

2009 HOUSE INDUSTRY, BUSINESS AND LABOR

HB 1192

2009 HOUSE STANDING COMMITTEE MINUTES

Bill/Resolution No. 1192

House Industry, Business and Labor Committee

☐ Check here for Conference Committee

Hearing Date: January 19, 2009

Recorder Job Number: 7164

Committee Clerk Signature

Ellen Letang

Chairman Keiser: Opens the HB 1192 regarding fees charged for insurance producer license continuation; insurance producer continuing education requirements & penalties; insurance producer continuing education requirements; provide a penalty; & provide an effective date.

Rebecca Ternes~Deputy Commissioner, ND Insurance Department. See attachment.

Representative Amerman: Just a housekeeping thing, on page four line 25, the civil fine crossed out is there a word missing?

Ternes: No more than 1000.

Chairman Keiser: It's ok.

Representative Boe: What happens to the penalty dollars?

Ternes: Late fees or fines go into the insurance regulatory trust fund. Anything over 1 million dollars is turned back to the general fund.

Vice Chairman Kasper: What responsibilities does the department have to notify a licensed agent, resident or non-resident for renewal?

Ternes: I don't know under statue, but we do notify a couple of months before renewal period. We notify again that they are late.

Vice Chairman Kasper: What I'm concerned about the way the bill reads about being notified. For that offense you could be fined up to \$10,000, am I correct?

Ternes: We don't typically do that but I understand what you are saying.

Vice Chairman Kasper: You don't do that but someone in the future could do that.

Ternes: That may be something we need to work on. What I understand what you want is prior notification from our department.

Vice Chairman Kasper: That would be a whole lot more comforting.

Ternes: If you give me some time, we could come up with something.

Chairman Keiser: We will be happy to do that. We need a new subsection that addresses licensing of agents to separate it from the criminal act.

Representative Vigesaa: Section two, you refer to that in your testimony regarding limited lines as travel & credit insurance, I'm assuming that's current life insurance. Is there a section of law that indicates that they do not need to relicense?

Ternes: I believe right now, it is not in statute currently. For the record, initial license has to be applied for and a \$100 fee has to be paid, but the renewal is not there.

Chairman Keiser: So, the department position is, if you have to be license, then you are going to have to be renewed.

Ternes: Correct

Representative Ruby: How many do you expect to be cleared from your listing.

Ternes: I have no idea.

Evan Mandigo~ Executive Director of the Independent Agents of North Dakota. We are in favor of HB 1192.

Norbert Mayer~ND Association Insurance & Financial Advisors. We urge the support of Do Pass on HB 1192.

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House Industry, Business and Labor Committee

Bill/Resolution No. 1192

Hearing Date: January 19, 2009

Steve Becker: Executive Director, North Dakota Professional Insurance Agent. We support
HB 1192.

Chairman Keiser: Anyone in opposition? With that we will close the hearing on HB
1192.

2009 HOUSE STANDING COMMITTEE MINUTES

Bill/Resolution No. 1192

House Industry, Business and Labor Committee

☐ Check here for Conference Committee

Hearing Date: January 19, 2009

Recorder Job Number: 7190

Committee Clerk Signature	<i>Ellen Letang</i>
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Chairman Keiser: Opened the working committee on HB 1192 relating to fees charged for insurance producer license continuation, insurance producer continuing education requirements & penalties & provide an effective date.

Rebecca Ternes~North Dakota Insurance Department. Introduces staff and provide testimony for amends, see attachment 1.

Vice Chairman Kasper: I won't be fined?

Rebecca: That true.

What are the wishes of the committee?

Representative Ruby: Motion to adopt the amendment.

Representative Gruchalla: Second

All in favor all aye's.

Representative N Johnson: Motion to Do Pass as Amended.

Vice Chairman Kasper: Second.

Committee Roll Call on HB 1192 with 13 yea's, 0 no's, 0 absent ,Representative Ruby carries the bill.

