

2021 SENATE INDUSTRY, BUSINESS AND LABOR

SB 2151

2021 SENATE STANDING COMMITTEE MINUTES

Industry, Business and Labor Committee Fort Union Room, State Capitol

SB 2151
1/18/2021

Relating to unsecured motorist property damage coverage; and to provide for application

Chair Klein opened the hearing at 10:30 a.m. Senators Klein, Larsen, Burkhard, Kreun, Veeda, Marcellais were present.

Discussion Topics:

- Insurance claims
- Hit and runs
- Requirements for insurance companies to offer certain coverage
- Uninsured drivers

Steve Becher, Director of the Professional Insurance Agents of ND [10:31] testified in favor.

Dean Mastel, Steffes Insurance Agency [10:45] testified in favor.

Carol TwoEagle [10:51] testified in favor.

Pat Ward, State Farm Insurance Company [10:53] testified in opposition and submitted testimony #1178.

Rob Hetland, Center Mutual Auto Insurance [10:59] testified in opposition.

Chris Oen, NoDak Insurance [11:18] testified in opposition.

Additional written testimony: #1102 and #1044.

Chair Klein closed the hearing at 11:38 a.m.

Gail Stanek, Committee Clerk

TESTIMONY OF PATRICK WARD IN OPPOSITION TO SB 2151

Chairman Klein and members of the Senate IBL committee. My name is Pat Ward. I represent State Farm Insurance Company in opposition to this bill.

We oppose a mandate in state law to offer uninsured motorist property damage coverage. We believe it is unnecessary for several reasons.

First, coverage like this should be optional with the carrier in a competitive marketplace. I understand some carriers in ND may already have it available,

Secondly, the vast majority of our insured's, purchase collision coverage and would have no need for this coverage. The remaining approximately 20%, do not purchase collision coverage because they drive an older vehicle or for some other reason. We think it is unlikely that many of them would be interested in purchasing uninsured motorist property damage coverage. That has been our experience in other states where it is required.

Third in North Dakota, the uninsured driver percentage is only 6.8% pursuant to the most recent IRC study which is very low compared to other states. The states that require this coverage likely have much higher uninsured driver percentages.

Finally, the bill as drafted has several issues. A deductible should always be required, otherwise this would be inviting questionable claims. Also, the bill language needs a lot of cleaning up.

Some suggestions for cleaning up the language are attached.

We encourage a do not pass on SB 2151.

PROPOSED AMENDMENTS TO SENATE BILL NO. 2151 (21.0334.02000)

Page 1, line 15, remove "or such" and replace with "of such"

Page 2, line 9, remove "offer to provide" and replace with "make available"

Page 2, line 10, remove "without a deductible amount"

Page 2, line 11, remove "offer" and replace with "make available"

Page 2, line 21 after "means", insert "physical"

Page 2, line 21, before "caused", insert "to the covered motor vehicle"

Page 2, line 22, remove "to a covered motor vehicle"

Page 2, line 23, remove "of the damaged or destroyed" and replace with "or any other element of damage to the covered"

Renumber accordingly

Senator Klein and members of the Senate Industry Business and Labor Committee, my name is Jaclyn Hall and I am the Executive Director of the North Dakota Association for Justice. This testimony today is written in opposition of SB 2151 as written. Below are the reasons we oppose the bill:

First of all, this coverage for the insured motorist is an optional coverage. The law does not require an agent to inform an insured about the existence of the coverage. Although the coverage may be beneficial to the insured, it is unlikely the insured is aware of such coverage nor sophisticated enough to ask their agent to add this coverage to their policy.

Secondly, this bill is inconsistent with the definition of an uninsured motorist in the previous subsection - NDCC 26.1-40-15.1(c)(3). To be consistent, an “or” needs to be added to the physical contact requirement “or is verified by the disinterested witness” in subsection b. on line 16 and 17 of page 2 of the bill draft.

b. Uninsured motorist property damage coverage is payable only if the incident causing the property damage involves actual physical contact between the covered motor vehicle and the uninsured motor vehicle **or is independently verified by a disinterested witness** and:

Lastly, this bill, as written, requires actual physical contact. If an insured is run off the road and the other party flees the scene, the insured may not be able to collect on this legislation because the damage to their vehicle resulted in with other driver not actually making contact to the insured.

