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Operator's Signature

*Diana Hall*

Date

10/2/03

2003 HOUSE INDUSTRY, BUSINESS AND LABOR

HB 1139

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Deanna Holbrook  
Operator's Signature

10/2/03  
Date

2003 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. HB 1139

House Industry, Business and Labor Committee

☐ Conference Committee

Hearing Date 1/20/03

Tape Number	Side A	Side B	Meter #
3	x		32.9-44.2
Committee Clerk Signature <i>Julie Hammer</i>			

Minutes: Chair Keiser opened the hearing on HB 1139.

Mike Fix, Director of the Life and Health Division and Actuary for the North Dakota Insurance Department appeared in support of and to present this legislation to the IBL Committee. Also included were the proposed amendments to HB 1139. (See attached)

Correspondence in support of this bill has been received from Gregory D. Morris, Executive Director for the North Dakota Life and Health Insurance Guaranty Association. (See attached)

Responding to a question from Rep. Ekstrom regarding Section 2, Insurance Commissioner Poolman took the podium to explain the standpoint of insurable interests, that the insured must understand implications of being insured by a corporation for whom he is employed.

Rep. Ekstrom: Does this extend to Keyman Insurance?

Poolman: Yes.

Karl Rakow, North Dakota Association of Insurance & Financial Advisors, appeared in support of HB 1139.

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*Deanna Baller*  
Operator's Signature

10/2/03  
Date

Page 2

House Industry, Business and Labor Committee

Bill/Resolution Number 1139

Hearing Date 1/20/03

There being no one present to appear in opposition to HB 1139, Chair Kelser closed the hearing on HB 1139.

Rep. Klein moved to adopt the amendments as proposed. Rep. Boe seconded. Voice vote carried the motion to adopt the amendment. Rep. Zaiser moved a Do Pass As Amended. Rep. Ekstrom seconded the motion. Motion carried. Vote: 14-0-0. Rep. Zaiser will carry this bill to the floor.

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*Dannan G. Ball*  
Operator's Signature

10/2/03  
Date

38118.0101  
Title.0200

Adopted by the Industry, Business and Labor  
Committee

January 24, 2003

VR  
1/24/03

HOUSE AMENDMENTS TO HOUSE BILL NO. 1139 IBL 1-27-03

Page 1, line 2, after the semicolon insert "and"

Page 1, line 7, replace "; and to repeal section 26.1-36-03.1 of the North Dakota" with a period

Page 1, remove line 8

HOUSE AMENDMENTS TO HB 1139

IBL

1-27-03

Page 2, remove lines 23 and 24

Renumber accordingly

Page No. 1

38118.0101

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Dannan Hall  
Operator's Signature

10/2/03  
Date

Date: 1/20/03  
Roll Call Vote #: 1

2003 HOUSE STANDING COMMITTEE ROLL CALL VOTES  
BILL/RESOLUTION NO. 1139

House Industry, Business & Labor Committee

☐ Check here for Conference Committee

Legislative Council Amendment Number 38118.0101 / .0200

Action Taken Do Pass As Amended

Motion Made By Zaiser Seconded By Ekstrom

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

Total (Yes) 14 No 0

Absent \_\_\_\_\_

Floor Assignment Zaiser

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

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Donna D. [Signature] 1/22/03  
Operator's Signature Date

**REPORT OF STANDING COMMITTEE (410)**  
January 27, 2003 1:06 p.m.

Module No: HR-15-1113  
Carrier: Zaiser  
insert LC: 38118.0101 Title: .0200

**REPORT OF STANDING COMMITTEE**

**HB 1139: Industry, Business and Labor Committee (Rep. Kelsor, Chairman)**  
recommends **AMENDMENTS AS FOLLOWS** and when so amended, recommends  
**DO PASS** (14 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING). HB 1139 was placed  
on the Sixth order on the calendar.

Page 1, line 2, after the semicolon insert "and"

Page 1, line 7, replace "; and to repeal section 26.1-36-03.1 of the North Dakota" with a period

Page 1, remove line 8

Page 2, remove lines 23 and 24

Renumber accordingly

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*Dorinda Hall*  
Operator's Signature

10/2/03  
Date

2003 SENATE INDUSTRY, BUSINESS AND LABOR

HB 1139

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*Deanna Hall*  
Operator's Signature

*10/2/03*  
Date



2003 SENATE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. 1139

Senate Industry, Business and Labor Committee

☐ Conference Committee

Hearing Date 03-04-03

Tape Number	Side A	Side B	Meter #
1		XXXX	300-1140
Committee Clerk Signature <i>Lisa VanBerkom</i>			

Minutes: Chairman Mutch opened the hearing on HB 1139. All Senators were present.