FISCAL NOTE
Requested by Legislative Council
01/09/2009

Bill/Resolution No.: HB 1192

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.*

	2007-2009 Biennium		2009-2011 Biennium		2011-2013 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues				(\$19,579)		\$132,750
Expenditures						
Appropriations						

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

2007-2009 Biennium			2009-2011 Biennium			2011-2013 Biennium		
Counties	Cities	School Districts	Counties	Cities	School Districts	Counties	Cities	School Districts

2A. Bill and fiscal impact summary: *Provide a brief summary of the measure, including description of the provisions having fiscal impact (limited to 300 characters).*

This bill changes the biennial renewal date for license renewal to be based on the producer's birth month, changes the process of canceling a license when the resident producer is not in compliance with continuing education requirements and increases the amount of the civil fine that can be levied.

B. Fiscal impact sections: *Identify and provide a brief description of the sections of the measure which have fiscal impact. Include any assumptions and comments relevant to the analysis.*

Section 5 of the bill provides for the change in the due date for biennial license continuation to be based on a producer's birth month. Holders of limited lines licenses will be included in this filing cycle. The Department has developed a transitional plan to implement the change in reporting cycles. During the transition period, revenues will decrease an estimated \$49,579 for for the 2009-2011 biennium. The transition period will be complete by the 2011-2013 biennium at which time revenues are expected to be \$102,750 higher than the 2007-2009 biennium with the addition of the limited lines producers included in the filing cycle.

Section 6 of the bill increases the civil penalty that can be levied for violatation of Chapter 26.1-26. The increase in revenue is estimated to be \$30,000 each biennium.

Revenues from these fees and fines are deposited in the insurance regulatory trust fund.

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.*

See above statement.

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.*

This bill will have no effect on expenditures.

C. Appropriations: *Explain the appropriation amounts. Provide detail, when appropriate, for each agency and fund affected. Explain the relationship between the amounts shown for expenditures and appropriations. Indicate whether the appropriation is also included in the executive budget or relates to a*

continuing appropriation.

This bill will have no effect on appropriations.

Name:	Larry Martin	Agency:	Insurance Department
Phone Number:	328-2930	Date Prepared:	01/16/2009

January 19, 2009

VR
1/19/09

PROPOSED AMENDMENTS TO HOUSE BILL NO. 1192

Page 1, line 18, after the underscored period insert "The commissioner shall give a licensee not less than sixty days' notice of the biennial license continuation filing deadline."

Renumber accordingly

Date: Jan 19-2009
Roll Call Vote # 1

2009 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. 1192

House House, Business & Labor Committee

☐ Check here for Conference Committee

Legislative Council Amendment Number _____

Action Taken ☒ Do Pass ☐ Do Not Pass ☒ As Amended

Motion Made By Rep N Johnson Seconded By Rep Kasper

Representatives	Yes	No	Representatives	Yes	No
Chairman Keiser	✓		Representative Amerman	✓	
Vice Chairman	✓		Representative Boe	✓	
Representative Clark	✓		Representative Gruchalla	✓	
Representative N Johnson	✓		Representative Schneider	✓	
Representative Nottestad	✓		Representative Thorpe	✓	
Representative Ruby	✓				
Representative Sukut	✓				
Representative Vigasaa	✓				

Total (Yes) 13 No 0

Absent 0

Floor Assignment Rep Ruby

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

REPORT OF STANDING COMMITTEE

HB 1192: Industry, Business and Labor Committee (Rep. Keiser, Chairman)
recommends **AMENDMENTS AS FOLLOWS** and when so amended, recommends
DO PASS (13 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING). HB 1192 was placed
on the Sixth order on the calendar.

Page 1, line 18, after the underscored period insert "The commissioner shall give a licensee
not less than sixty days' notice of the biennial license continuation filing deadline."

Renumber accordingly

2009 SENATE INDUSTRY, BUSINESS AND LABOR

HB 1192

2009 SENATE STANDING COMMITTEE MINUTES

Bill/Resolution No. HB1192

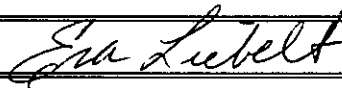
Senate Industry, Business and Labor Committee

☐ Check here for Conference Committee

Hearing Date: March 2, 2009

Recorder Job Number: 9917

Committee Clerk Signature



Minutes:

Rebecca L. Ternes, Deputy Commissioner, North Dakota Insurance Department: Written testimony in favor of House Bill 1192.