We believe all insured drivers need to be covered when an accident occurs. This legislation takes the steps to positively impact uninsured motorist coverage, but I respectfully request these minor revisions be considered. As amended, NDAJ fully supports this legislation.

Thank you for your time. If you have any questions, please do not hesitate to contact me.

Sincerely,

Jaclyn Hall
North Dakota Association for Justice
jaclyn@ndaj.org
(701)663-3916



January 18, 2021

ND Senate Industry, Business and Labor Committee

ND SB 2151

The American Property Casualty Insurance Association (APCIA) is composed of over 1,200 member companies and 330 insurance groups and represents the broadest cross-section of home, auto, and business insurers of any national insurance trade association. In North Dakota, APCIA member insurers provide almost 69 percent of all the insurance purchased by the state's citizens and businesses.

We urge you to oppose SB 2151 because it mandates that insurers must offer an unusual line of automobile insurance for which there presently appears to be little demand in the marketplace. The line of insurance coverage mandated by the legislation is generally referred to as uninsured motorist property damage coverage.

We are not opposed to providing this line of coverage on a permissive basis but believe that mandating insurers to offer the coverage is contrary to a healthy functioning competitive marketplace. Aside from the competition aspect is that a mandatory offer of coverage must include a documented rejection process whereby some acknowledgment is made by the customer that the coverage has been offered and has either been accepted or has been declined. Inevitably, these kinds of notice provisions breed disputes between insurers and their customers.

Most importantly, if there was consumer demand for this kind of insurance the competitive market would have promptly responded with coverage options however there appears to be little evidence of this suggesting that customer demand, if any, is minimal.

We do believe there are two alternative courses of action which could be pursued, in lieu of this legislation: first, we suggest that proponents meet individually with insurers to present a proposal for the permissive provision of this line of insurance (this cannot be done collectively due to anti-trust implications); and second, we urge the legislature to study this legislation in the context of the overall uninsured motorist population in the state to address the root problems of uninsured motorists.

Thank you.

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Steve Schneider
Vice President, State Affairs
Midwest Region
APCIA
Steve.schneider@apci.org
312.782.7720

2021 SENATE STANDING COMMITTEE MINUTES

Industry, Business and Labor Committee Fort Union Room, State Capitol

SB 2151
2/2/2021

Relating to uninsured motorist property damage coverage

3:04 **Senator Klein** opened the hearing on SB 2151. All members were present.
Senators Klein, Larsen, Burckhard, Vedaa, Kreun, and Marcellais.

Discussion Topics:

- Proposed Amendment 21.0334.02001
- Insurance fraud

3:05 **Senator Klein** submitted proposed amendment 21.0334.02001 - #11745.

3:05 **Stephen Becher, Exec. Dir., Professional Insurance Agents of ND** explained amendment 21.0334.02001, testified orally in favor.

3:12 **Pat Ward, Association of ND Insurers**, spoke to the amendment about the hit and run component and other concerns.

3:24 **Jon Godfread, ND Insurance Commissioner**, stated he is fine with a study and testified in a neutral position.

3:26 **Senator Klein** closed the committee work and said they need to look at the study language.

3:27 **Senator Klein** adjourned the committee

Rose Laning for Gail Stanek, Committee Clerk

21.0334.02001
Title.

Prepared by the Legislative Council staff
for Senator Klein

February 1, 2021

PROPOSED AMENDMENTS TO SENATE BILL NO. 2151

Page 1, line 2, after the semicolon insert "to provide for a legislative management study;"

Page 1, line 15, overstrike the first "or" and insert immediately thereafter "of"

Page 2, line 9, replace "offer to provide" with "make available to an insured carrying liability only coverage"

Page 2, line 10, replace "without" with "with"

Page 2, line 10, after "amount" insert "not exceeding two hundred fifty dollars"

Page 2, line 11, replace "offer" with "make available"

Page 2, line 13, after the underscored period insert "The limit on uninsured motorist property damage coverage is ten thousand dollars."

