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Deanna Hollrah 10/2/03

Operator's Signature Date

2003 HOUSE INDUSTRY, BUSINESS AND LABOR

HB 1142

2003 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. 1142

House Industry, Business and Labor Committee

☐ Conference Committee

Hearing Date 1/15/03

Tape Number	Side A	Side B	Meter #
1	x		31.4-end
1		x	0.00-26.1
4	x		37.0-49.5
Committee Clerk Signature	Judith Hanson		

Minutes: **Chairman Keiser** opened the hearing on HB 1142.

Jim Poolman, ND Insurance Dept. introduced the bill and spoke to the various aspects of the property and casualty marketplace and specifically, the loss ratios, as they pertain to our state in recent years. (Loss ratios are claims paid versus premiums taken in). HB 1142 will allow the insurance department and companies to respond to the current hard market situation.

Rep. Ekstrom: Are premiums rising and what is the overall health of insurance reserves?

Poolman: We receive reports on a quarterly or annual basis and premiums rise on the basis of previous losses (running about 15-20% at present) and our domestic companies have good reinsurance agreements that have paid off claims.

Larry Maslowski, Senior Property & Casualty Analyst, ND Insurance Department, introduced the bill and walked the committee through the various sections. (See attached)

Rep. Froseth: How can Section 1 be enforced if a company is leaving the state?

Maslowski: Some companies aren't withdrawing entirely, they are just not writing homeowners insurance in ND.

Chairman Keiser: Good companies display good market conduct. They might want to reenter the market in the future and they may continue to write policies for other insurance coverage.

Maslowski: Good point.

Kent Olson, ND Professional Insurance Association, appeared in support of HB 1142. As front line property/casualty agents, they are experiencing problems with non-renewals. Section 2 & 3 affect us and we support these sections.. It's renewal policies, when a policy is in force and it's not going to be renewed, we'd like the 60 day notice. I think South Dakota has changes from 30 to 60 days. The agent needs time to find a market when a consumer comes in shopping for insurance.

Rob Hovland, President of Center Insurance Company of Rugby, appeared in opposition to HB 1142. I represent the Domestic Insurers Association here today. (Farmers Union, Dakota Fire, Heartland Mutual of Minot, Nodak Mutual, & Center Insurance Company) We do support the language which requires a company to provide the Commissioner's Office with notices of withdrawal. With respect to commercial notice, we also support the 60 day notice extension. It takes time to underwrite and evaluate risks. However, with respect to homeowners, we are in opposition to extending the notice of non renewal to 60 days because we don't think there is a need for it. Agents can tell you on the spot whether you can get insurance with them and the cost of it for 90% of cases. Those consumers in gray areas could still have another claim before their renewal comes up. We don't need to pass legislation that is more restrictive to our industry.

Responding to **Rep. Kasper's** question about review of claims to determine non-renewal of policies, Hovland replied that a three year loss history is the rule of thumb.

Rep. Kasper: What else is taken into consideration? Credit score or credit reports?

Some companies use credit scoring at the outset of writing a policy, though Hovland said he doesn't.

Chairman Keiser: Do you have data on the 90/10 ratio on homeowners insurance? We're looking for an adequate solution to consumer insurance needs.

Hovland: Generally, companies say 30 but they allow a leeway to 45 days.

Rep. Nottestad: So a change to 45 days would result in a 60 day notice? And that's what the Insurance Commissioner is requesting here.

Hovland: Going to 45 days would essentially do that., companies would have to evaluate this before the renewal period.

Rep. Severson: How about last minute claims? And gaps?

Hovland: That's a great questions. We've had people in the gray areas (questionable risk) hold their claims until they get their renewal notice. People will get a new policy in place and then go file their claims, thus circumventing the claims report that would go to the new company.

Rep. Kasper: When non-renewing or adjusting rate policies, is it company to customer without an agent involved?

Hovland: We like to work through the agents, they know their customer better.

Dennis Prindival, President of Dakota Fire Insurance, appeared in opposition to HB 1142. We are a property/casual insurance company, in business since 1957, we provide service in four states. We have 96 employees in Bismarck and we write approximately 63 million dollars in

written premiums. We write 27 million in written premiums in North Dakota. Originally I was opposed to 60 day notice for homeowners, but I understand there will be an amendment to 90 days for commercial. This bill isn't an incentive to bring new carriers to North Dakota. It is a disincentive. Our market is so fragile. It would dissuade new companies from entering the market here. It will put our company in a defensive position. We'd have to cancel an account to protect our ability to get off the account. If our underwriters don't have enough time to properly analyze an account, maybe raise deductibles or changing coverage, some risk management solutions, they will simply non renew the policy. Why not change procedures and timetables for additional time to review? A 90 days requires looking at it 120 days in advance. Our loss runs would have to be printed in advance. We'd be looking at approximately seven months of earned premium and loss information. This isn't going to favor an insured who had a few losses at the beginning of their policy period. North Dakota isn't an easy market for commercial lines, considering the fire and tornado fund, the insurance reserve fund and the monopolistic work comp fund, it doesn't leave us a lot of business to write. this bill is a short term application with long term ramifications.

Rep. Nottestad: Could you live with the 60 days for commercial lines in this proposed bill?

Hovland: Yes.

Pat Ward, Zuger Kirmis & Smith, presented written testimony in opposition to HB 1142. (See attached) He stated that time limits are onerous, companies will request extensions. "Hard markets make bad laws". He suggests a sunset provision of two years. More regulation will make this state less welcoming to out of state companies wanting to come in and do business. We need to create a friendly environment for insurers and a competitive market for consumers.

Rep. Thorpe: Are existing vehicle, home, property liability policies at 30 days?

