be the lead in insurance fraud.

Senator Krauter (2399): Can you give us some examples of fraud?

Commissioner Poolman: I can't give you example of fraud, because we turn everything over to BCI and we haven't been involved in investigating fraud. For example, look at the hailstorms in Bismarck in 2001, there were cases of insurance fraud, it was reported to BCI and it was out of our hands and so we don't know where those cases ended up.

Senator Robinson (#2550): Wanted to know if Commissioner Poolman would need to have those vacant positions filled in order to get the fraud unit up and working.

Commissioner Poolman: Yes, if the positions are okayed with this budget, then we could fill other programs filled.

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Page 4
Senate Appropriations Committee
Bill/Resolution Number SB 2010
Hearing Date January 8, 2003

Senator Robinson: (#3509) Question about the State Bonding Fund and the transfer and the Executive recommendation. Any concerns making that transfer could at least at that level could make any problems down the road.

Commissioner Poolman: We don't know what claims are out there yet. It there was a \$2 million dollar transfer, I feel comfortable with that transfer, we could have a claim out there, we just don't know.

Senator Robinson: Given today's environment we are living in, working in today has changed and I have some concern about that.

Commissioner Poolman: I don't have any concerns, but that is something you as a committee will have to debate here.

Senator Holmberg: (#3764): Would you agree that the Fire and Tornado Fund would be more vulnerable than the State Bonding Fund?

Commissioner Poolman: Yes that is one that is more vulnerable according to history.

Senator Mathern: (#3870): What is the rationale for \$2.5 Million dollar minimum requirement?

Commissioner Poolman: That is a great question, but I don't know the answer, that was set before I was even born. There are so many floors and ceilings in these funds.

Senator Lindaas (#4082): Does the bonding fund cover employees of political subdivisions?

Commissioner Poolman: State employees, political subdivisions.

Senator Krauter: (#4141) Question on the Bonding Fund...you said there had not been any premiums paid into in recent years.

Commissioner Poolman: No premiums have been collected on this since 1963.

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Page 5

Senate Appropriations Committee

Bill/Resolution Number SB 2010

Hearing Date January 8, 2003

Commissioner Krauter: What has been transferred out of that Bonding Fund in the past. We have taken some money from there that I can recall.

Commissioner Poolman: Not that I remember, but we would be happy to try to get you the information.

Commissioner Poolman explained the budget recommendations by the Governor's office.

Commissioner Poolman also thanked the Senators for approving the money for the renovations for their office. He felt that they now worked in safer and more pleasant environment.

Senator Robinson: (Tape 2 #177): How are the expenses broken down for remodeling? Is new carpet your responsibility for remodeling or is it an expense with facility management?

Commissioner Poolman: Facility management has a schedule for some of those things and since our office was scheduled to be recarpeted, or I should say part of it was, so we worked with facility management to have them pay for some of it and our remodeling project paid for the rest.

Commissioner Poolman stated that there would need to be an amendment changing Firemen to Firefighters. He also talked about the Appendix D in Exhibit I regarding the money allotted to cities for Firefighters.

Senator Robinson (#447) Question about payment to the districts on firefighters. Have the problems been solved.

Commissioner Poolman: Yes, the reporting has been much better, therefore, we can do a better job of allotting money, etc.

Senator Lindaas (#625) Is payment based on a percentage of the premium? Is it a cross the board premium or are there other factors?

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Commissioner Poolman: There is a formula. Based on the amount of premium that is sold within that particular district as a percent of the total in the state.

Senator Lindaas: (#691) There are about 8 of these districts that have state properties, such as colleges. Is there anything that comes out of the Fire/Tornado Fund or additionally thought given to the Causality or Property that would help those fire districts?

Commissioner Poolman: The premium payers do not pay premium tax so that would not be included. The answer to your second question is that we haven't given it thought, however, in the last session the question was raised in the House but it was not adjusted.

Commissioner Poolman: Sections 3,4,5,6,7 These particular sections provide the source of funding for the special funds that the Insurance Dept. Administers. This includes the \$75,000 for the anhydrous ammonia storage facility inspection fund.

Section 7 provides for the new salary for the Commissioner.

Appendix C includes the vacant positions. Appendix D is the payment to Fire districts.

Senator Kilzer (#954): Would you please go through some of the initials in Appendix B and what they stand for.

Commissioner Poolman: P& C stands for property and causality and that would be commercial lines of property and causality, homeowners, auto insurance. All those of types of insurance would fall in the property and causality line. A & H is accident and health. HMDI's & HMO's- HMO is Health maintenance Organization and HMDI --we don't have any of those.

(HMDI--Health Maintenance Domestic Insurer).

Senator Kilzer continues. When St. Paul Insurance pulled out of medical malpractice insurance what happened with tail coverage?

Page 7

Senate Appropriations Committee
Bill/Resolution Number SB 2010
Hearing Date January 8, 2003

Commissioner Poolman: We worked with new company to provide them with tail coverage.

Senator Holmberg: (#1161) Question on title insurance. Premium Vs actual losses. Is that something we see industry wide?

Commissioner Poolman: It is national wide.

Senator Thane: (#1242): How many companies selling insurance in North Dakota are selling long term care insurance?

Commissioner Poolman: There are many companies, some are licensed and not active. We will get you that information.

Senator Thane: Are they all legitimate? Have had many calls regarding should people buy this kind of insurance, is it a scam, etc.

Commissioner Poolman: A great question. A bill is coming down from Insurance Dept. Dealing with regulation of rates for long term care. There is information at our department that is available for anyone that wishes this information. This includes information on the company dealing with long term care.

Senator Robinson (#1422): Emergency services especially those that happened in Minot. What involvement does your department have in that type of disaster in North Dakota, fire/ tornado, etc. What does your department have to do with any of these types of disaster?

Commissioner Poolman: When the Minot disaster happened, we received calls regarding their homeowners policy. Most homeowners policy exclude pollution coverage or hazardous material coverage. There was not a lot we could do, because this is not covered in homeowners policies, but we could help them with other things in their policies that would help. The railroad was

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Page 8
Senate Appropriations Committee
Bill/Resolution Number SB 2010
Hearing Date January 8, 2003

cutting checks to those people, but private insurance did not pay a big role in that disaster. There is not coverage in homeowners policies for this type of disaster.

Senator Robinson: What about for fire/tornado?

Commissioner Poolman: I think those same exclusions may apply under the fire/tornado policy.

Senator Robinson: What about the pollution caused by fire/tornado?

Commissioner Poolman: Great question, but I don't have the answer now.

Senator Krauter: (#1710) Federal Crop Insurance...do we do not register agents in North Dakota

Commissioner Poolman: Yes we do.

Senator Krauter: Are you receiving calls regarding companies selling crop insurance, companies pulling out, agents losing commissions, etc.

Commissioner Poolman: Yes

Senator Krauter: So what's the plan

Commissioner Poolman: Working with those agents and agencies who are having trouble. It is difficult to work with the Feds when the program is not under us. We are monitoring this, to make sure that our ND agents are getting their commissions.

Senator Tallackson: (#1816): What is the balance in the Insurance reserve fund?

Commissioner Poolman: In the Insurance Reserve Fund or the Regulator Trust Fund? (He doesn't run the Insurance reserve fund)

Senator Tallackson: Regulatory Trust Fund.

Commissioner Poolman: As of 6-30-03: Fiscal year end balance is \$2.26 million and \$1.26 Million was transferred to the general fund. So we have a \$1 million floor.

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Page 9

Senate Appropriations Committee

Bill/Resolution Number SB 2010

Hearing Date January 8, 2003

Senator Tallackson: Could ND Insurance reserve fund could insure the medical malpractice insurance?

Commissioner Poolman: We have new markets coming in to write medical malpractice insurance. Task force will look at this question.

Senator Tallackson: Should the state look at some reform?

Commissioner Poolman: This is another question for the task force.

Senator Lindaas (#2109): Property and Casualty: Are these companies region wide so that they could make up in another area. Is that where the balance come from?

Commission Poolman: They may make money in other states. When they price a policy they base it on the experience in our state.

Senator Bowman: (#2251) Homeowners policy took a big jump for not having any claims in the past 20 years. Who actually makes that decision? Is it based on loss of the company across the policy holders.

Commissioner Poolman: It is based on the total block of business but your are also underwritten so that even if you took a hit in higher premiums the person with claims has taken a hit in higher premiums also but even higher than yours because each individual policy is also underwritten.

Senator Bowman: But 30-40% percent increase is a fairly high jump.

Commissioner Poolman: We saw the average in 2002 about 18% in homeowners, there is a combination of factors that cause the jump. There is the negative loss experience statewide, year after year and also the downtrend in the economy which caused all insurance companies.

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Page 10
Senate Appropriations Committee
Bill/Resolution Number SB 2010
Hearing Date January 8, 2003

Senator Bowman: (#2381) Is it the responsibility of the homeowner to pay for bad investments on the companies part? I don't think that is a reason for raising rates, because the company made a bad investment.

Commission Poolman That is a debate that is out there right now, but also that is one of the reason your insurance rates were kept so low in the mid 1990's was because the stock market was doing very well which off set many of the losses that were paid out in North Dakota and nationwide.

Lois Hartman, representing ND Firefighters Association, testified in favor of SB 2010 for both the budget and the firefighter districts across the state.

Senator Holmberg: (#2596): Asked the question, would Ms. Hartman support an amendment to the bill that would make it firefighters?.

Lois Hartman agreed.

With no other testimony for SB 2010 the hearing was closed by Senator Holmberg, chairman.

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Date

2003 SENATE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. General discussion on SB 2010/Turnback money

Senate Appropriations Committee

Conference Committee

Hearing Date January 8, 2003

Tape Number	Side A	Side B	Meter #
2	x		2660-4496
Committee Clerk Signature <i>Jen Henderson</i>			

Minutes:

Senator Holmberg (#2655) discussed the handout from the Legislative Council on General Fund turn backs which were given to each Legislator

The Legislator Council stated that the form was pretty much self explanatory and if any senator needed help, they could contact the council.

General discussion centered on agencies that will be coming up later with large turn backs, which are not usually the case.

Questions included:

- When was the agency changed to a self funding?
- Where is the money that the Insurance dept. Turned back? (Answer--General fund)
- If general fund money is turned back to the general fund, where is special fund money turned back to? (Sandy-depends on what the law states)
- Questions about what is turn back money?

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10-14-03
Date

Page 2

Senate Appropriations Committee

Bill/Resolution Number General Discussion on SB 2010/Turnback money

Hearing Date January 8, 2003

Senator Holmberg announced that Fish and Game Bill would be heard this afternoon at 3 pm.

Other questions on special funds:

--Could there be information given to the senators regarding special funds/ where the funds are now, etc. Question raised asking what kinds of funds--trust? Special?

--Questions raised as to isn't there an accountability for these funds--end of the year, etc.