Page 2, line 21, after "means" insert "physical"

Page 2, line 21, after "damage" insert "to the covered motor vehicle"

Page 2, line 22, remove "to a covered motor vehicle"

Page 2, line 23, replace "of the damaged or destroyed" with "or any other element of damage to the covered"

Page 2, after line 29, insert:

"SECTION 2. LEGISLATIVE MANAGEMENT STUDY - UNINSURED DRIVERS.

During the 2021-22 interim, the legislative management shall consider studying the use of blockchain to identify an accurate and continuous count of uninsured drivers in this state. The study must be in consultation with the department of transportation and must consider blockchain technology that allows for a dynamic, ongoing, decentralized, secure, and immutable method of tracking uninsured drivers in this state. In addition, the study must include an analysis of the impact relating to consumer fraud that may result from a state law mandating uninsured motorist property damage coverage. The thirty largest auto insurers measured by premium written, as determined by the insurance department, shall provide data in a form and format determined by the insurance department. The legislative management shall report its findings and recommendations together with any proposed legislation necessary to implement the study findings in a recommendation to the sixty-eighth legislative assembly."

Page 2, line 30, replace "This" with "Section 1 of this"

Page 2, line 31, replace "July 31, 2021" with "March 31, 2022"

Renumber accordingly

2021 SENATE STANDING COMMITTEE MINUTES

Industry, Business and Labor Committee Fort Union Room, State Capitol

SB 2151
2/3/2021

relating to uninsured motorist property damage coverage

2:15 PM

Chair Klein called the meeting to order at 2:15 p.m. All members were present. Senators Klein, Larsen, Burckhard, Vedaa, Kreun, and Marcellais.

Discussion Topics:

- Study on uninsured drivers
- Verbiage in bill

Senator Kreun moved to adopt the amendment 21.0334.02002 [14:20].

Senator Marcellais seconded the motion [14:20].

Pat Ward provided information on amendment 21.0334.02002 [14:22].
[14:31]

Senators	Vote
Senator Jerry Klein	Y
Senator Doug Larsen	N
Senator Randy A. Burckhard	N
Senator Curt Kreun	N
Senator Richard Marcellais	Y
Senator Shawn Vedaa	Y

Motion failed: 3-3-0

Senator Larsen moved to adopt Amendment 21.0334.02003 [14:31].

Senator Burckhard seconded the motion [14:31].

[14:32]

Senators	Vote
Senator Jerry Klein	Y
Senator Doug Larsen	Y
Senator Randy A. Burckhard	Y
Senator Curt Kreun	Y
Senator Richard Marcellais	Y
Senator Shawn Vedaa	Y

Motion passed: 6-0-0

Senator Larsen moved a DO PASS AS AMENDED [14:33].

Senator Vedaa seconded the motion [14:33].

[14:33]

Senators	Vote
Senator Jerry Klein	Y
Senator Doug Larsen	Y
Senator Randy A. Burckhard	Y
Senator Curt Kreun	Y
Senator Richard Marcellais	Y
Senator Shawn Vedaa	Y

Motion passed 6-0-0

Senator Larsen will carry the bill [14:34].

Chair Klein ended the meeting at 2:34 p.m.

Isabella Grotberg, Committee Clerk

February 2, 2021

PROPOSED AMENDMENTS TO SENATE BILL NO. 2151

Page 1, line 15, overstrike the first "or" and insert immediately thereafter "of"

Page 2, line 9, replace "offer to provide" with "make available to an insured carrying liability only coverage"

Page 2, line 10, replace "without" with "with"

Page 2, line 10, after "amount" insert "not exceeding two hundred fifty dollars"

Page 2, line 11, replace "offer" with "make available"

Page 2, line 13, after the underscored period insert "The limit on uninsured motorist property damage coverage is ten thousand dollars."