HB 1139 relates to interest paid on death claims by insurance companies.

**Testimony in support of HB 1139**

**Michael Fix**, Director of the Life and Health Division and Actuary of the North Dakota Insurance Department, introduced the bill. See attached testimony.

**Senator Espgaard**: Section 1, paying interest, is that after a certain number of days after the death?

**Fix**: Right, death claims need to be paid within 60 days upon receipt of proof of death. And then the interest is paid from the date of death.

**Senator Nething**: How much is reasonable interest?

**Fix**: Reasonable interest would probably be expressed as a minimum. A minimum of 3%.

**Connie Hofland**, American Council of Life Insurers, proposed an amendment. See attached.

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*Donna Halbach*  
Operator's Signature

*10/2/03*  
Date

Page 2

Senate Industry, Business and Labor Committee

Bill/Resolution Number 1139

Hearing Date 03-04-03

**Senator Krebsbach:** So basically all you are doing by adding the words after receipt is making it the same as it is with the individual policy?

**Connie:** That is correct.

**Senator Klein:** Did you run these amendments by the agency?

**Connie:** Yes, we have.

**No Opposition.**

**Hearing was closed.**

**Senator Espegard moved to adopt the amendments. Senator Klein seconded.**

**Roll Call Vote: 7 yes. 0 no. 0 absent.**

**Senator Espegard moved a DO PASS AS AMENDED. Senator Klein seconded.**

**Roll Call Vote: 7 yes. 0 no. 0 absent.**

**Carrier: Senator Every**

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*Deanna Holbrook*  
Operator's Signature

10/2/03  
Date

38118.0201  
Title.0300

Adopted by the Industry, Business and Labor  
Committee

March 4, 2003

*JB*  
3-4-3

PROPOSED AMENDMENTS TO ENGROSSED HOUSE BILL NO. 1139

Page 1, line 12, after "months" insert "after receipt"

Renumber accordingly

Page No. 1

38118.0201

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*Dan H. Ball*  
Operator's Signature

*10/2/03*  
Date

Date: 3-4-03  
Roll Call Vote #: 1

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

Senate 1139 Committee

☐ Check here for Conference Committee

Legislative Council Amendment Number \_\_\_\_\_

Action Taken Adopt Amendments

Motion Made By Espegard Seconded By Klein

Senators	Yes	No	Senators	Yes	No
Sen. Mutch, Chairman	X				
Sen. Klein, Vice Chairman	X				
Sen. Krebsbach	X				
Sen. Nething	X				
Sen. Heitkamp	X				
Sen. Every	X				
Sen. Espegard	X				

Total (Yes) 7 No 0

Absent 0

Floor Assignment       

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

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Doreen Hall  
Operator's Signature

10/2/03  
Date

Date: 3-4-03  
Roll Call Vote #: 2

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

Senate 1139 Committee

☐ Check here for Conference Committee

Legislative Council Amendment Number

Action Taken

Adopt Amended version Do Pass as amended

Motion Made By

Espegard

Seconded By

Klein

Senators	Yes	No	Senators	Yes	No
Sen. Mutch, Chairman	X				
Sen. Klein, Vice Chairman	X				
Sen. Krebsbach	X				
Sen. Nething	X				
Sen. Heitkamp	X				
Sen. Every	X				
Sen. Espegard	X				

Total (Yes) 7 No 0

Absent 0

Floor Assignment Every

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

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Donna Ballach  
Operator's Signature

10/2/03  
Date

**REPORT OF STANDING COMMITTEE (410)**  
March 4, 2003 4:24 p.m.

Module No: SR-38-3909  
Carrier: Every  
Insert LC: 38118.0201 Title: .0300

**REPORT OF STANDING COMMITTEE**

HB 1139, as engrossed: Industry, Business and Labor Committee (Sen. Mutch, Chairman) recommends **AMENDMENTS AS FOLLOWS** and when so amended, recommends **DO PASS** (7 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING). Engrossed HB 1139 was placed on the Sixth order on the calendar.