Senator Andrist: Is the producer the same as an agent.

Rebecca: Yes.

Chairman Klein: Is there a problem with these producer getting on this list and all of a sudden you have this long list of folks who you thought were out there working and aren't. This is an opportunity for you guys to keep the list more current.

Rebecca: That's exactly right, those limited lines people. Some people might call that trivial insurance but it's important especially if there is a violation or if we have to track someone down to ask questions.

Senator Horne: How many producers or agents are active in North Dakota?

Rebecca: We are looking at forty thousand. There are about eight thousand residents and the rest are non-resident.

Senator Nodland: It talks about people who have abandoned their license and you can reinstate them. Can you explain that a little more?

Rebecca: If it's been more than a year, they have to take a test. If you switch jobs and something happens we don't want to punish people for those types of things. But if you do it and haven't had it for a long period of time then we would want you to test again.

Kent Olson, lobbyist for PIA of ND: We support the bill. The major aspect that we like on it is we report on our birth month rather than everyone reporting at the end of the year.

Chairman Klein: I haven't heard any negative discussion on the fine; you're just trying to weed out the bad guys.

Senator Nodland: On education do you think the out of state and in state are well versed on the law on the insurance in North Dakota?

Kent: I don't know how well versed the out of state are on our statute but are people we do the ethic thing, which is looking at state law.

Senator Horne: The twenty five dollar renewal fee apparently stays the same and the process of renewing is changed to birth month. So is the twenty five dollar fee kept the same?

Kent: Yes that doesn't change.

Evan Mandigo, ND Insurance Agents: We urge a do pass on House Bill 1192.

Norbert Mayer, ND Association of Insurance and Financial Advisors: We think it's an excellent change to move it to the birth month. And in regards to providing continuing education. Our professional association we have monthly meetings and each year at least five of those meeting are devoted to continuing education. Our state convention provides for continuing education.

Steve Becher, Executive Director of the ND PIA: The one thing I wanted to comment on was the limited lines people to also pay the twenty five dollar fee, I think that is only fair if all the rest of our agents have to pay that fee as well.

Chairman Klein: Closed the hearing.

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Senate Industry, Business and Labor Committee

Bill/Resolution No.1192

Hearing Date: March 2, 2009

Senator Andrist: Moved a do pass on House Bill 1192.

Senator Wanzek: Seconded.

Roll Call Vote: Yes: 7 No: 0 This Bill is rereferred to Appropriations.

Floor Assignment : Senator Nodland.

Date: 3/2/09
Roll Call Vote #: 1

Roll Call Vote #: 1

2009 SENATE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. 1192

Senate

Committee

Industry, Business and Labor

☐ Check here for Conference Committee

Legislative Council Amendment Number _____

Action Taken ☒ **Pass** ☐ **Do Not Pass** ☐ **Amended**

Motion Made By Senator Andrist Seconded By Senator Wanzek

[illegible]

Total (Yes) 7 No 0

Absent ☒

Floor Assignment Senator Klein

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

Bill is rereferred

REPORT OF STANDING COMMITTEE

HB 1192, as engrossed: Industry, Business and Labor Committee (Sen. Klein, Chairman) recommends DO PASS and BE REREFERRED to the Appropriations Committee (7 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING). Engrossed HB 1192 was rereferred to the Appropriations Committee.

2009 SENATE APPROPRIATIONS

HB 1192

2009 SENATE STANDING COMMITTEE MINUTES

Bill/Resolution No. HB 1192

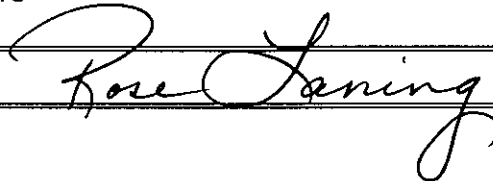
Senate Appropriations Committee

☐ Check here for Conference Committee

Hearing Date: March 10, 2009

Recorder Job Number: 10618

Committee Clerk Signature



Minutes:

Chairman Holmberg called the committee hearing to order on HB 1192 which relates to fees charged for insurance producer license continuation and also continuing education.