--Balance could be given to senators, but the obligations would not shown up.

--More and more funds are popping up each session, there seems to be some need to show the Senators where these funds are and what they contain and why? The Senators expressed concern about explaining these things to voters and if they had more information they would be able to explain these issues more.

--Contingency funds need to be explained more.

--Question regarding the funds that have money--could they be used for others that do not?

--All revenue funds can be found on the Internet?

Senator Holmberg recessed the meeting until 3 pm.

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10-14-03
Date

2003 SENATE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. SB 2010 Votes

Senate Appropriations Committee

Conference Committee

Hearing Date February 11, 2003

Tape Number	Side A	Side B	Meter #
#2		x	#2230-2960
Committee Clerk Signature <i>Jan Henderson</i>			

Minutes:

Senator Holmberg stated he had amendments to SB 2010. Insurance Commission. Senator Holmberg explained the amendments which are attached. Motion by Senator Bowman to accept the amendments as presented, seconded by Senator Andrist. Some discussion that this was the same as the last biennium. Other concerns were about mandating. Voice vote to accept the amendment was passed. Motion for a do pass as amended by Senator Grindberg, seconded by Senator Bowman. Roll call vote was taken, which is attached. Motion carried with 14 yes, 0 no Senator Tallackson will be the carrier.

(#2260)

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10-14-03
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FISCAL NOTE
 Requested by Legislative Council
 02/13/2003

Amendment to: SB 2010

1A. **State fiscal effect:** Identify the state fiscal effect and the fiscal effect on agency appropriations compared to funding levels and appropriations anticipated under current law.

	2001-2003 Biennium		2003-2005 Biennium		2005-2007 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues	\$0	\$0	\$0	\$0	\$0	\$0
Expenditures	\$0	\$0	\$0	\$0	\$0	\$0
Appropriations	\$0	\$0	\$0	\$0	\$0	\$0

1B. **County, city, and school district fiscal effect:** Identify the fiscal effect on the appropriate political subdivision.

2001-2003 Biennium			2003-2005 Biennium			2005-2007 Biennium		
Counties	Cities	School Districts	Counties	Cities	School Districts	Counties	Cities	School Districts
\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0

2. **Narrative:** Identify the aspects of the measure which cause fiscal impact and include any comments relevant to your analysis.

The amendments to SB 2010 remove the proposed salary increases for the Insurance Commissioner over the 2003-2005 biennium. Those increases were originally budgeted at \$1,704 for the biennium. The amendment will, therefore, remove the need for those moneys. Engrossed SB 2010 will have no impact on the general fund or the Insurance Department budget.

The other changes resulting from the amendments are summarized in the Detail of Senate Changes included with the amendments.

3. **State fiscal effect detail:** For information shown under state fiscal effect in 1A, please:

A. **Revenues:** Explain the revenue amounts. Provide detail, when appropriate, for each revenue type and fund affected and any amounts included in the executive budget.

N/A

B. **Expenditures:** Explain the expenditure amounts. Provide detail, when appropriate, for each agency, line item, and fund affected and the number of FTE positions affected.

See No. 2 above.

C. **Appropriations:** Explain the appropriation amounts. Provide detail, when appropriate, of the effect on the biennial appropriation for each agency and fund affected and any amounts included in the executive budget. Indicate the relationship between the amounts shown for expenditures and appropriations.

See No. 2 above.

Name:	Charles E. Johnson	Agency:	Insurance Department
Phone Number:	328-4984	Date Prepared:	02/18/2003

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10-11-03
 Date

FISCAL NOTE
 Requested by Legislative Council
 12/24/2002

Bill/Resolution No.: SB 2010

1A. **State fiscal effect:** Identify the state fiscal effect and the fiscal effect on agency appropriations compared to funding levels and appropriations anticipated under current law.

	2001-2003 Biennium		2003-2005 Biennium		2005-2007 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues						
Expenditures			\$1,704		\$1,704	
Appropriations			\$1,704		\$1,704	

1B. **County, city, and school district fiscal effect:** Identify the fiscal effect on the appropriate political subdivision.

2001-2003 Biennium			2003-2005 Biennium			2005-2007 Biennium		
Counties	Cities	School Districts	Counties	Cities	School Districts	Counties	Cities	School Districts

2. **Narrative:** Identify the aspects of the measure which cause fiscal impact and include any comments relevant to your analysis.

SB 2010 contains the appropriation for the Insurance Department. Section 8 of the bill amends the provision of the law which sets out the salary of the Insurance Commissioner. The Department estimates that the fiscal impact of Section 8 will be an increase in expenditures from the Insurance Regulatory Trust Fund of \$1,704, including salary and benefits, for each of the next two bienniums. This is the amount that exceeds the amount included in Section 1 for the Commissioner's salary and benefits.

3. **State fiscal effect detail:** For information shown under state fiscal effect in 1A, please:

A. **Revenues:** Explain the revenue amounts. Provide detail, when appropriate, for each revenue type and fund affected and any amounts included in the executive budget.

N/A

B. **Expenditures:** Explain the expenditure amounts. Provide detail, when appropriate, for each agency, line item, and fund affected and the number of FTE positions affected.

See No. 2 above.

C. **Appropriations:** Explain the appropriation amounts. Provide detail, when appropriate, of the effect on the biennial appropriation for each agency and fund affected and any amounts included in the executive budget. Indicate the relationship between the amounts shown for expenditures and appropriations.

See No. 2 above.

Cheresea J. Bee
 Operator's Signature

10-11-03
 Date

Name:	Charles E. Johnson	Agency:	Insurance Department
Phone Number:	328-2440	Date Prepared:	01/06/2003

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38033.0101
Title.0200
Fiscal No. 1

Prepared by the Legislative Council staff for
Senator Holmberg
February 10, 2003

JH3
2-12-03
1 of 2

PROPOSED AMENDMENTS TO SENATE BILL NO. 2010

Page 1, line 2, remove "; and to amend and reenact section 26.1-01-09 of the North Dakota Century"

Page 1, line 3, remove "Code, relating to the salary of the insurance commissioner"

Page 1, line 11, replace "4,754,936" with "4,703,228"

Page 1, line 12, replace "1,576,501" with "1,631,501"

Page 1, line 13, replace "6,900" with "6,900"

Page 1, remove line 14

Page 1, line 15, replace "11,642,337" with "6,341,629"

Page 1, line 19, remove "and identified as grants in section 1 of this Act"

Page 2, remove lines 20 through 26

Renumber accordingly

STATEMENT OF PURPOSE OF AMENDMENT:

Senate Bill No. 2010 - Summary of Senate Action

	EXECUTIVE BUDGET	SENATE CHANGES	SENATE VERSION
Insurance tax to fire departments			
Total all funds	\$5,304,000	\$0	\$5,304,000
Less estimated income	<u>5,304,000</u>	<u>0</u>	<u>5,304,000</u>
General fund	\$0	\$0	\$0
Insurance Department			
Total all funds	\$6,338,337	\$3,292	\$6,341,629
Less estimated income	<u>6,338,337</u>	<u>3,292</u>	<u>6,341,629</u>
General fund	\$0	\$0	\$0
Bill Total			
Total all funds	\$11,642,337	\$3,292	\$11,645,629
Less estimated income	<u>11,642,337</u>	<u>3,292</u>	<u>11,645,629</u>
General fund	\$0	\$0	\$0

Senate Bill No. 2010 - Insurance Department - Senate Action

	EXECUTIVE BUDGET	SENATE CHANGES	SENATE VERSION
Salaries and wages	\$4,754,936	(\$51,708)	\$4,703,228
Operating expenses	1,576,501	55,000	1,631,501
Capital assets	<u>6,900</u>	<u>0</u>	<u>6,900</u>
Total all funds	\$6,338,337	\$3,292	\$6,341,629
Less estimated income	<u>6,338,337</u>	<u>3,292</u>	<u>6,341,629</u>
General fund	\$0	\$0	\$0
FTE	45.50	0.00	45.50

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Yherosa J. Lee
Operator's Signature

10-14-03
Date

2 of 2

Dept. 401 - Insurance Department - Detail of Senate Changes

	REMOVES RECOMMENDED SALARY INCREASE 1	PROVIDES FUNDING FOR HEALTH INSURANCE MANDATE ANALYSES 2	TOTAL SENATE CHANGES
Salaries and wages	(\$51,708)		(\$51,708)
Operating expenses		\$55,000	55,000
Capital assets			
Total all funds	(\$51,708)	\$55,000	\$3,292
Less estimated income	(51,708)	55,000	3,292
General fund	\$0	\$0	\$0
FTE	0.00	0.00	0.00

1 This amendment removes the Governor's recommendation for state employee salary increases and retains the recommended state payment for health insurance.

2 This amendment provides funding of \$55,000 from special funds relating to the payment for cost-benefit analyses of 2005 Legislative Assembly measures mandating health insurance coverage. (North Dakota Century Code Section 54-03-28 requires these analyses.)

This amendment also removes the grants line item in Section 1 of the bill as introduced relating to making payments of insurance premiums to fire departments (\$5,200,000) and to the North Dakota Firefighter's Association (\$104,000) from the insurance tax distribution fund as the funding for these payments is also appropriated in Section 2 of the bill.

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Cheresea J. Free
Operator's Signature

10-14-03
Date

Date: 2/11/03
Roll Call Vote #: 1

2003 SENATE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. 2010

Senate Appropriations Committee

Check here for Conference Committee

Legislative Council Amendment Number 38033.0100

Action Taken do pass as amend

Motion Made By Mundburg Seconded By Bowman

Senators	Yes	No	Senators	Yes	No
Senator Holmberg, Chairman	✓				
Senator Bowman, Vice Chair	✓				
Senator Grindberg, Vice Chair	✓				
Senator Andrist	✓				
Senator Christmann	✓				
Senator Kilzer	✓				
Senator Krauter	✓				
Senator Kringstad	✓				
Senator Lindaas	✓				
Senator Mathern	✓				
Senator Robinson	✓				
Senator Schobinger	✓				
Senator Tallackson	✓				
Senator Thane	✓				

Total (Yes) 14 No 0

Absent 0

Floor Assignment Tallackson.

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

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Cheresea J. Bee
Operator's Signature

10-11-03
Date

REPORT OF STANDING COMMITTEE (410)
February 12, 2003 3:49 p.m.

Module No: SR-27-2480
Carrier: Tallackson
Insert LC: 38033.0101 Title: .0200

REPORT OF STANDING COMMITTEE

SB 2010: Appropriations Committee (Sen. Holmberg, Chairman) recommends AMENDMENTS AS FOLLOWS and when so amended, recommends DO PASS (14 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING). SB 2010 was placed on the Sixth order on the calendar.