Page 1, line 12, after "months" insert "after receipt"

Renumber accordingly

(2) DESK, (3) COMM

Page No. 1

SR-38-3909

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*Diana Hall*  
Operator's Signature

10/2/03  
Date

2003 TESTIMONY

HB 1139

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Deanna Hall  
Operator's Signature

10/2/03  
Date

**HOUSE BILL NO. 1139**

**Presented by:** Michael Fix  
Director of the Life and Health Division and Actuary  
North Dakota Insurance Department

**Before:** Industry, Business and Labor Committee  
Representative George Kelser, Chairman

**Date:** January 20, 2003

**TESTIMONY**

Mr. Chairman and members of the committee:

Good afternoon. My name is Michael Fix, and I am the Director of the Life and Health Division and Actuary for the North Dakota Insurance Department. I appear here in support of House Bill No. 1139.

House Bill No. 1139 includes four changes that clarify existing statute and one that improves consumer protection.

**Section 1.** Section 1 of House Bill No. 1139 adds a provision that requires interest to be paid on death claims incurred under group insurance policies. Current statute includes this requirement for individual insurance policies and should have included it for group insurance policies as well.

**Section 2.** Section 2 of House Bill No. 1139 provides that when a corporation purchases insurance on the life of an employee and names the corporation or the trustee of a trust as the beneficiary, that employee must consent in writing to be insured. Under current statute, the consent requirement is satisfied provided the employee receives notice of the coverage and does not reject it within 30 days of receipt of the notice. This change is for the benefit of the consumer.



**Section 3.** Section 3 of House Bill No. 1139 clarifies the intent of existing statute regarding regulation of credit insurance. Subsection 2 of Section 26.1-37-01 lists exclusions to regulation by this chapter, including "insurance on motor vehicles designed for highway use and on mobile homes". It was not the intent to exclude credit insurance on these motor vehicles and mobile homes. Section 3 of House Bill No. 1139 clarifies that the exclusion applies only to the motor vehicle insurance and the mobile home insurance.

**Section 4.** Section 4 of House Bill No. 1139 corrects an error in current statute. Unallocated annuity accounts that are owned by a governmental retirement plan or its trustee established under Section 401, 403(b), or 457 of the United States Internal Revenue Code are included in subdivision a(2) of subsection 1 of Section 26.1-38.1-03, but other unallocated annuities are not. Subdivision a(3) of the same subsection is changed under this Section 4 to include (rather than exclude) those unallocated annuity accounts which have been excluded from subdivision a(2).

**Section 5.** Section 5 of House Bill No. 1139 repeals the existing information disclosure requirement for individual accident and health policies that is contained in Section 26.1-36-03.1. This disclosure requirement was intended to apply to group health insurance policies, but was placed in the wrong section of the current statute. This information disclosure requirement is not needed for individual health insurance because it is already required to be included in individual accident and health policy contracts.

Thank you.

**NORTH DAKOTA LIFE AND HEALTH  
INSURANCE GUARANTY ASSOCIATION**

P.O. Box 8875  
Fargo, ND 58109-8875

January 10, 2003

Honorable George Keiser  
North Dakota State Representative  
Chairman, Industry, Business & Labor Committee  
422 Toronto Drive  
Bismarck, North Dakota 58503-0276

Re: House Bill 1139

Dear Representative Keiser:

The North Dakota Life and Health Insurance Guaranty Association would like to go on record before you and your committee in support of House Bill 1139 in so far as it amends Subdivision a of subsection 1 of section 26.1-38.1-03 of the North Dakota Century Code. The existing law is based on a National Association of Insurance Commissioner's Model Act. Unfortunately when it was enacted the word "includes" was used when "excludes" was intended. That portion of HB 1139 that we support amends the language to conform to the model.

Please place this letter into the record of the Committee Hearing on HB 1139.

Sincerely,

  
Gregory E. Morris  
Executive Director

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10/2/03  
Date

**ENGROSSED HOUSE BILL NO. 1139**

**Presented by:** Michael Fix  
Director of the Life and Health Division and Actuary  
North Dakota Insurance Department

**Before:** Industry, Business and Labor Committee  
Senator Duane Mutch, Chairman

**Date:** March 4, 2003

**TESTIMONY**

Mr. Chairman and members of the committee:

Good morning. My name is Michael Fix, and I am the Director of the Life and Health Division and the Life Actuary for the North Dakota Insurance Department. I appear here in support of Engrossed House Bill No. 1139.