Page 2, line 21, after "means" insert "physical"

Page 2, line 21, after "damage" insert "to the covered motor vehicle"

Page 2, line 22, remove "to a covered motor vehicle"

Page 2, line 23, replace "of the damaged or destroyed" with "or any other element of damage to the covered"

Page 2, line 31, replace "July 31, 2021" with "March 31, 2022"

Renumber accordingly

February 2, 2021

CS
2/3
1041

PROPOSED AMENDMENTS TO SENATE BILL NO. 2151

Page 1, line 1, after "A BILL" replace the remainder of the bill with "for an Act to provide for a legislative management study related to uninsured drivers."

BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:

SECTION 1. LEGISLATIVE MANAGEMENT STUDY - UNINSURED DRIVERS.

During the 2021-22 interim, the legislative management shall consider studying the use of blockchain to identify an accurate and continuous count of uninsured drivers in this state. The study must be in consultation with the department of transportation and must consider blockchain technology that allows for a dynamic, ongoing, decentralized, secure, and immutable method of tracking uninsured drivers in this state. In addition, the study must include an analysis of the impact relating to consumer fraud that may result from a state law mandating uninsured motorist property damage coverage. The insurance department shall request the thirty largest auto insurers, as measured by premiums written, to provide information to facilitate the study of the use and implementation of blockchain for this purpose. The legislative management shall report its findings and recommendations, together with any legislation required to implement the recommendations, to the sixty-eighth legislative assembly."

Renumber accordingly

REPORT OF STANDING COMMITTEE

SB 2151: Industry, Business and Labor Committee (Sen. Klein, Chairman) recommends **AMENDMENTS AS FOLLOWS** and when so amended, recommends **DO PASS** (6 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING). SB 2151 was placed on the Sixth order on the calendar.

Page 1, line 1, after "A BILL" replace the remainder of the bill with "for an Act to provide for a legislative management study related to uninsured drivers.

BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:

SECTION 1. LEGISLATIVE MANAGEMENT STUDY - UNINSURED DRIVERS.

During the 2021-22 interim, the legislative management shall consider studying the use of blockchain to identify an accurate and continuous count of uninsured drivers in this state. The study must be in consultation with the department of transportation and must consider blockchain technology that allows for a dynamic, ongoing, decentralized, secure, and immutable method of tracking uninsured drivers in this state. In addition, the study must include an analysis of the impact relating to consumer fraud that may result from a state law mandating uninsured motorist property damage coverage. The insurance department shall request the thirty largest auto insurers, as measured by premiums written, to provide information to facilitate the study of the use and implementation of blockchain for this purpose. The legislative management shall report its findings and recommendations, together with any legislation required to implement the recommendations, to the sixty-eighth legislative assembly."

Renumber accordingly

2021 HOUSE INDUSTRY, BUSINESS AND LABOR

SB 2151

2021 HOUSE STANDING COMMITTEE MINUTES

Industry, Business and Labor Committee Room JW327C, State Capitol

SB 2151
3/3/2021

Legislative management study related to uninsured drivers.

(9:41) Chairman Lefor called the hearing to order.

Representatives	Attendance	Representatives	Attendance
Chairman Lefor	P	Rep Ostlie	P
Vice Chairman Keiser	P	Rep D Ruby	P
Rep Hagert	P	Rep Schauer	P
Rep Kasper	A	Rep Stemen	P
Rep Louser	A	Rep Thomas	P
Rep Nehring	P	Rep Adams	P
Rep O'Brien	p	Rep P Anderson	A

Discussion Topics:

- Uninsured motorists.
- Auto insurance marketplace technology.

Sen Vedaa~Introduced the bill.

Joh Godfread~ND Insurance Commissioner. Testified in support.