Page 1, line 2, remove "; and to amend and reenact section 26.1-01-09 of the North Dakota Century"

Page 1, line 3, remove "Code, relating to the salary of the Insurance commissioner"

Page 1, line 11, replace "4,754,936" with "4,703,228"

Page 1, line 12, replace "1,576,501" with "1,631,501"

Page 1, line 13, replace "6,900" with "6,900"

Page 1, remove line 14

Page 1, line 15, replace "11,642,337" with "6,341,629"

Page 1, line 19, remove "and identified as grants in section 1 of this Act"

Page 2, remove lines 20 through 26

Renumber accordingly

STATEMENT OF PURPOSE OF AMENDMENT:

Senate Bill No. 2010 - Summary of Senate Action

	EXECUTIVE BUDGET	SENATE CHANGES	SENATE VERSION
Insurance tax to fire departments			
Total all funds	\$5,304,000	\$0	\$5,304,000
Less estimated income	<u>5,304,000</u>		<u>5,304,000</u>
General fund	\$0	\$0	\$0
Insurance Department			
Total all funds	\$6,338,337	\$3,292	\$6,341,629
Less estimated income	<u>6,338,337</u>	<u>3,292</u>	<u>6,341,629</u>
General fund	\$0	\$0	\$0
Bill Total			
Total all funds	\$11,642,337	\$3,292	\$11,645,629
Less estimated income	<u>11,642,337</u>	<u>3,292</u>	<u>11,645,629</u>
General fund	\$0	\$0	\$0

Senate Bill No. 2010 - Insurance Department - Senate Action

	EXECUTIVE BUDGET	SENATE CHANGES	SENATE VERSION
Salaries and wages	\$4,754,936	(\$51,708)	\$4,703,228
Operating expenses	1,676,501	55,000	1,631,501
Capital assets	<u>6,900</u>		<u>6,900</u>
Total all funds	\$6,338,337	\$3,292	\$6,341,629
Less estimated income	<u>6,338,337</u>	<u>3,292</u>	<u>6,341,629</u>
General fund	\$0	\$0	\$0

(2) DESK, (3) COMM

Page No. 1

SR-27-2480

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Cherisea J. Lee
Operator's Signature

10-14-03
Date

REPORT OF STANDING COMMITTEE (410)
February 12, 2003 3:49 p.m.

Module No: SR-27-2480
Carrier: Tallackson
Insert LC: 38033.0101 Title: .0200

FTE 45.50 0.00 45.50

Dept. 401 - Insurance Department - Detail of Senate Changes

	REMOVES RECOMMENDED SALARY INCREASE 1	PROVIDES FUNDING FOR HEALTH INSURANCE MANDATE ANALYSES 2	TOTAL SENATE CHANGES
Salaries and wages	(\$51,708)		(\$51,708)
Operating expenses		\$55,000	55,000
Capital assets			
Total all funds	(\$51,708)	\$55,000	\$3,292
Less estimated income	<u>(51,708)</u>	<u>55,000</u>	<u>3,292</u>
General fund	\$0	\$0	\$0
FTE	0.00	0.00	0.00

¹ This amendment removes the Governor's recommendation for state employee salary increases and retains the recommended state payment for health insurance.

² This amendment provides funding of \$55,000 from special funds relating to the payment for cost-benefit analyses of 2005 Legislative Assembly measures mandating health insurance coverage. (North Dakota Century Code Section 54-03-28 requires these analyses.)

This amendment also removes the grants line item in Section 1 of the bill as introduced relating to making payments of insurance premiums to fire departments (\$5,200,000) and to the North Dakota Firefighter's Association (\$104,000) from the insurance tax distribution fund as the funding for these payments is also appropriated in Section 2 of the bill.

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Yvonne A. Bee
 Operator's Signature

10-14-03
 Date

2003 HOUSE APPROPRIATIONS

SB 2010

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Cherese J. Bee
Operator's Signature

10-14-03
Date

2003 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. SB 2010

House Appropriations Committee
Government Operations Division

Conference Committee

Hearing Date March 13, 2003

Tape Number	Side A	Side B	Meter #
1	xx		

Committee Clerk Signature *Kelly Schmidt*

Minutes:

Jim Poolman, Insurance Commissioner shared written testimony in support of SB 2010.

His department has seen a significant increase in premiums throughout the state. On average the increases have been 20-30%. We still have a competitive market in homeowners insurance in ND. We need a turnaround in the investment market. In response to a question from Rep.

Glassheim he advised the committee the uninsured population is approximately 11% in the health insurance market. This is well below the national average. For every 5% in premium, a portion of that goes to risk of the uninsured. 28 companies have withdrawn from the market, there has been a gravitation to CHAND.. Some companies are removing from specific markets completely.

Rep. Carlson Is your department part of the incentive pay program?

Commissioner Poolman The Senate has expanded the current law bonus program. In current law bonuses were not available to non-classified staff, no managerial and then only 10% of the

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Yvonne A. Lee
Operator's Signature

10-14-03
Date

Page 2
Government Operations Division
Bill/Resolution Number SB 2010
Hearing Date March 13, 2003

remaining staff. We would like to see a broader bill allow flexibility. The money was from our internal savings within our own budget. We are doing for with less.

Rep. Carlson Is it rolled up money from unfilled positions?

Comm. Poolman Yes, In our 95% budget we gave up 2 FTE's, under the optional package the Governor returned those 2 FTE's. The training Officer II position would be filled, should HB 1231 be passed. The money for the vacant positions is in the Governor budget, it would not be new money. He will provide a written response to the State Bonding issue. Regarding the testing of Anhydrous Ammonia, our dept. Spends \$75,000/biennium for 2 FTE's. The rules for the pilot program in the tank locking program would be implemented through the AG office. The insurance dept. Does these inspections because the boiler inspectors are also located in the this department. He mention the Senate removed \$190,000 of the tank fund to be replace in another line item. That wasn't replaced to the budget. His department does not have statutory enforcement.

Rep. Carlson asked it the implementation of the Fraud Unit would reduce insurance premiums.

Comm. Poolman a written response will follow. The Coalition against Insurance Fraud Costs Consumers nationwide.

Lois Hartman Executive Director of the ND Firefighters Assn. Requested the name be changed From Fireman to Firefighter. The change has been made within the Century Code and just Remains in this bill. She also voiced support of SD 2010.

Hearing no further comments the hearing was closed.

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Cherissa J. Bee
Operator's Signature

10-14-03
Date

2003 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. SB 2010

House Appropriations Committee
Government Operations Division

Conference Committee

Hearing Date March 21, 2003

Tape Number	Side A	Side B	Meter #
1	xx		
Committee Clerk Signature <i>Kelly Schmidt</i>			

Minutes: **Committee Work**

General Discussion was held regarding the Insurance Department budget, all requests have been included in Amendment 38033.0201 and are noted on the "green" sheet.

OMB noted an increase has been made for the insurance department share of the anhydrous ammonia storage inspection, this came from the Ag budget. They have only received \$75,000 their costs were actually 2.5 times that amount (see line 14)

A DO PASS ON AMENDMENT 38033.0201 was moved by Rep. Carlson, second by Rep.

Thoreson, ROLL CALL VOTE 7 yes 0 no 2 absent (Koppelman, Glassheim)

Motion Carries.

Rep. Carlson made a DO PASS AS AMENDED ON SB 2010, second by Rep. Kroeber,

ROLL CALL VOTE 7 yes 0 no 2 absent (Koppelman, Glassheim) motion carries.

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Cheresea J. Bee
Operator's Signature

10-14-03
Date

2003 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. SB 2010

House Appropriations Committee

Conference Committee

Hearing Date 03-27-03

Tape Number	Side A	Side B	Meter #
1	X		0.0 - 19.2

Committee Clerk Signature *Chris S. Svedjan*

Minutes:

Chairman Svedjan Opens SB 2010 for discussion. A quorum was present.

Rep. Timm Introduced the budget. I move to adopt amendment .0201 to SB 2010. 2nd by **Rep. Carlisle**.

Rep. Carlisle You'll track this with HB 1231? That bill has money in the Insurance Commissioner's budget for fraud detection.

Rep. Kerzman On the Petroleum Tank Release Fund, how much activity is in there?

Rep. Timm Quite a bit.

Rep. Carlisle 5,690 tanks are underground yet.

Rep. Kerzman What is the time period to upgrade these tanks?

Rep. Timm I'm not sure.

Rep. Aarsvold The ammonia fee increased from \$75 to \$175. Where is that shown?

Rep. Timm I'm not sure.

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Yvonne A. Bee
Operator's Signature

10-14-03
Date

Page 2
House Appropriations Committee
Bill/Resolution Number SB 2010
Hearing Date 03-27-03

Rep. Skarphol In the amendment, on page 2 line 14; of the total, they'll spend an extra \$100,000 in the special ammonia fund.

Rep. Duane Dekrey There is no money for locking devices.

Rep. Aarsvold The ammonia storage fund is to check the big tanks.

Rep. Wald Aren't those done by the state?

Motion Carries.

Rep. Timm I move a Do Pass As Amended. 2nd by Rep. Carlson. Motion Carries 21-0-2.

Rep. Timm will carry this bill on the floor.

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Cheresea J. Lee
Operator's Signature

10-14-03
Date

2003 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. SB 2010

House Appropriations Committee

Conference Committee

Hearing Date 03-31-03

Tape Number	Side A	Side B	Meter #
2		X	3.0 - 3.5
Committee Clerk Signature <i>Chris S. Nye</i>			

Minutes:

Chairman Svedjan Opened SB 2010 for discussion. A quorum was present.

Rep. Timm I move to Reconsider. 2nd by **Rep. Carlisle**.

Rep. Timm I move amendment .0202 to SB 2010. 2nd by **Rep. Carlisle**.

Motion Carries.

Rep. Timm I move a Do Pass As Amended. 2nd by **Rep. Skarphol**. Motion Carries 21-1-1.

Rep. Timm will carry this bill.