Rebecca L. Ternes, Deputy Insurance Commissioner, ND Insurance Department

Testified in favor of HB 1192. Written attached testimony # 1.

Chairman Holmberg asked for any questions. Anyone testifying in opposition to the bill?

Being none, **Chairman Holmberg** closed the hearing on HB 1192.

Senator Robinson moved Do Pass.

Senator Wardner seconded.

A Roll Call vote was taken. Yea: 14 Nay: 0 Absent: 0

The bill goes back to Industry, Business & Labor.

Date: 3-10-09Roll Call Vote # 1

2009 SENATE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. 1192

Senate Senate Appropriations Committee☐ Check here for Conference Committee

Legislative Council Amendment Number _____

Action Taken ☒ Do Pass ☐ Do Not Pass ☐ AmendedMotion Made By Robinson Seconded By Wardner

Senators	Yes	No	Senators	Yes	No
Sen. Ray Holmberg, Chairman	<input checked="" type="checkbox"/>		Sen. Aaron Krauter	<input checked="" type="checkbox"/>	
Sen. Bill Bowman, VCh	<input checked="" type="checkbox"/>		Sen. Elroy N. Lindaas	<input checked="" type="checkbox"/>	
Sen. Tony S. Grindberg, VCh	<input checked="" type="checkbox"/>		Sen. Tim Mathern	<input checked="" type="checkbox"/>	
Sen. Randel Christmann	<input checked="" type="checkbox"/>		Sen. Larry J. Robinson	<input checked="" type="checkbox"/>	
Sen. Tom Fischer	<input checked="" type="checkbox"/>		Sen. Tom Seymour	<input checked="" type="checkbox"/>	
Sen. Ralph Kilzer	<input checked="" type="checkbox"/>		Sen. John Warner	<input checked="" type="checkbox"/>	
Sen. Karen K. Krebsbach	<input checked="" type="checkbox"/>				
Sen. Rich Wardner	<input checked="" type="checkbox"/>				

Total Yes 14 No 0

Absent _____

Floor Assignment IBL Klein

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

REPORT OF STANDING COMMITTEE (410)
March 10, 2009 3:49 p.m.

Module No: SR-43-4516
Carrier: Klein
Insert LC: . Title: .

REPORT OF STANDING COMMITTEE

HB 1192, as engrossed: Appropriations Committee (Sen. Holmberg, Chairman)
recommends **DO PASS** (14 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING).
Engrossed HB 1192 was placed on the Fourteenth order on the calendar.

2009 TESTIMONY

HB 1192

HOUSE BILL NO. 1192

Presented by: Rebecca L. Ternes
Deputy Commissioner
North Dakota Insurance Department

Before: House Industry, Business and Labor Committee
Representative George Keiser, Chairman

Date: January 19, 2009

TESTIMONY

Good morning Chairman Keiser and Industry, Business and Labor Committee members. For the record, my name is Rebecca Ternes. I am the Deputy Insurance Commissioner. I am here to testify in support of House Bill No. 1192 which relates to insurance producers doing business in North Dakota.

In an effort to cover the basics of this bill before going through it in more detail, let me tell you that this bill does not change the amount of hours of continuing education, or CE, that producers must complete to continue a license. It does not change the time frame that producers are allowed to complete these hours. It does change the date when continuation must occur and clarifies that all insurance producers regardless of the type of lines they sell must file a continuation every two years.

This bill changes the amount the Department can fine a producer in the event of a violation. It also repeals two sections of the code related to reports of continuing education compliance and hearings to suspend licenses of producers failing to complete continuing education requirements.

In Section 1 of the bill you will see an insertion of a new section relating to the fee allowed for an insurance producer to continue, or what we used to call renew, a license. This language relates to the deletion found on page 2 of the bill in Section 3.

