

FISCAL NOTE
Requested by Legislative Council
12/23/2016

Bill/Resolution No.: SB 2103

- 1 A. **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.*

	2015-2017 Biennium		2017-2019 Biennium		2019-2021 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues				\$1,135		\$1,135
Expenditures						
Appropriations						

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

	2015-2017 Biennium	2017-2019 Biennium	2019-2021 Biennium
Counties			
Cities			
School Districts			
Townships			

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

The bill aims to streamline fees charged by the Insurance Department. It eliminates or increases \$10 fees and increases some of the annual renewal fees, resulting collectively in a minimal increase to revenue.

- 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 2 of the bill amends Section 26.1-01-07 to eliminate or increase \$10 fees and increase some of the annual renewal fees. The eliminated fees are received intermittently and use valuable staff time to process. By increasing other fees, the lost revenue is made up while not expending additional resources to process.

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.*

Lost revenues from the removal of fees in Section 26.1-01-07(5, 7, 8, 18, 19, and 20) amounts to an estimated \$42,175, and the increases to Section 26.1-01-07(2, 4, and 12) would result in an estimated increase in revenues of \$43,310, a net effect of \$1,135 to the Insurance Regulatory Trust Fund. The Insurance Department's appropriation is funded by the Insurance Regulatory Trust Fund, with the excess fund balance over \$1 million annually transferred to the General Fund.

- 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 has no fiscal impact to 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 or a part of the appropriation is included in the executive budget or relates to a continuing appropriation.*

This bill has no fiscal impact to appropriations.

Name: Melissa Seifert

Agency: Insurance Department

Telephone: 328-2930

Date Prepared: 12/28/2016

2017 SENATE INDUSTRY, BUSINESS AND LABOR

SB 2103

2017 SENATE STANDING COMMITTEE MINUTES

Industry, Business and Labor Committee Roosevelt Park Room, State Capitol

SB 2103
1/10/2017
Job Number 26709

☐ Subcommittee
☐ Conference Committee

Committee Clerk Signature

Era Liebelt

Explanation or reason for introduction of bill/resolution:

Fees chargeable by the Insurance Commissioner

Minutes:

Attachment 1

Chairman Klein: Called the hearing to order.

Jeff Ubben, Deputy Commissioner/ General Counsel, North Dakota Insurance Department: Written testimony, see attachment #1. (:58-5:14)

Senator Campbell: Asked if they have ever considered a 3rd party bank that would do the collections and said that they would love to have the deposits and do all that dirty work for you.

Jeff Ubben: No because right now they have to go through the state treasurer's office in order to process the checks.

Senator Campbell: Asked if that was by statute or by tradition.

Jeff Ubben: Said he was almost certain it was by statute but couldn't provide a site.

Senator Campbell: Mentioned the Bank of North Dakota and stated that it had to go through there anyway.

Jeff Ubben: It does, after it leaves our house it goes to the state treasurer and then they deposit it in the Bank of North Dakota.

Chairman Klein: Asked if they were increasing fees or if these particular companies who would be paying ten dollars on forty different transactions are paying one lump sum.

Jeff Ubben: Said it was exactly what they tried to do. They took away the ten-dollar fees from these companies on the one end and then they put it back on the same companies on the other end, so they are just paying one lump sum at the beginning of the year to renew their certificate of authority and they don't have to pay them to come back every time.

Chairman Klein: So are the companies happy to just get rid of the ten-dollar fee and just pay one last sum because it's costing them at least twelve dollars to issue this ten-dollar check.

Jeff Ubben: When we met with the companies I didn't hear any real opposition to that.

Senator Roers: You have set up all these fees and there are some substantial increases from fifty to one hundred, twenty-five to one hundred, obviously the metrics are such that there are less people writing the checks that results in the eleven hundred and thirty-five-dollar increase. Why don't you roll those three into one fee and be done?

Jeff Ubben: What we tried to do is make this revenue neutral and this is the way the math worked but we are always open to suggestions. I have the feeling though if we just did the one fee it would be a little more difficult to make it revenue neutral. We did spend a significant amount of time to make this as revenue neutral as possible.

Senator Roers; You are collecting on three different processes, why not make it all one process?

Jeff Ubben: Those fees are all separate fees for separate actions and we would have to be merging all different actions under one fee. They are currently being broken down under state law now.

Chairman Klein: Not every company falls under all three of these categories.

Jeff Ubben: That's correct.

Chairman Klein: Asked if anyone else was in support and then for opposition. He closed the hearing.

Senator Poolman moved a do pass.

Senator Roers seconded the motion.