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Yvonne A. Bee
Operator's Signature

10-14-03
Date

38033.0201
Title.0300
Fiscal No. 1

Prepared by the Legislative Council staff for
House Appropriations - Government
Operations

March 21, 2003

House Amendments to Engrossed SB 2010 - Appropriations Committee 03/27/2003

Page 1, line 11, replace "1,631,501" with "1,781,501"

Page 1, line 13, replace "6,341,629" with "6,491,629"

Page 1, line 15, replace "FIREMEN'S" with "FIREFIGHTER'S"

Page 1, line 20, replace "firemen's" with "firefighter's"

House Amendments to Engrossed SB 2010 - Appropriations Committee 03/27/2003

Page 2, line 14, replace "\$75,000" with "\$175,000"

Renumber accordingly

STATEMENT OF PURPOSE OF AMENDMENT:

Senate Bill No. 2010 - Summary of House Action

	EXECUTIVE BUDGET	SENATE VERSION	HOUSE CHANGES	HOUSE VERSION
Insurance tax to fire departments				
Total all funds	\$5,304,000	\$5,304,000	\$0	\$5,304,000
Less estimated income	<u>5,304,000</u>	<u>5,304,000</u>		<u>5,304,000</u>
General fund	\$0	\$0	\$0	\$0
Insurance Department				
Total all funds	\$6,338,337	\$6,341,629	\$150,000	\$6,491,629
Less estimated income	<u>6,338,337</u>	<u>6,341,629</u>	<u>150,000</u>	<u>6,491,629</u>
General fund	\$0	\$0	\$0	\$0
Bill Total				
Total all funds	\$11,642,337	\$11,645,629	\$150,000	\$11,795,629
Less estimated income	<u>11,642,337</u>	<u>11,645,629</u>	<u>150,000</u>	<u>11,795,629</u>
General fund	\$0	\$0	\$0	\$0

Senate Bill No. 2010 - Insurance Tax to Fire Departments - House Action

This amendment amends Section 2 of the bill to refer to the North Dakota Firefighter's Association instead of the North Dakota Firemen's Association.

Senate Bill No. 2010 - Insurance Department - House Action

	EXECUTIVE BUDGET	SENATE VERSION	HOUSE CHANGES	HOUSE VERSION
Salaries and wages	\$4,764,936	\$4,703,228		\$4,703,228
Operating expenses	1,576,501	1,631,501	\$150,000	1,781,501
Capital assets	<u>6,900</u>	<u>6,900</u>		<u>6,900</u>
Total all funds	\$6,338,337	\$6,341,629	\$150,000	\$6,491,629
Less estimated income	<u>6,338,337</u>	<u>6,341,629</u>	<u>150,000</u>	<u>6,491,629</u>
General fund	\$0	\$0	\$0	\$0
FTE	45.50	45.50	0.00	45.50

Dept. 401 - Insurance Department - Detail of House Changes

	INCREASES FUNDING FOR OPERATING EXPENSES ¹	TOTAL HOUSE CHANGES
Salaries and wages		
Operating expenses	\$150,000	\$150,000
Capital assets		
Total all funds	\$150,000	\$150,000
Less estimated income	<u>150,000</u>	<u>150,000</u>
General fund	\$0	\$0
FTE	0.00	0.00

¹ This amendment increases funding for operating expenses by \$150,000 of special funds, from \$1,631,501 to \$1,781,501, for marketing efforts associated with the Insurance Commissioner's fraud unit established in 2003 House Bill No. 1231.

This amendment also changes the amount of administrative costs allocated to the anhydrous ammonia storage facility inspection fund from \$75,000 to \$175,000 to provide necessary funding for costs associated with the Insurance Commissioner's activities.

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Yherosa J. Bee
Operator's Signature

10-14-03
Date

Date:03-21-03
Roll Call Vote Number #

2003 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. SB 2010

House Appropriations: Government Operations Division Committee

Check here for Conference Committee

Legislative Council Amendment Number 38033.0201

Action Taken Do Pass on amendment

Motion Made By Rep. Carlson Seconded By Rep. Skarphol

Representatives	Yes	No	Representatives	Yes	No
Chairman Carlisle	x				
Vice Chairman Carlson	x				
Rep. Koppelman					
Rep. Skarphol	x				
Rep. Thoreson	x				
Rep. Timm	x				
Rep. Glassheim					
Rep. Kroeber	x				
Rep. Warner	x				

Total (Yes) 7 No 0

Absent 2
Glassheim/Koppelman

Floor Assignment Carlson

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

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Yuberena J. Free
Operator's Signature

10-14-03
Date

Date:03-21-03
Roll Call Vote Number #7

2003 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. SB 2010

House Appropriations: Government Operations Division Committee

Check here for Conference Committee

Legislative Council Amendment Number 38033.0201

Action Taken Do Pass as Amended

Motion Made By Rep. Carlson Seconded By Rep. Kroeber

Representatives	Yes	No	Representatives	Yes	No
Chairman Carlisle	x				
Vice Chairman Carlson	x				
Rep. Koppelman					
Rep. Skarphol	x				
Rep. Thoreson	x				
Rep. Timm	x				
Rep. Glassheim					
Rep. Kroeber	x				
Rep. Warner	x				

Total (Yes) 7 No 0

Absent 2
Koppelman/Glassheim

Floor Assignment Rep. Timm

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

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Y. H. ...
Operator's Signature

10-14-03
Date

REPORT OF STANDING COMMITTEE

SB 2010, as engrossed: Appropriations Committee (Rep. Svedjan, Chairman) recommends AMENDMENTS AS FOLLOWS and when so amended, recommends DO PASS (21 YEAS, 1 NAY, 1 ABSENT AND NOT VOTING). Engrossed SB 2010 was placed on the Sixth order on the calendar.

Page 1, line 10, replace "4,703,228" with "4,698,378"

Page 1, line 11, replace "1,631,501" with "1,781,501"

Page 1, line 13, replace "6,341,629" with "6,486,779"

Page 1, line 15, replace "FIREMEN'S" with "FIREFIGHTER'S"

Page 1, line 20, replace "firemen's" with "firefighter's"

Page 2, line 14, replace "\$75,000" with "\$175,000"

Renumber accordingly

STATEMENT OF PURPOSE OF AMENDMENT:

Senate Bill No. 2010 - Summary of House Action

	EXECUTIVE BUDGET	SENATE VERSION	HOUSE CHANGES	HOUSE VERSION
Insurance tax to fire departments				
Total all funds	\$5,304,000	\$5,304,000	\$0	\$5,304,000
Less estimated income	5,304,000	5,304,000		5,304,000
General fund	\$0	\$0	\$0	\$0
Insurance Department				
Total all funds	\$6,338,337	\$6,341,629	\$145,150	\$6,486,779
Less estimated income	6,338,337	6,341,629	145,150	6,486,779
General fund	\$0	\$0	\$0	\$0
Bill Total				
Total all funds	\$11,642,337	\$11,645,629	\$145,150	\$11,790,779
Less estimated income	11,642,337	11,645,629	145,150	11,790,779
General fund	\$0	\$0	\$0	\$0

Senate Bill No. 2010 - Insurance Tax to Fire Departments - House Action

This amendment amends Section 2 of the bill to refer to the North Dakota Firefighter's Association instead of the North Dakota Firemen's Association.

Senate Bill No. 2010 - Insurance Department - House Action

	EXECUTIVE BUDGET	SENATE VERSION	HOUSE CHANGES	HOUSE VERSION
Salaries and wages	\$4,754,938	\$4,703,228	(\$4,850)	\$4,698,378
Operating expenses	1,576,501	1,631,501	150,000	1,781,501
Capital assets	6,900	6,900		6,900
Total all funds	\$6,338,337	\$6,341,629	\$145,150	\$6,486,779
Less estimated income	6,338,337	6,341,629	145,150	6,486,779
General fund	\$0	\$0	\$0	\$0

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Yvonnea J. Bee
Operator's Signature

10-14-03
Date

FTE 45.50 45.50 0.00 45.50

Dept. 401 - Insurance Department - Detail of House Changes

	REDUCES RECOMMENDED FUNDING FOR HEALTH INSURANCE 1	INCREASES FUNDING FOR OPERATING EXPENSES 2	TOTAL HOUSE CHANGES
Salaries and wages	(\$4,850)		(\$4,850)
Operating expenses		\$150,000	150,000
Capital assets			
Total all funds	(\$4,850)	\$150,000	\$145,150
Less estimated income	<u>(4,850)</u>	<u>150,000</u>	<u>145,150</u>
General fund	\$0	\$0	\$0
FTE	0.00	0.00	0.00

1 This amendment reduces funding for state employee health insurance premiums from \$493 per month to \$488.70 per month.

2 This amendment increases funding for operating expenses by \$150,000 of special funds, from \$1,631,501 to \$1,781,501, for marketing efforts associated with the Insurance Commissioner's fraud unit established in 2003 House Bill No. 1231.

This amendment also changes the amount of administrative costs allocated to the anhydrous ammonia storage facility inspection fund from \$75,000 to \$175,000 to provide necessary funding for costs associated with the Insurance Commissioner's activities.

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Cheresea J. Lee
 Operator's Signature

10-14-03
 Date

2003 SENATE APPROPRIATIONS

CONFERENCE COMMITTEE

2010

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Cheresea J. Lee

Operator's Signature

10-14-03

Date

2003 SENATE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. SB 2010

Senate Appropriations Committee

Conference Committee

Hearing Date April 11, 2003

Tape Number	Side A	Side B	Meter #
#1	x		1460 - 2046
Committee Clerk Signature <i>Jan Hendrick</i>			

Minutes:

Senator Kilzer called the meeting to order (1460) for SB 2010. Department of Insurance. Roll was called. **Senator Kilzer, Senator Holmberg, Senator Tallackson, Rep. Timm, Rep. Carlisle, and Rep. Glassheim** were present.

Senator Kilzer asked **Rep. Timm** to explain the changes that were made in the House.

Rep. Timm (#1511) explained that the Insurance Commissioner asked the House to increase the amount of money he could spend for his fraud unit. The Insurance Department is funded by special funds, fees that are collected from the insurance companies. There are no general fund money in this budget. The House added \$150,000 of his special funds for efforts to market people about the fact that if they have a problem they can come to the Insurance Dept. and get it taken care of. The amendment also allotted an extra \$100,000 to the anhydrous ammonia storage facility inspection fund which the Insurance Dept. is in control of, which also is funded with

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10-14-03
Date

Page 2

Senate Appropriations Committee
Bill/Resolution Number SB 2010
Hearing Date March 11, 2003

special funds. The only other change was to change the name of the North Dakota Fireman's Association to the North Dakota Firefighter's Association.

Senator Kilzer asked **Rep. Timm** if the Insurance Commission why he didn't offer those amendments to the Senate first? **Rep. Timm** asked **Rep. Carlisle** to explain, who stated that there was another bill that created the fraud unit and had the funding and it got down to our committee and some of them took the money out, upon more review and talking to some folks it was felt that this fraud unit was very important, so when the budget was given to us, the House added the money in and to merge the two together. **Sandy Paulson** from OMB added that the bill was HB 1231, all the House did was to bring the dollars and language together. **Senator Tallackson** agreed with the House regarding the fraud unit. He stated that over 30% of a person's premium is for fraud and so it is a real problem. **Senator Holmberg** moved to have the Senate accede to the House amendments on SB 2010. Seconded by **Senator Tallackson**. Roll call vote was taken. Motion carried. 6 y 0 no and 0 absent and not voting.

With no other business, the conference committee on SB 2010 was ended.#2046.