Engrossed House Bill No. 1139 includes three changes that clarify existing statute and one that improves consumer protection.

**Section 1.** Section 1 of Engrossed House Bill No. 1139 adds a provision that requires interest to be paid on death claims incurred under group insurance policies. Current statute includes this requirement for individual insurance policies and should have included it for group insurance policies as well.

**Section 2.** Section 2 of Engrossed House Bill No. 1139 provides that when a corporation purchases insurance on the life of an employee and names the corporation or the trustee of a trust as the beneficiary, that employee must consent in writing to be insured. Under current statute, the consent requirement is satisfied provided the employee receives notice of the coverage and does not reject it within 30 days of receipt of the notice. This change is for the benefit of the consumer.

**Section 3.** Section 3 of Engrossed House Bill No. 1139 clarifies the intent of existing statute regarding regulation of credit insurance. Subsection 2 of Section 26.1-37-01 lists exclusions to regulation by this chapter, including "insurance on motor vehicles designed for highway use and on mobile homes". It was not the intent to exclude credit insurance on these motor vehicles and mobile homes. Section 3 of Engrossed House Bill No. 1139 clarifies that the exclusion applies only to the motor vehicle insurance and the mobile home insurance.

**Section 4.** Section 4 of Engrossed House Bill No. 1139 corrects an error in current statute. Unallocated annuity accounts that are owned by a governmental retirement plan or its trustee established under Section 401, 403(b), or 457 of the United States Internal Revenue Code are included in subdivision a(2) of subsection 1 of Section 26.1-38.1-03, but other unallocated annuities are not. Subdivision a(3) of the same subsection is changed under this Section 4 to include (rather than exclude) those unallocated annuity accounts which have been excluded from subdivision a(2).

Thank you. I would be happy to answer any questions you may have.

**Testimony of Constance Hofland Requesting amendment of HB 1139 in the  
Industry, Business and Labor Committee**

My name is Constance Hofland. I am an attorney with the law firm of Zuger Kirmis & Smith of Bismarck. I represent the American Council of Life Insurers requesting amendment of HB 1139. The American Council of Life Insurers is the nation's largest life insurance trade association. The 305 ACLI member companies licensed to do business in North Dakota account for 80% of premiums in our state.

The language currently in Section 1 of House Bill 1139 would apply to group life policies, and is based on (but not identical to) an existing provision applicable to individual life policies found in 26.1-33-05.

The first clause says that settlement must be made upon receipt of proof of death or not later than two months of the proof of death. Does this mean that insurers have up to 60 days after receipt of proof of death to pay the claim? This is not clear. The provision found in existing law, NDCC 26.1-33-05 (9) reads "or not later than two months after receipt of the proof of death, while this bill reads "or not later than two months of the proof of death."

The second clause says that death claim settlement must include interest accruing from the date of death so long as proof of death is filed within 180 days

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Constance Hofland  
Operator's Signature

10/2/03  
Date

after the date of death. What happens if the claim is filed after 180 days? Are insurers not required to pay interest in that event? Or does it mean that if due proof of death is submitted to the insurer more than 180 days after the death of the insured, interest shall accumulate from the date on which due proof of death is submitted?

Most states give an insurer a set period (e.g., 30 days) after receipt of proof of death to pay the claim. If the insurer has not paid the claim within that period, then interest shall begin to accrue (the rate varies from state to state). North Dakota's provision is different in that it requires a company to pay the claim within 60 days, but interest accrues beginning at the date of death unless the claim is filed after 180 days.

However, the whole issue is under review. We propose to revisit this area next session, to accomplish the same objective but remove ambiguity and promote uniformity.

We propose the HB 1139 be amended to make it consistent with the language in existing law by inserting "after receipt" after "months" on Page 1, line 12.

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Deanna Hall  
Operator's Signature

10/2/03  
Date

AMENDMENT TO HB 1139

Page 1, line 12, immediately after "months" insert "after receipt"

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Deanna Hallmark  
Operator's Signature

10/2/03  
Date