Section 2 clarifies every producer must continue their license every two years and pay the \$25 fee. The change will require producers selling limited lines such as travel and credit to file in the future. They do not do so now and the Department does not receive updated information on these licensees.

Section 4 covers the term of the license and specifically notes that producers will lose their license should they not comply with the continuing education requirements or do not pay the fee.

In Section 5 you will see several overstrikes on the word "person" and insertions of the word "individual." This is a correction in the language because "person" may include a business entity. Business entities are not required to take or report continuing education.

Also in Section 5, on page 4, you will note that we are asking for the ability to extend the two-year reporting period one time so that no producer is charged twice during the transition to the new deadline dates.

Subsection 2 on page 4 changes when a producer continues his or her license. Currently, these producers file with us every other year and send in a \$25 fee according to the first letter of their last name: A-K renew in even-numbered years, L-Z in odd-numbered years. This bill would change the trigger from last name to birth month.

This is a change necessary to become uniform with other states. Uniformity is important in order to stave off federal regulation of insurance. This change also makes renewals easier for insurance producers and we believe it will be beneficial to the Insurance Department in alleviating peak workloads at specific times of the year.

Section 6 increases the civil penalty allowed for a violation of the chapter from a maximum of \$1,000 to a fine not to exceed \$10,000 and clarifies that the fine may be

imposed "for each violation." This amount is similar to the fine that the Securities Commissioner can impose.

Most of the producers in North Dakota are honest and do a professional job of serving their clients. However, we have had several cases lately in the Department where consumers have been financially devastated to the tune of hundreds of thousands or even millions of dollars and the maximum fine we can impose is \$1,000.

Finally, Section 7 repeals a section that requires reports of compliance be submitted. This refers to an old version of a form to report CE that is no longer used. The second repeal is the section that requires the Department to hold a hearing if a producer's license is canceled for not filing on time or paying the fee.

Most producers who are suspended for failure to comply with continuing education requirements have intentionally abandoned their license. For those who wish to hold a license, they can reinstate their license without retesting by reapplying and paying the \$100 application fee.

The fiscal note attached to the bill indicates a loss of revenue of \$19,579 in the first biennium and an increase of \$132,750 in the following biennium. We will essentially delay the renewal of half of the producer licensees for a six-month transition period ensuring no one is paying twice within a two-year period. We have also accounted for the additional revenue that we expect would be brought in with the clarification that all lines must file and have added an average of \$30,000 in additional fines.

The effective date of the bill is January 1, 2010. The Department is requesting this date so that it might have sufficient time to get computer systems in place and to prepare producers for the transition.

I have discussed these bills with the producer associations and have gratefully received their support.

Mr. Chairman, members of the committee, I am happy to answer any questions and urge your support of House Bill No. 1192. Thank you.

Amendments to HB 1192
January 19, 2009

Page 1, line 18, after "dollars." insert "The Commissioner shall give a licensee not less than 60 days notice of the biennial license continuation filing deadline."

HOUSE BILL NO. 1192

Presented by: Rebecca L. Ternes
Deputy Commissioner
North Dakota Insurance Department

Before: Senate Industry, Business and Labor Committee
Senator Jerry Klein, Chairman

Date: March 2, 2009

*Same
given to
Senate
appropriates*

TESTIMONY

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This bill changes the amount the Department can fine a producer in the event of a violation. It also repeals two sections of the code related to reports of continuing education compliance and hearings to suspend licenses of producers failing to complete continuing education requirements.

In Section 1 of the bill you will see an insertion of a new section relating to the fee allowed for an insurance producer to continue, or what we used to call renew, a license. This language relates to the deletion found on page 2 of the bill in Section 3.

Section 2 clarifies every producer must continue their license every two years and pay the \$25 fee. The change will require producers selling limited lines such as travel and credit to file in the future. They do not do so now and the Department does not receive updated information on these licensees.

The House also amended this section to require the Commissioner give 60 days notice to licensees prior to the continuation deadline. The Department has no issue with the amendment.

Section 4 covers the term of the license and specifically notes that producers will lose their license should they not comply with the continuing education requirements or do not pay the fee.

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