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Yherosa J. Bee
Operator's Signature

10-14-03
Date

Date 4/11/03
 Roll Call Vote #: 1

2003 SENATE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. SB 2010

Senate APPROPRIATIONS Committee

Check here for Conference Committee

Legislative Council Amendment Number _____
 Action Taken Senate accede to House Amendments

Motion Made By Holmberg Seconded By Tallackson

Senators	Yes	No	Representatives	Yes	No
Senator Kilzer	✓		Representative Timm	✓	
Senator Holmberg	✓		Representative Carlisle	✓	
Senator Tallackson	✓		Representative Glassheim	✓	

Total (Yes) 6 No 0

Absent 0

Floor Assignment Sen Kilzer

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

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Cheresea J. Bee Operator's Signature 10-14-03 Date

REPORT OF CONFERENCE COMMITTEE (420)
April 11, 2003 11:51 a.m.

Module No: SR-66-7489

Insert LC: .

REPORT OF CONFERENCE COMMITTEE

SB 2010, as engrossed: Your conference committee (Sens. Kilzer, Holmberg, Tallackson and Reps. Timm, Carlisle, Glasshelm) recommends that the **SENATE ACCEDE** to the House amendments on SJ pages 1242-1243 and place SB 2010 on the Seventh order.

Engrossed SB 2010 was placed on the Seventh order of business on the calendar.

(2) DESK, (2) COMM

Page No. 1

SR-66-7489

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Date

2003 TESTIMONY

SB 2010

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Cherena J. Lee
Operator's Signature

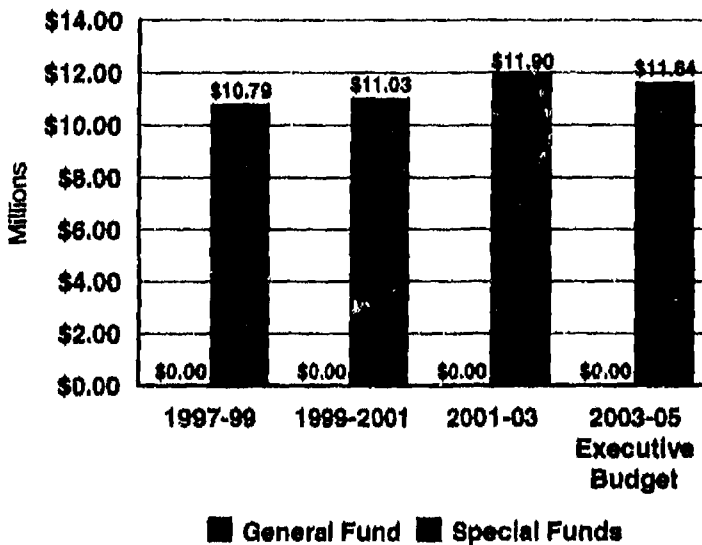
10-14-03
Date

**Department 401 - Insurance Commissioner, Including Insurance Tax Payments to Fire Departments
 Senate Bill No. 2010**

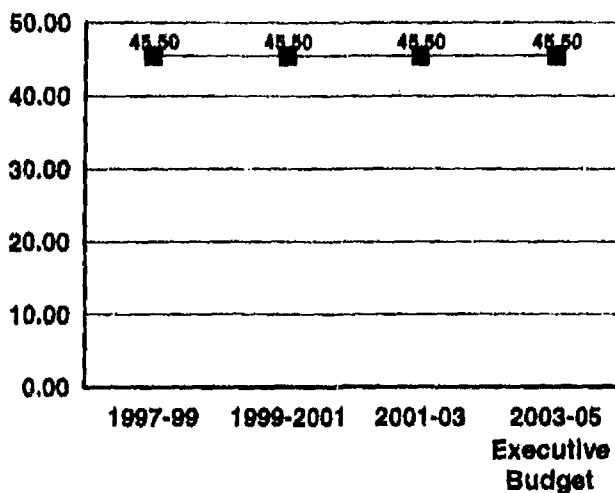
	FTE Positions	General Fund	Other Funds	Total
2003-05 Executive Budget	45.50	\$0	\$11,642,337	\$11,642,337
2001-03 Legislative Appropriations	45.50	0	11,898,773 ¹	11,898,773 ¹
Increase (Decrease)	0.00	\$0	(\$256,436)	(\$256,436)

¹ The 2001-03 appropriation amounts include \$19,375 of other funds for the agency's share of the \$5 million funding pool appropriated to the Office of Management and Budget for special market equity adjustments for classified employees.

Agency Funding



FTE Positions



First House Action

Attached is a summary of the first house changes.

**Executive Budget Highlights
 (With First House Changes Noted)**

	General Fund	Other Funds	Total
1. Removes one-time funding provided in the 2001-03 biennium relating to the study of evaluating health insurance coverage mandates		(\$250,000)	(\$250,000)
2. Removes funding relating to the payment for cost-benefit analyses of 2005 Legislative Assembly measures mandating health insurance coverage (North Dakota Century Code Section 54-03-28 requires these analyses). The Senate provided funding of \$55,000 from special funds for analyses required by Section 54-03-28.		(\$55,000)	(\$55,000)
3. Removes one-time funding provided in the 2001-03 biennium for remodeling (\$67,000) and adjusts funding for operating expenses, including a:		(\$235,672)	(\$235,672)
a. Decrease for professional services - \$83,000			
b. Decrease for office equipment under \$5,000 - \$80,051			
c. Increase for information technology equipment under \$5,000 - \$59,365			
d. Decrease for lease or rent of buildings and land - \$43,000			
e. Decrease for information technology software and supplies - \$27,024			
f. Decrease for information technology processing - \$23,399			

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10-14-03
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4. Provides funding for the development of an information technology imaging system \$62,522 \$62,522
5. Includes \$5,304,000 from the insurance tax distribution fund of which \$5.2 million is for insurance tax payments to fire departments and \$104,000 is for two equal payments to the North Dakota Firefighter's Association, the same level of funding provided for the 2001-03 biennium
6. Includes the statutory changes necessary to increase the commissioner's salary as follows:

Annual Salary Authorized by the 2001 Legislative Assembly

July 2001-December 2001 - \$64,742
 January 2002-June 2002 - \$66,684
 July 2002-June 2003 - \$68,018

Proposed Annual Salary Recommended in the 2003-05 Executive Budget

July 2003-December 2003 - \$68,018
 January 2004-December 2004 - \$68,696
 January 2005-June 2005 - \$70,070

The Senate removed funding for state employee salary increases and, therefore, the commissioner's salary will remain at \$68,018 for the 2003-05 biennium.

Major Related Legislation

Senate Bill No. 2010 - Administrative costs of special funds - Senate Bill No. 2010 provides for administrative costs allocated to the bonding fund, fire and tornado fund, unsatisfied judgment fund, and the petroleum tank release compensation fund. The following schedule provides information regarding the administrative costs allocated to each special fund. The decreases from the 2001-03 biennium will result in an increase of \$75,000 of insurance department administrative costs being provided from the insurance regulatory trust fund.

	2001-03 Biennium Legislative Appropriation	2003-05 Biennium Executive Recommendation	Increase (Decrease)
Bonding fund	\$67,431	\$35,000	(\$32,431)
Fire and tornado fund	\$831,145	\$813,576	(\$17,569)
Unsatisfied judgment fund	\$60,000	\$35,000	(\$25,000)
Petroleum tank release compensation fund	\$80,000	\$80,000	\$0

House Bill No. 1231 - Insurance fraud unit - This bill authorizes the Insurance Commissioner to establish an insurance fraud unit.

Other

Section 1 of Senate Bill No. 2010 should be amended as it appropriates \$5,304,000 from the insurance regulatory trust fund for making payments of insurance premiums to fire departments (\$5,200,000) and to the North Dakota Firefighter's Association (\$104,000) as the funding is also appropriated from the insurance tax distribution fund in Section 2 of the bill. (The Senate amended Section 1 of Senate Bill No. 2010 as necessary.)

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10-14-03
 Date

03/04/03

STATEMENT OF PURPOSE OF AMENDMENT:

Senate Bill No. 2010 - Funding Summary

	Executive Budget	Senate Changes	Senate Version
Insurance Tax to Fire Departments Grants	\$5,304,000		\$5,304,000
Total all funds	\$5,304,000	\$0	\$5,304,000
Less estimated income	5,304,000	0	5,304,000
General fund	\$0	\$0	\$0
FTE	0.00	0.00	0.00
Insurance Department Salaries and wages	\$4,754,936	(\$51,708)	\$4,703,228
Operating expenses	1,576,501	55,000	1,631,501
Capital assets	6,900		6,900
Total all funds	\$6,338,337	\$3,292	\$6,341,629
Less estimated income	6,338,337	3,292	6,341,629
General fund	\$0	\$0	\$0
FTE	45.50	0.00	45.50
Bill Total			
Total all funds	\$11,642,337	\$3,292	\$11,645,629
Less estimated income	11,642,337	3,292	11,645,629
General fund	\$0	\$0	\$0
FTE	45.50	0.00	45.50

Senate Bill No. 2010 - Insurance Tax to Fire Departments - Senate Action

This amendment also removes the grants line item in Section 1 of the bill as introduced relating to making payments of insurance premiums to fire departments (\$5,200,000) and to the North Dakota Firefighter's Association (\$104,000) from the insurance tax distribution fund as the funding for these payments is also appropriated in Section 2 of the bill.

Senate Bill No. 2010 - Insurance Department - Senate Action

	Executive Budget	Senate Changes	Senate Version
Salaries and wages	\$4,754,936	(\$51,708)	\$4,703,228
Operating expenses	1,576,501	55,000	1,631,501
Capital assets	6,900		6,900
Total all funds	\$6,338,337	\$3,292	\$6,341,629
Less estimated income	6,338,337	3,292	6,341,629
General fund	\$0	\$0	\$0
FTE	45.50	0.00	45.50

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10-14-03
Date

03/04/03

Department No. 401 - Insurance Department - Detail of Senate Changes

	Removes Recommended Salary Increase ¹ (\$51,708)	Provides Funding for Health Insurance Mandate Analyses ² 55,000	Total Senate Changes (\$51,708) 55,000
Salaries and wages			
Operating expenses			
Capital assets			
Total all funds	(\$51,708)	\$55,000	\$3,292
Less estimated income	(51,708)	55,000	3,292
General fund	\$0	\$0	\$0
FTE	0.00	0.00	0.00

¹ This amendment removes the Governor's recommendation for state employee salary increases and retains the recommended state payment for health insurance.

² This amendment provides funding of \$55,000 from special funds relating to the payment for cost-benefit analyses of 2005 Legislative Assembly measures mandating health insurance coverage. (North Dakota Century Code Section 54-03-28 requires these analyses.)