Roll Call Vote: Yes-7 No-0 Absent-0

Senator Marcellais will carry the bill.

**2017 SENATE STANDING COMMITTEE
ROLL CALL VOTES
BILL/RESOLUTION NO. 2103**

Senate Industry, Business and Labor Committee

☐ Subcommittee

Amendment LC# or Description: _____

Recommendation: ☐ Adopt Amendment
☒ Do Pass ☐ Do Not Pass ☐ Without Committee Recommendation
☐ As Amended ☐ Rerefer to Appropriations
☐ Place on Consent Calendar
Other Actions: ☐ Reconsider ☐ _____

Motion Made By Senator Poolman Seconded By Senator Roers

Senators	Yes	No	Senators	Yes	No
Chairman Klein	x		Senator Marcellais	x	
Vice Chairman Campbell	x				
Senator Roers	x				
Senator Burckhard	x				
Senator Casper	x				
Senator Poolman	x				

Total (Yes) 7 No 0

Absent 0

Floor Assignment Senator Marcellais

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

REPORT OF STANDING COMMITTEE

SB 2103: Industry, Business and Labor Committee (Sen. Klein, Chairman) recommends
DO PASS (7 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING). SB 2103 was placed
on the Eleventh order on the calendar.

2017 HOUSE INDUSTRY, BUSINESS AND LABOR

SB 2103

2017 HOUSE STANDING COMMITTEE MINUTES

Industry, Business and Labor Committee
Peace Garden Room, State Capitol

SB 2103
2/15/2017
28392

☐ Subcommittee
☐ Conference Committee

Allen H. Tang

Explanation or reason for introduction of bill/resolution:

Fees chargeable by the insurance commissioner.

Minutes:

Attachment 1,

Chairman Keiser: Opens the hearing of SB 2103.

Jeff Ubben~Deputy Commissioner/General Counsel-ND Insurance Department:
Attachment 1.

4:40

Rep Ruby: When they file those changes, you will still have the time to do that as far as filing goes?

Ubben: Correct.

Chairman Keiser: This looks revenue neutral, how often would they \$10 fee throughout the year?

Ubben: The typical company would have to renew their certificate of authority annually. That is currently \$50. If this bill passes, it would be \$100. Where they will make up that difference or save is when they need to amend their bylaws & they need to file with the department. We would always charge them \$10 each time. The hope is the money is on the front end.

Megan Smith~Blue Cross Blue Shield: As one of the regulated agencies, we say you have our full support. This is one of the areas where we can gain efficiency.

Rep Beadle: Do you fiscally write a check or pay through other means?

Smith: We actually issue checks.

Chairman Keiser: Anyone else here to testify in support, opposition, neutral position?
Closes the hearing, what are the wishes of the committee?

Vice Chairman Sukut: Moves a Do Pass.

Rep Kasper: Second.

Chairman Keiser: Further discussion?

Roll call was taken on SB 2103 for a Do Pass with 13 yes, 0 no, 1 absent & Rep Louser is the carrier.

Date: Feb 15, 2017Roll Call Vote #: 1

2017 HOUSE STANDING COMMITTEE
ROLL CALL VOTES
BILL/RESOLUTION NO. HB 2103

House _____ Industry, Business and Labor _____ Committee

☐ SubcommitteeAmendment LC# or
Description: _____**Recommendation**

- ☐ Adopt Amendment
☒ Do Pass ☐ Do Not Pass ☐ Without Committee Recommendation
☐ As Amended ☐ Rerefer to Appropriations
☐ Place on Consent Calendar

Other Actions

☐ Reconsider☐ _____Motion Made By Rep SukutSeconded By Rep Kasper

Representatives	Yes	No	Representatives	Yes	No
Chairman Keiser	X		Rep Laning	X	
Vice Chairman Sukut	X		Rep Lefor	X	
Rep Beadle	X		Rep Louser	X	
Rep R Becker	<u>Ab</u>		Rep O'Brien	X	
Rep Bosch	X		Rep Ruby	X	
Rep C Johnson	X		Rep Boschee	X	
Rep Kasper	X		Rep Dobervich	X	

Total (Yes) 13 No 0Absent 1Floor Assignment Rep Louser

REPORT OF STANDING COMMITTEE

SB 2103: Industry, Business and Labor Committee (Rep. Keiser, Chairman)
recommends **DO PASS** (13 YEAS, 0 NAYS, 1 ABSENT AND NOT VOTING).
SB 2103 was placed on the Fourteenth order on the calendar.