Joan Zerkovich~AAIS/American Association of Insurance Services-Sr Vice President Operations. Attachment #7139 & 7138.

Jon Godfread~ND Insurance Commissioner. Answered a question.

Chairman Lefor closes the hearing.

Rep Schauer moved a Do Pass.

Rep Stemen second.

Representatives	Vote
Chairman Lefor	Y
Vice Chairman Keiser	Y
Rep Hagert	Y
Rep Jim Kasper	A
Rep Scott Louser	A
Rep Nehring	Y
Rep O'Brien	Y
Rep Ostlie	Y
Rep Ruby	Y
Rep Schauer	Y
Rep Stemen	Y
Rep Thomas	Y
Rep Adams	Y
Rep P Anderson	A

Vote roll call taken Motion carried 11-0-3 & Rep Thomas is the carrier.

(10:05) End time.

Ellen LeTang, Committee Clerk

REPORT OF STANDING COMMITTEE

SB 2151, as engrossed: Industry, Business and Labor Committee (Rep. Lefor, Chairman) recommends **DO PASS** (11 YEAS, 0 NAYS, 3 ABSENT AND NOT VOTING). Engrossed SB 2151 was placed on the Fourteenth order on the calendar.

AAIS Testimony for North Dakota House Industry Business & Labor Committee

This written testimony is submitted, regarding Senate Bill No. 2151, from the American Association of Insurance Services (AAIS), a non-profit national, modern insurance advisory organization. We do not submit this testimony in an effort to lobby in support of or opposition to the bill, but as subject matter experts with regards to technology platforms that could support efforts to increase transparency with regard to the auto insurance marketplace in North Dakota.

As you consider Senate Bill No. 2151, before you today, you will consider the use of blockchain technology in the study regarding uninsured motorist issues. While blockchain or distributed ledger technology is not widely understood yet, we believe it will have the same transformative effect as the internet has had on commerce and industry.

As a national advisory organization, we act as a statistical agent on behalf of companies that submit data to state insurance departments. As such, we have a great deal of experience in understanding data issues in the property and casualty insurance market. We recognize the hardship that all parties, including government and insurers, in supporting transparent data insights while protecting proprietary information. Through our role as a modern advisory organization, AAIS has worked closely with Commissioner Godfread as well as other insurance regulators and companies like Travelers and Hartford to develop this type of technology for insurance data reporting through blockchain.

A blockchain or distributed ledger technology platform essentially allows for data insights to be obtained without data leaving a secured environment and with much more frequency than the traditional method of reporting data.

Think of it as a network of data warehouses. Each company has their own data warehouse or repository, instead of all the parties uploading relevant data to a centralized point for analysis and inspection, the seeker of information can ask a question through this ledger network by code we call a smart-contract or extraction patterns. This "code" executes against all the data warehouses that have the information we need simultaneously, and an answer is delivered through the network ledger. For example, the DOT could have their warehouse with vehicle registration information and companies could have their warehouse with the policy information for a car. Instead of the insurance company reporting that information on a quarterly bases to the DOT and the work to match this "batch" data to the registration, the question asked through the network could be as simple as does this car (registration) have insurance right now? The answer can be relayed as yes or no without someone's insurance data ever leaving the insurance company's possession or the DOT's data ever leaving its secure environment.

We have included some information about the AAIS blockchain platform, openIDL, that will be used for regulatory reporting, however, this platform has been donated to become a project under the Linux Foundation. This commitment means that openIDL will become part of one of the largest open-source communities in the world and the insurance industry can continue to develop additional applications of this technology to address many of the problems around data where there is need for security, privacy, and transparency.

Respectfully submitted,

Joan Zerkovich

Sr. VP, Operations | AAIS

AAIS



openIDL™ for Insurance Regulators

openIDL provides insurance regulators with access to timely and accurate information, delivering dynamic, holistic and more relevant insights into market activity and trends for improved policy making.