SB2010

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10-14-03
Date

Exhibit # 1
Bill SB 2010

North Dakota Insurance
Department



2003-2005 Budget Presentation
North Dakota Senate
Appropriations Committee
Senator Ray Holmberg, Chairman

Presented by:
Insurance Commissioner
Jim Poolman
January 8, 2003

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10-14-03
Date

INTRODUCTION TO SB 2010

Mr. Chairman and members of the Senate Appropriations Committee, I am pleased to appear before you today to review and discuss the provisions in SB 2010, which contains the executive recommendation for the budget of the North Dakota Insurance Department.

I plan to be very brief, covering the points I feel are necessary to make your deliberations on our budget as easy as possible. The Department staff looks forward, as I do, to working with all of you during this session, to answer your questions and be a resource for information, not only on our budget, but on any insurance issues you may deal with during your terms.

I will try to lay out in this written testimony; my thoughts on the future of the ND Insurance Department and how it relates to our budget for the next biennium.

We have included an organization chart of the department for your review (*appendix A*). From this organizational chart you will be able to tell the functions of the department, the staffing necessary to run the department, and how the department is organized.

CONSUMER PROTECTION

The North Dakota Insurance Department, first and foremost, is a consumer protection division. Virtually all our constituents are affected by the day to day activities of the Department.

North Dakota consumers deserve quality products at fair prices. They require an Insurance Department that will preserve the delicate balance of regulation versus competition. We intend to institute and maintain that balance by preserving proper consumer protections, while working to foster competition in the market place.

Our department protects consumers in many ways. We proactively review all rates and policies that insurance companies sell or wish to sell in the state of North Dakota. This is a very large job function for our department, and we want to make sure that our decisions are based on the best possible actuarial information available. We do not do the consumer justice if we approve premium rates or policy filings based solely on subjective information. We must maintain independent actuarial review of company filings if we are to adequately protect North Dakota consumers.

We have a toll-free consumer hotline where people from all over North Dakota can call to get help in working with their insurance company on a disputed claim. In fact, in the

year 2002, our hotline personnel logged 12,872 telephone calls. We also recorded 283 people who walked in to our office for help with their claims. Many of these claims can be solved with a phone call, but many can not. We have complaint investigation staff that researches more detailed complaints and will work with the consumers to get what is rightfully theirs. In 2002 the North Dakota Insurance Department retrieved over \$2.3 million in relief from insurance companies for North Dakota consumers. This is the highest amount of relief in 5 years!

As warranted, our Legal/Enforcement Division conducts market conduct examinations or initiates such enforcement proceedings as are necessary to protect our citizens, and to ensure that the competition that exists between agents and between companies remains fair.

THE INSURANCE INDUSTRY IN NORTH DAKOTA

North Dakota's insurance industry is very important in creating a prosperous economic landscape of our state. In 2001 the people of North Dakota paid over \$2.3 Billion in premiums for all types of insurance. This economic activity allowed the state to collect over \$22.4 million in premium taxes in 2001 and \$27.2 million in the year 2002 (*appendix B*). Please remember that these are dollars that are deposited in the general fund of North Dakota to provide the services of state government. The insurance premium tax accounts for approximately 2.5% of general fund revenues for the state.

The insurance industry in North Dakota has also made an economic impact to North Dakota families and businesses. In 2001, there was almost \$2.45 Billion paid out to North Dakotans in claims paid or benefits conferred. This is a very important point when you consider the number of dollars collected in premiums versus the number of dollars paid out to consumers.

This has been a very difficult time for the insurance industry and therefore, consumers in North Dakota. In June 2001 an almost quarter of a billion dollar hailstorm hit the Bismarck/Mandan area, and severe windstorms hit the eastern part of the state, including Grand Forks and Hillsboro. Tens of thousands of insurance claims were filed on homes, autos and commercial businesses. In fact, the average loss ratio for companies in the homeowner's line was 297%. This means that companies, on average, paid out almost 3 dollars for every dollar they collected in premium. Loss ratio's for homeowners companies has been over 100% for 8 out of the past 10 years (2002 excluded).

The list of catastrophic losses in North Dakota is long. Since 2001, North Dakota has seen approximately 10 property and casualty companies cease writing business in North Dakota. This has put a strain on the capacity of the companies that remain. In addition to the hail and windstorms, companies have suffered nationally from catastrophic losses and from the downturn in the economy. Companies have been forced to be more selective in which risks they choose to write and to slow their growth nationwide.

In the face of this adversity I remain optimistic for the future of insurance in North Dakota. The lack of catastrophic losses in 2002 has helped those companies that chose to remain in the state. With another year of good weather, we should see competition continue to thrive again in the North Dakota marketplace.

In other lines of insurance we have witnessed changes. The nation's largest medical malpractice insurance provider, the St. Paul Co. withdrew nationally from the malpractice insurance market. We are pleased to report that we have searched for companies to replace them, and we have recently approved 2 new carriers to do business in North Dakota to write medical malpractice policies.

Similarly, nationwide, a number of large health insurance carriers have withdrawn from the health insurance marketplace. Across the country, premiums have increased for the companies that remain, due to rising healthcare costs. We are pleased to say that rates have not increased in North Dakota as dramatically as in many other states. Also, recent reports show the uninsured population has dropped in North Dakota by approximately 2 percent. Fostering a competitive health insurance marketplace in North Dakota remains a top priority of my department.

In North Dakota, the regulated parties directly support the finances of the Insurance Department. The North Dakota Insurance Department operates with funding from the Insurance Regulatory Trust Fund. This fund is composed of dollars paid for by license fees collected from agents, agencies, and companies.

At the end of each fiscal year, any amount remaining in the Insurance Regulatory Trust fund that exceeds \$1 million is transferred into the general fund. In the fiscal years ending in 2001 and 2002 the Department transferred to the general fund an additional \$1.36 million and \$1.28 million respectively.

ACCOMPLISHMENTS AND INITIATIVES

In 2001 the North Dakota Insurance Department went through a comprehensive strategic management process. This process not only considered the department internally, but also considered the department's effect on the marketplace, and of course, consumer protection. We implemented a goal setting process for our department employees. These specific goals are used in determining outcomes for performance measurement. This gives employees certain "tangibles" in determining their performance, and allows the management and employees to work together in charting the course for the department to best help the marketplace and consumers of North Dakota.

The strategic management process also allowed us to find internal efficiencies within the Department. It is very important that the resources that are appropriated for our use are used as wisely as possible. We have combined some positions, reassigned tasks, created

automated systems, and will be continuing this process into the next biennium. A few examples of many successes related to our strategic management process include:

- 1) Integrated the Agent Licensing Division with the Producer Information Network and the Producer Database, which centralizes all systems for licensing producers, especially those that do business in multiple states (non-resident producers).
- 2) Developed a system to enable participation in the State Electronic Rate and Forms Filing program. This allows our department to get new products and rates to market faster in our regulatory environment.
- 3) Created a customer e-mail database to be used for dissemination of legal notices, bulletins, and other documents to reduce the volume and cost of mailing this information.
- 4) Reduced paper filings by foreign insurers who are organized in another state, permitting an automated annual filing that is accessible via national database.

Our strategic management plan has also allowed us to combine positions to achieve savings. We hope to utilize those positions with new programs to protect consumers and enhance the marketplace. We hope to add another market conduct examiner to monitor the conduct of insurance companies in the marketplace. We also will be introducing a fraud initiative in this session. This bill, if passed, will allow us to help investigate and prosecute those that commit insurance fraud. Because of the savings we have achieved in staffing of our department, we will be able to staff this new fraud unit without having to add any new FTE's to our budget. Some of these savings have resulted in vacant FTE's that were not filled during this current biennium because of Governor Hoeven's request to wait until the end of the biennium to realign the positions and fill them with our priorities. Even though this request was for general fund agencies, we have complied. (Appendix C).

While maintaining strong consumer protections, we have reviewed each and every Department Bulletin and weeded out those that did not provide an appreciable benefit to consumers. We have created product review checklists, which companies may follow when filing their products in North Dakota in a timelier manner. We have attempted to align our product-review requirements with those of the rest of the nation, so that companies can have some confidence that good products that are available in other states will be available in North Dakota. These efforts are good for the consumers of North Dakota.

The North Dakota Insurance Department also received their national accreditation from the National Association of Insurance Commissioners. North Dakota is one of the first states to be accredited for the third 5 year period. The accreditation process assures consumers that the North Dakota Insurance Department has met all the standards for effective financial regulation of insurance companies.

Yherosa J. Lee
Operator's Signature

10-14-03
Date

OTHER FUNCTIONS OF THE INSURANCE DEPARTMENT

Senior Health Insurance Counseling Program—The SHIC program is funded entirely by a grant from the federal government, the Senior Health Insurance Counseling Program, or SHIC, trains volunteers throughout the state to help senior citizens sort through confusing medical bills and insurance paperwork. About 82 volunteers from 29 communities, through 37 cooperating organizations, have been trained to help North Dakota seniors with complicated questions regarding their Medicare and health insurance issues. Since the program's inception in 1995, SHIC program volunteers have helped seniors save approximately \$1,500,000. The Department's budget request for 2003-2005 has 1 1/2 FTE's that would be federally funded for SHIC, which is consistent with prior budgets. During the last biennium, the program has grown with more volunteers and communities served, we expect more growth in the next biennium.

Fire and Tornado Fund, Inspection and other special programs--These are separate programs that have been assigned to the Insurance Department for management.

Fire and Tornado Fund--This fund insures buildings and contents belonging to North Dakota governmental entities and subdivisions. Created in 1919, the Fund today provides low-cost insurance for over 8,784 public buildings throughout the state with a combined insured value of \$5.3 billion. In last biennium (1999-2001), approximately 467 claims were received and processed.

State Bonding Fund--This Fund, established in 1919, provides a blanket fidelity bond for state agencies and political subdivisions providing coverage in the event of employee theft of property and money. Presently, nearly 2,910 bonds are in force with a total bonded amount of over \$564 million. The balance of the Bonding Fund as of 6/30/2002 was \$4,801,704. The minimum requirement for the fund is \$2.5 million. The Executive Recommendation is to transfer \$2 million to the General Fund.

Petroleum Tank Fund--The federal government requires all owners of underground petroleum tanks to show proof that they have the financial ability to clean up petroleum contamination resulting from a leak. 1,678 tank owners pay into the fund an annual registration fee for 5690 tanks and in return receive contamination clean-up coverage and third party liability coverage, thereby complying with federal requirements.

Boiler and Pressure Vessel Inspectors--This safety program ensures that all boilers in North Dakota are inspected every two years, with some inspections taking place on an annual basis. We also inspect new boilers for proper installation. Of the 8,600 boilers throughout the state, we inspect 4,644 and oversee the remaining 3,769 by their private insurance carrier.

Anhydrous Ammonia Facility Inspection--During the 1995 Legislative Session, an inspection program for anhydrous ammonia facilities was created and assigned to the Department. During 2001 and 2002 the Department inspected 112 and 114 bulk tanks, respectively. We also inspected approximately 1380 nurse tanks each year out of a total of 6900 nurse tanks.