2017 TESTIMONY

SB 2103

SENATE BILL NO. 2103

Presented by: Jeff Ubben
Deputy Commissioner/General Counsel
North Dakota Insurance Department

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

Date: January 10, 2017

TESTIMONY

Good Morning Chairman Klein and members of the committee. My name is Jeff Ubben and I am Deputy Insurance Commissioner and General Counsel for the North Dakota Insurance Department.

Senate Bill No. 2103 was introduced at the request of former Insurance Commissioner Adam Hamm. Insurance companies are required under the law to pay the Department \$10 for various routine actions performed by the Department. Some examples of these actions include the filing of company bylaws or amendments to bylaws, receiving service of process, and the filing of power of attorney by a nonadmitted company for conduct of business in compliance with the state's surplus lines laws. The fees for the various actions performed by the Department in this section of the law have experienced little or no change in the last 40 years.

The bill as currently drafted is meant to eliminate the \$10 checks the Department must collect and process. We estimate it takes 12 minutes of staff time for each \$10 check to be processed, which equals a cost to the Department of approximately \$4 to process each \$10 check. Spending 12 minutes of staff time for a net gain of \$6 does not seem like an efficient use of employees' time. When you consider that the Department processed 1,875 \$10 checks during the 2013-2015 biennium, this equals 375 hours of staff time per biennium spent on processing \$10 checks. It should also be noted that these numbers do not take into account the time and resources used by the State Treasurer's office to process each \$10 check.

In order to make up for the revenue the state would lose from collecting these \$10 checks, this bill proposes to modestly increase fees the Department collects from companies in three other areas. Those three areas are: (1) the annual renewal fee for a company's Certificate of Authority would increase from \$50 to \$100 (this change alone would make up most of the lost revenue from eliminating the \$10 checks); (2) the fee for filing an annual report for a fraternal benefit society and for issuing a license or permit to the society, and for each renewal thereof, would increase from \$25 to \$100; and (3) the fee for issuing a certificate to a domestic insurance company showing a compliance with the compulsory reserve provisions of the insurance code and the maintenance of proper security deposits, along with the fee for any renewal of this certificate, would increase from \$10 to \$25.

There is a fiscal note for this bill that you all should have. The Department attempted to make this bill as revenue neutral as possible as again, the goal was to eliminate the amount of staff time involved in processing \$10 checks. The fiscal note shows an overall positive impact on revenues from this legislation of \$1,135 for the 2017-2019 biennium.

The Department realizes that the Legislature may desire to adjust the \$10 fees to better reflect the amount of time being spent on processing these checks by Department employees instead of eliminating the fees altogether. The Department believes a decision to eliminate the \$10 fee entirely and save resources versus a decision to adjust the \$10 fees to more accurately reflect the amount of time being spent is ultimately a policy decision for the Legislature to make. The Department is supportive of either decision; however, we would not encourage killing this bill and maintaining the status quo for the reasons previously discussed.

In conclusion, passing the bill in its current form would save the Insurance Department's staff substantial time without sacrificing any revenue to the state. In other words, it would allow the Department to operate more efficiently at no cost to the state. Therefore, I respectfully request a "do pass" recommendation from this committee on Senate Bill No. 2103 and am happy to take any questions.

SENATE BILL NO. 2103

Presented by: Jeff Ubben
Deputy Commissioner/General Counsel
North Dakota Insurance Department

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

Date: February 15, 2017

TESTIMONY

Good morning Chairman Keiser and members of the committee. My name is Jeff Ubben and I am Deputy Insurance Commissioner and General Counsel for the North Dakota Insurance Department.

Senate Bill No. 2103 was introduced at the request of former Insurance Commissioner Adam Hamm. Insurance companies are required under the law to pay the Department \$10 for various routine actions performed by the Department. Some examples of these actions include the filing of company bylaws or amendments to bylaws, receiving service of process, and the filing of power of attorney by a nonadmitted company for conduct of business in compliance with the state's surplus lines laws. The fees for the various actions performed by the Department in this section of the law have experienced little or no change in the last 40 years.

The bill as currently drafted is meant to eliminate the \$10 checks the Department must collect and process. We estimate it takes 12 minutes of staff time for each \$10 check to be processed, which equals a cost to the Department of approximately \$4 to process each \$10 check. Spending 12 minutes of staff time for a net gain of \$6 does not seem like an efficient use of employees' time. When you consider that the Department processed 1,875 \$10 checks during the 2013-2015 biennium, this equals 375 hours of staff time per biennium spent on processing \$10 checks. It should also be noted that these numbers do not take into account the time and resources used by the State Treasurer's office to process each \$10 check.

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