The “Data Problem” Affecting Regulators Ability to Regulate

While regulators require data to monitor a healthy insurance market, data is not readily available or delivered timely enough for their urgent needs. Data that is delivered is not trustable enough to form important opinions, or as the basis for policy decisions. And it is simply not there for emerging risks.

Regulators Often Flying Blind into the Future

The amount of information being amassed across all industries today is soaring, and insurers are mining more data and insights from new and emerging sources, from telematics and IoT, to machine learning and Artificial Intelligence. Insurers have more information to better assess exposures, loss causes and trends, and to more precisely underwrite and price risk. For regulators, this makes the already challenging job of getting the right information, at the right time, increasingly difficult. Transparency is increasingly elusive.

...THE ALREADY CHALLENGING JOB OF GETTING THE RIGHT INFORMATION, AT THE RIGHT TIME, IS INCREASINGLY DIFFICULT. TRANSPARENCY IS INCREASINGLY ELUSIVE.

openIDL... Solving the “Data Problem” in Regulatory Reporting

openIDL is an open distributed ledger platform that addresses this regulatory “Data Problem” by allowing Regulators and other information seekers to request and receive precisely the information they need from the network for their defined purpose - as permitted by Insurers. At the same time, Insurers are able to keep data completely private, secure and in their direct control.

- **By and For the Community of Insurance Regulators & Industry Data Stakeholders:** openIDL was initially developed by AAIS, a founding member and national, not-for-profit advisory organization and licensed statistical agent. Insurance regulators responsible for ensuring a fair and healthy insurance market face the same problem today that they faced 50 years ago: getting the information on which to make regulatory policy and take executive or legislative action to help their constituents - including insurers - manage risk. Insurance regulators were directly involved as a key stakeholder in Design Thinking sessions to help reimagine the fundamental challenges and potential solutions to data collaboration, critical to informed insurance regulation for the future.

- **Regulators Get What They Need:** With openIDL, regulators gain valuable and relevant insights into exposures, market activity and trends in a neutral, trusted environment.
 - openIDL illuminates insights needed to make well-informed decisions to enhance policy. Simply ask your question and receive the answer you need, drawing on substantiated insurer knowledge and information.
 - Gain efficient, dynamic insurer reporting, with more timely and comprehensive insights into market activities.
 - Eliminate time-consuming data calls, and hone in on relevant information, uploaded in near-real time to address specific market developments.
 - Reduce the cost of regulatory reporting for insurers and regulators alike.

Getting On Board...

Insurance regulators see the value, and more and more are engaging with openIDL for more reliable, accurate and timely access to the market information they need. They are shifting to a new paradigm, asking better questions of the industry, with context and purpose, and getting the answers they need to inform decisions - without having to request and manage volumes of asynchronous, confidential data.

Opening Up the Network for Greater Applications... through the Linux Foundation

openIDL is designed to be a trusted environment for data privacy and interoperability, an open-source, community-led ‘network of networks.’ As a Linux Foundation Project, the openIDL will benefit from the leading technology organization dedicated to building sustainable ecosystems around open-source projects. In the future, openIDL applications will extend to other use cases across the entire insurance ecosystem. Working groups are already developing applications in the flood and auto insurance space, and the possibilities appear endless.

For more information, check the areas of interest:

- **Regulatory Reporting Data Network** – *If compliance or stat reporting is your thing, start here.* Find out how openIDL is used to modernize regulatory reporting.
- **External Data Strategy** – *For CIO & CTO types.* Learn more about the strategy for a new paradigm in data governance, where the industry collaborates around common definitions of not just data structures and schema, but the agreements of purpose and value, ownership and insights
- **openIDL Technology** – *Check under the hood and take the tech for a spin.* From blockchain basics to a deep in the GitLab wiki and code repository, learn what makes openIDL happen from the inside out.
- **Joining openIDL** – *What does it take to be part of the Community.* Find out how you can participate in the technology development shaping the future of insurance, as a Premier Member, an individual contributor, or an All Access Member of AAIS, the modern insurance advisory organization.