Unsatisfied Judgment Fund--The Insurance Department carries out the operations of the Unsatisfied Judgment Fund. When a resident of North Dakota obtains a judgement for damages resulting from bodily injury to or death of a person which was caused by the use of a motor vehicle, and the judgment debtor has no assets with which to pay the judgment, the judgment creditor may apply to the court for an order directing payment from the Fund. This order can be for an amount of \$10,000 for the injury or death of one person, or \$20,000 for the injury or death of two or more persons.

EXECUTIVE BUDGET RECOMMENDATION

Section 1-- The North Dakota Insurance Department employees 45.5 FTE's. Currently 11 of those positions are designated to the special funds that the legislature has assigned to the Insurance Department for management. The rest serve the regulatory and administration functions of the department.

The executive budget recommendation contained in SB 2010 is virtually a no growth budget. It continues the same number (45.5) of FTE's as have been in the past several budgets. The salaries line item also includes the executive recommendation for compensation increases over the next biennium.

In the operating line item of our budget, there is a total decrease of \$180,050. These decreases were part of the 95% budget exercise request of Governor Hoeven. I went through and made reductions to several lines of the operating area including:

Data Processing (\$23,399)
Travel (\$12,045)
Software (\$27,024)
Postage (3,272)

Lease/Rent (\$43,000)
Operating Fees & Services (\$15,000)
Professional Services (\$83,000)*
Printing (\$12,000)
Office Equipment (\$80,051)

*Part of this decrease is due to a one time appropriation of \$67,000 to defray the expenses to part of a remodeling project to the Department's 5th floor Capitol offices.

There were also two increases to our operating line that included IT Contractual Services (\$3,754) and IT Equipment (\$59,365). These increases are due to the planned imaging system, to move towards a more paper free and efficient office.

Section 2--Section two provides the \$5.304 million appropriation for redistribution of a portion of the insurance premium tax to the local fire districts and the North Dakota Firemen's Association. (see Appendix D)

Sections 3, 4 5, 6, 7--These particular sections provide the source of funding for the special funds that the Insurance Department administers. The figures in these sections are also included in section 1. This biennium the executive recommendation includes \$75,000 from the anhydrous ammonia storing facility inspection fund to help defray costs for the inspections. The rest of the figures have been adjusted slightly from the previous biennium, but the total administrative expenses for the Insurance Department stay the same. In the past biennium the department has tracked the administrative expenses by fund to substantiate those minor changes.

Section 7--Provides for the new salary for the Commissioner

CONCLUSION

I look forward to answering your questions about our requested budget for the next biennium. We have some very challenging times ahead in the Insurance Department and with your support, we will be able to continue to protect consumers, promote competition within the industry and use the department's resources sparingly and as wisely as possible. This is "essentially" a no-growth budget, and has been for several years. Our requested budget will allow for flexibility to make necessary efficiency changes, and provide better services to the people of North Dakota. We are grateful for your time. My staff and I very much look forward to working with all of you.

7

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Yvonne A. Bee
Operator's Signature

10-14-03
Date

NORTH DAKOTA INSURANCE DEPARTMENT

Commissioner
Jim Poolman

Deputy Commissioner, Doug Holloway
Administrative Assistant, Jan Steinle

Legal/Enforcement Division	Consumer Protection Property/Casualty Division	Consumer Protection Life/Health Division and Senior Health Insurance Counseling Program	Examinations And Company Licensing Division
General Counsel, Chuck Johnson Legal Counsel Market Conduct Examiner Legal Assistant, Nancy Brady	Sr. Analyst & Director, Larry Maslowski Rate and Form Analyst, Jim Anderson Actuary, Mike Andring Complaint Investigator, Kathy Wolf	Life/Health Actuary/Division Director, Mike Fix Rate and Form Analyst, Vance Magnuson Rate and Form Analyst, Yuri Venjohn Rate and Form Analyst, Dean Bushee Senior Health Insurance Counseling Program Director, Bill Lardy Hotline Specialist, Marion Price Complaint Investigation/Hotline Specialist, Cydra Sauter	Chief Examiner & Director, Carole Kessel Sr. Examiner, David Weiss Examiner, Rhoda Sautner Financial Analyst, Tim Hill Company Licensing Administrator, Leona Ziegler
Agent Licensing & Investigation Division	Administration Division	Special Funds Division	
Director of Agent Licensing and Investigations, Laurie Wolf Agent Licensing Specialist/Continuing Education Coordinator, Shauna Greff Agent Licensing Specialist, Peggy Brintnell Agent Licensing Specialist, Steph Butz Agent Licensing Specialist, Renae Vaith	Business Manager, Human Resources Director, Jodee Buhr Accountant, Ken Rood Computer Programmer/Operator, Laurie Scully Receptionist, Margo Huber Mail Clerk, Shelly Weisz Division Clerk, Jan Wolf Backup, Renae Vaith	State Insurance Programs Manager, Jeff Bitz Underwriter, Barbara Mehlhoff Appraiser & Claims, Lee Lunde Secretary/Receptionist, Sharon Gross Chief Boiler/Anhydrous Ammonia Inspector, Bob Reetz Boiler/Anhydrous Ammonia Inspector, Nicole Fowler Boiler/Anhydrous Ammonia Inspector, Delton Doll Administrative Clerk, Janel Frenzel	

12/20/2002

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Operator's Signature
Jim Poolman

DATE
12-17-03

2001 WRITTEN PREMIUMS AND PAID LOSSES IN NORTH DAKOTA

	Written Premiums	Paid Losses/Benefits
Property Casualty: All Lines (incl A&H Business written by P&C Industry)	\$ 867,868,520	\$ 943,933,911
Life & Health: Life Insurance		Death benefits: \$ 89,320,522 Matured Endowments: \$ 904,666 Annuity benefits: \$ 109,713,203 Surrender Values: \$ 654,158,178 Other: \$ 6,971,256 \$ 861,067,825
Life Premiums: \$ 214,577,422 Annuity Premiums*: \$ 317,906,622 Other: \$ 146,575,936 \$ 679,059,980		
Life & Health: A&H	\$ 167,425,922	\$ 117,649,339
North Dakota Fraternal Orders: Life Insurance		Death benefits: \$ 14,612,769 Matured Endowments: \$ 291,185 Annuity benefits: \$ 17,864,552 Surrender Values: \$ 22,493,418 Other: \$ 211,697 \$ 55,473,621
Life Premiums: \$ 37,571,493 Annuity Premiums: \$ 25,180,970 Other: \$ 6,369,924 \$ 69,122,387		
North Dakota Fraternal Orders: A&H	\$ 8,101,251	\$ 3,377,331
Title insurance	\$ 3,439,960 *	\$ 23,785
County Mutuals: All Lines	\$ 6,539,155	\$ 3,731,487
Noridian	\$ 519,313,538	\$ 444,321,510
HMDIs & HMOs	\$ 29,744,424	\$ 25,140,102
GRAND TOTAL	\$ 2,350,615,137	\$ 2,454,718,911

* Premium shown for Title Insurance is Earned Premium

PREM2001Test.xls

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Operator's Signature *[Signature]* 10-11-03
Date

APPENDIX—C
Vacant Positions

Position #18

Class Title: Public Info Spec III. Salary and fringe benefits included in the Executive Recommendation \$90,352. This position became vacant in March of 2002. After initially opening the position up for applications Governor Hoeven requested general fund agencies to voluntarily wait to fill positions. This position will be filled, but wanted to comply with Governor Hoeven's request, even though we are a special fund agency.

Position #20

Class Title: Insurance Investigator I. Salary and fringe benefits included in the Executive Recommendation \$82,543. This position is an example of the combining of positions. The duties of this position have been combined with another position. The Department would request that we be allowed to retain the position to potentially accommodate other duties of the department.

Position #22

Class Title: Market Conduct Examiner (non-classified). Salary and benefits included in the Executive Recommendation \$111,209. This position was vacated in November of 2002. The Department has advertised and is accepting applications to fill the position.

Position #33

Class Title: Attorney. Salary and benefits included in the Executive Recommendation \$111,209. The position was vacated in November of 2002. The Department has advertised and is accepting applications to fill the position.

Position #40

Class Title: Training Officer III (Senior Health Insurance Counseling Program Director). Salary and benefits included in the Executive Recommendation \$111,739. The original position was vacated in September of 2001. The Senior Health Insurance Counseling Program Director position was filled by a current employee. The duties the employee previously had were combined with another position. The Department requests the ability to re-classify the position to staff the Department's pending fraud unit (Introduced in a pending House Bill).

Position #42

Class Title: Deputy Boiler Inspector. Salary and Benefits included in the Executive Recommendation \$97,687. The position was vacated in July of 2000. We would ask that the Department be given the opportunity to reclassify the position to potentially add another market conduct examiner to the Department.

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Yvonnea J. Lee
Operator's Signature

10-14-03
Date

APPENDIX D

PAYMENT TO FIRE DISTRICTS

<u>District</u>	<u>2001 Premium</u>	<u>2002 Payment</u>
Hazen Fire Dept	\$ 551,995	\$ 6,784.17
Hazen F/P Dist	\$ 245,783	\$ 3,020.74
Bismarck Fire Dept	\$ 13,016,788	\$ 159,979.97
Bismarck F/P Dist	\$ 1,745,241	\$ 21,449.50
Fargo	\$ 24,622,123	\$ 302,612.79
Bowman Fire Dept	\$ 482,005	\$ 5,923.98
Bowman Rural Fire Dept	\$ 433,742	\$ 5,330.81
Crosby Fire Dept	\$ 283,647	\$ 3,486.10
Crosby Rural Fire Dept	\$ 228,415	\$ 2,807.28
Regent F/P District	\$ 635,395	\$ 7,809.18
Grand Forks Fire Dept	\$ 11,937,922	\$ 146,720.40
Wahpeton Fire Dept	\$ 1,929,017	\$ 23,708.16
Minot Fire Dept	\$ 7,598,044	\$ 93,382.09
Minot F/P Dist	\$ 1,525,040	\$ 18,743.17
Grafton Fire Dept	\$ 983,131	\$ 12,082.96
Grafton F/P Dist	\$ 963,083	\$ 11,836.56
Mayville Fire Dept	\$ 670,668	\$ 8,242.70
Valley City Fire Dept	\$ 1,896,069	\$ 23,303.22
Valley City Rural Fire	\$ 807,245	\$ 9,921.27

** Payments to fire districts are made using the previous year's premium data.

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Cherisea J. Bee
Operator's Signature

10-14-03
Date

DEPARTMENT OF INSURANCE
STATE OF NORTH DAKOTA

Jim Poolman
Commissioner of Insurance

*Put with
2010*

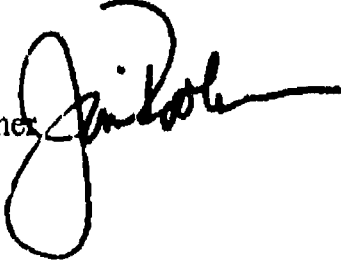
MEMORANDUM

To: Senate Appropriations Committee,
Senator Ray Holmberg, Chairman

From: Jim Poolman, Insurance Commissioner

Re: Senate Bill 2010

Date: January 16, 2003



As you may be aware, North Dakota Century Code section 54-03-28, in its current form and as may be amended by SB 2029, which has been referred to the Senate Human Services Committee, requires the Insurance Department to finance any cost-benefit studies requested by Legislative Counsel on health insurance mandate bills. Mandates are those in which benefits are required by law to be covered in all health insurance policies in North Dakota.

When the law was enacted last session, the Legislature appropriated \$55,000 to the Insurance Department to finance mandate studies arising during the 2003 Legislative Session.

Our current Appropriations Bill, SB 2010, failed to include an appropriation for mandate studies conducted next biennium. At the time our appropriations bill was drafted, the future of the Mandate Study law was uncertain. It appears, however, at the present time, there is no intention to repeal or otherwise amend NDCC § 54-03-28 so as to remove the Insurance Department funding requirement of future mandate studies. As such, an appropriation would be needed to finance mandate studies as required by 54-03-28. This appropriation could be included in SB 2010 or in SB 2029. The appropriation for the current biennium was \$55,000.

I look forward to working with you on this and other issues during the legislative session.

600 EAST BOULEVARD DEPT 401 • BISMARCK, ND 58505-0320 • (701) 328-2440 • FAX (701) 328-4880
Consumer Hotline: 1-800-247-0560 • Relay North Dakota 1-800-366-6888 (TTY)
insuranc@state.nd.us

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Yherosa A. Bee
Operator's Signature

10-14-03
Date



DEPARTMENT OF INSURANCE
STATE OF NORTH DAKOTA

Jim Poolman
Commissioner of Insurance

January 15, 2003

Senator Aaron Krauter
North Dakota State Senate Chambers
Bismarck, ND 58505

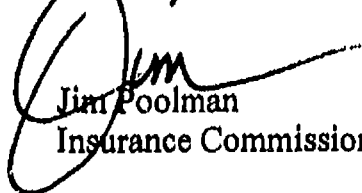
Dear Senator Krauter:

During my presentation to the Senate Appropriations Committee on January 8, 2003, I commented on the Executive Budget recommendation to transfer \$2,000,000 from the State Bonding Fund to the General Fund in 2003-2005, which would leave us with a reserve balance of approximately \$2,800,000. I indicated that I felt fairly confident that we would not deplete the Fund below the minimum reserve amount of \$2,500,000, at which time would trigger the collection of premiums (NDCC 26.1-21-09), but certainly could not guarantee it.

You asked if the Insurance Department had ever made any transfers from the State Bonding Fund to the General Fund in the past. We were not certain, but have since reviewed the files and have not found record of any transfer being made from this fund. Sheila Peterson, Director of OMB Fiscal Management, also informed us that their office does not have anything on record, nor does she remember any transfers made from this Fund. Our Records Retention Policy restricts us from maintaining files more than six years, but we believe there have been no premiums collected for this fund since 1953.

If you have any further questions regarding this subject, or any other subject, please feel free to call upon me or any member of my staff.

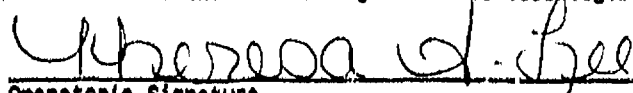
Sincerely,


Jim Poolman
Insurance Commissioner

Cc: Senate Appropriation Committee Members

600 EAST BOULEVARD DEPT 401 • BISMARCK, ND 58505-0320 • (701) 328-2440 • FAX (701) 328-4880
Consumer Hotline: 1-800-247-0560 • Relay North Dakota 1-800-366-6888 (TTY)
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Operator's Signature

10-14-03
Date

North Dakota Insurance
Department



*With the
exception of
the following*

pages

same

testimony

given

to

House

as to

same

2003-2005 Budget Presentation

**North Dakota House
Government Operations Division,
Appropriations Committee**

Rep. Ron Carlisle, Chairman

Presented by:

Insurance Commissioner

Jim Poolman

March 13, 2003

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Y. Poolman
Operator's Signature

10-14-03
Date

OTHER FUNCTIONS OF THE INSURANCE DEPARTMENT

Senior Health Insurance Counseling Program—The SHIC program is funded entirely by a grant from the federal government, the Senior Health Insurance Counseling Program, or SHIC, trains volunteers throughout the state to help senior citizens sort through confusing medical bills and insurance paperwork. About 82 volunteers from 29 communities, through 37 cooperating organizations, have been trained to help North Dakota seniors with complicated questions regarding their Medicare and health insurance issues. Since the program's inception in 1995, SHIC program volunteers have helped seniors save approximately \$1,500,000. The Department's budget request for 2003-2005 has 1 1/2 FTE's that would be federally funded for SHIC, which is consistent with prior budgets. During the last biennium, the program has grown with more volunteers and communities served, we expect more growth in the next biennium.

Fire and Tornado Fund, Inspection and other special programs--These are separate programs that have been assigned to the Insurance Department for management.

Fire and Tornado Fund--This fund insures buildings and contents belonging to North Dakota governmental entities and subdivisions. Created in 1919, the Fund today provides low-cost insurance for over 8,784 public buildings throughout the state with a combined insured value of \$5.3 billion. So far in this biennium (2001-2003), approximately 467 claims were received and processed. Last biennium a total of 938 claims were processed.

State Bonding Fund--This Fund, established in 1919, provides a blanket fidelity bond for state agencies and political subdivisions providing coverage in the event of employee theft of property and money. Presently, nearly 2,910 bonds are in force with a total bonded amount of over \$564 million. The balance of the Bonding Fund as of 6/30/2002 was \$4,801,704. The minimum requirement for the fund is \$2.5 million. The Executive Recommendation is to transfer \$2 million to the General Fund.

Petroleum Tank Fund--The federal government requires all owners of underground petroleum tanks to show proof that they have the financial ability to clean up petroleum contamination resulting from a leak. 1,678 tank owners pay into the fund an annual registration fee for 5690 tanks

Cheresea A. Bee
Operator's Signature

10-14-03
Date

and in return receive contamination clean-up coverage and third party liability coverage, thereby complying with federal requirements.

Boiler and Pressure Vessel Inspectors--This safety program ensures that all boilers in North Dakota are inspected every two years, with some inspections taking place on an annual basis. We also inspect new boilers for proper installation. Of the 8,600 boilers throughout the state, we inspect 4,644 and oversee the remaining 3,769 by their private insurance carrier.

Anhydrous Ammonia Facility Inspection--During the 1995 Legislative Session, an inspection program for anhydrous ammonia facilities was created and assigned to the Department. During 2001 and 2002 the Department inspected 112 and 114 bulk tanks, respectively. We also inspected approximately 1380 nurse tanks each year out of a total of 6900 nurse tanks.

Unsatisfied Judgment Fund--The Insurance Department carries out the operations of the Unsatisfied Judgment Fund. When a resident of North Dakota obtains a judgement for damages resulting from bodily injury to or death of a person which was caused by the use of a motor vehicle, and the judgment debtor has no assets with which to pay the judgment, the judgment creditor may apply to the court for an order directing payment from the Fund. This order can be for an amount of \$10,000 for the injury or death of one person, or \$20,000 for the injury or death of two or more persons.

EXECUTIVE BUDGET RECOMMENDATION

Section 1-- The North Dakota Insurance Department employees 45.5 FTE's. Currently 11 of those positions are designated to the special funds that the legislature has assigned to the Insurance Department for management. The rest serve the regulatory and administration functions of the department.

The executive budget recommendation contained in SB 2010 is virtually a no growth budget. It continues the same number (45.5) of FTE's as have been in the past several budgets. The salaries line item also includes the executive recommendation for compensation increases over the next biennium.

In the operating line item of our budget, there is a total decrease of \$180,050. These decreases were part of the 95% budget exercise request of Governor Hoven. I went through and made reductions to several lines of the operating area including:

Data Processing (\$23,399)

6

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Yherosa J. Bee
Operator's Signature

10-14-03
Date

Travel (\$12,045)
Software (\$27,024)
Postage (3,272)
Lease/Rent (\$43,000)
Operating Fees & Services (\$15,000)
Professional Services (\$83,000)*
Printing (\$12,000)
Office Equipment (\$80,051)

*Part of this decrease is due to a one time appropriation of \$67,000 to defray the expenses to part of a remodeling project to the Department's 5th floor Capitol offices.

There were also two increases to our operating line that included IT Contractual Services (\$3,754) and IT Equipment (\$59,365). These increases are due to the planned imaging system, to move towards a more paper free and efficient office.

Section 2--Section two provides the \$5.304 million appropriation for redistribution of a portion of the insurance premium tax to the local fire districts and the North Dakota Firemen's Association. (see Appendix D)

Sections 3, 4 5, 6, 7--These particular sections provide the source of funding for the special funds that the Insurance Department administers. The figures in these sections are also included in section 1. This biennium the executive recommendation includes \$75,000 from the anhydrous ammonia storing facility inspection fund to help defray costs for the inspections. The rest of the figures have been adjusted slightly from the previous biennium, but the total administrative expenses for the Insurance Department stay the same. In the past biennium the department has tracked the administrative expenses by fund to substantiate those minor changes.

Section 7--Provides for the new salary for the Commissioner

SENATE CHANGES TO EXEC. RECOMMENDATION

Essentially the only changes the Senate made were to the compensation/health insurance package, and the addition of \$55,000 in spending authority for the next legislative session to hire a consultant to do the study of any proposed mandated benefits, as required by the bill passed in the 2001 session. The amendment also makes a technical correction to the bill as it relates to the payments to local fire districts and the North Dakota Firefighter's Association.

APPENDIX D

PAYMENT TO FIRE DISTRICTS

<u>District</u>	<u>2001 Premium</u>	<u>2002 Payment</u>
Hazen Fire Dept	\$ 551,995	\$ 6,784.17
Hazen F/P Dist	\$ 245,783	\$ 3,020.74
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Crosby Rural Fire Dept	\$ 228,415	\$ 2,807.28
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Grafton Fire Dept	\$ 983,131	\$ 12,082.96
Grafton F/P Dist	\$ 963,083	\$ 11,836.56
Mayville Fire Dept	\$ 670,668	\$ 8,242.70
Tioga Fire Dept	\$ 279,916	\$ 3,440.25
Tioga Rural Fire	\$ 278,519	\$ 3,423.08

** Payments to fire districts are made using the previous year's premium data.

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Cherise A. Lee
Operator's Signature

10-14-03
Date