Ward: Yes.

Rep. Thorpe: Will it create extra costs to insurance companies to draft and print policies?

Ward: Yes, there will definitely be administrative costs to c ›mpanies.

Rep. Kasper: Our insurance commissioner is a regulator and an advocate, yes? Without prior notice, the commissioner doesn't have an opportunity to contact the insurance company to try and an convince them to stay and do business here. Would one more letter to the Insurance Commissioner giving a 45 day notice be too onerous to expect from a company since they are notifying their agents and their customers?

Ward: That's a point well taken. The Insurance Commissioner is doing a fantastic job trying to keep business here in ND in this market. This is another tool that is well intended but its effect could be the opposite.

Chairman Keiser closed the hearing on HB 1142.

Chairman Keiser called for committee work on HB 1142.

Rep. Nottestad distributed the proposed amendment and walked the committee through them.

Rep. Klein moved to adopt the amendments. **Rep. Froseth** seconded the motion. A voice vote carried the motion. **Rep. Nottestad** moved for a Do Pass As Amended. **Rep. Severson** seconded the motion. The roll call vote carried: **13-0-1. Rep. Nottestad** will carry this bill on the floor.

38110.0101
Title.0200

Adopted by the Industry, Business and Labor Committee

January 16, 2003

VR
1/17/03

Proposed Amendment to HB 1142 **IBL 01-20-03**

Page 1, line 10, remove "prior"

Page 1, line 12, after "product" insert "before the notification of agents and stockholders"

Page 1, line 24, replace "sixty" with "forty-five"

Renumber accordingly

Date: 1/15/03
Roll Call Vote #:

2003 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. 1142

House **Industry, Business & Labor** Committee

☐ Check here for Conference Committee

Legislative Council Amendment Number 38110.0101
.0200

Action Taken Do Pass - As Amended

Motion Made By Nottestad Seconded By Severson

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	A				

Total (Yes) 13 No 0

Absent 1

Floor Assignment Nottestad

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

Amendment adopted Klein Froseth
Voice vote carried.

REPORT OF STANDING COMMITTEE (410)
January 20, 2003 12:06 p.m.

Module No: HR-10-0760
Carrier: Nottestad
Insert LC: 38110.0101 Title: .0200

REPORT OF STANDING COMMITTEE

HB 1142: Industry, Business and Labor Committee (Rep. Keiser, Chairman) recommends **AMENDMENTS AS FOLLOWS** and when so amended, recommends **DO PASS** (13 YEAS, 0 NAYS, 1 ABSENT AND NOT VOTING). HB 1142 was placed on the Sixth order on the calendar.

Page 1, line 10, remove "prior"

Page 1, line 12, after "product" insert "before the notification of agents and stockholders"

Page 1, line 24, replace "sixty" with "forty-five"

Renumber accordingly

2003 SENATE INDUSTRY, BUSINESS AND LABOR

HB 1142

2003 SENATE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. 1142

Senate Industry, Business and Labor Committee

☐ Conference Committee

Hearing Date 03-04-03

Tape Number	Side A	Side B	Meter #
1		xxxx	2978-4375

Committee Clerk Signature Lisa VanBerkom

Minutes:Chairman Mutch opened the hearing on HB 1142. All Senators were present.

HB 1142 relates to withdrawal of insurance companies, relating to nonrenewel of commercial and homeowner's insurance and relating to product liability and legal malpractice reports.

Testimony in support of HB 1142

Jim Poolman, North Dakota Insurance Commissioner, introduced the bill. See testimony of Larry Maslowski as read by Jim Poolman.

Senator Espegard: Section 4 repeal states that the current law is that legal malpractice claims and product liability claims are the only ones that have to report to you, is that correct?

Poolman: Yes.

Pat Ward,Domestic Insurance Companies, supports the bill for the record.

There was no opposition.

Hearing was closed.

Senator Espegard moved to Amend. Senator Every seconded.

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

Senator Espegard moved a DO PASS AS AMENDED. Senator Every seconded.

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

Carrier: Senator Espegard

38110.0201
Title.0300

Adopted by the Industry, Business and Labor Committee

March 4, 2003

3-4-3

PROPOSED AMENDMENTS TO ENGROSSED HOUSE BILL NO. 1142

Page 1, line 12, replace "stockholders" with "policyholders"

Renumber accordingly

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

2003 SENATE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. 1142

Senate _____ Committee

☐ Check here for Conference Committee

Legislative Council Amendment Number _____

Action Taken move to Amend line 12

Motion Made By Espegard Seconded By Every

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: Stockholder change to policy

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

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

Senate 1142 Committee

☐ Check here for Conference Committee

Legislative Council Amendment Number

Action Taken Do Pass as Amended

Motion Made By Espegard Seconded By Every

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 Espegard

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

REPORT OF STANDING COMMITTEE (410)
March 4, 2003 3:20 p.m.

Module No: SR-38-3891
Carrier: Espegard
Insert LC: 38110.0201 Title: .0300

REPORT OF STANDING COMMITTEE

HB 1142, 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 1142 was placed on the Sixth order on the calendar.

Page 1, line 12, replace "stockholders" with "policyholders"

Renumber accordingly

2003 TESTIMONY

HB 1142

HOUSE BILL NO. 1142

Presented by: Larry Maslowski
Senior Property and Casualty Analyst
North Dakota Insurance Department

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

Date: January 15, 2003

TESTIMONY

Mr. Chairman and members of the committee:

Good morning, my name is Larry Maslowski, Senior Property and Casualty Analyst with the North Dakota Insurance Department. I stand before you today to introduce House Bill No. 1142.

The proposed bill consists of four parts. The first three parts are being introduced as a direct result of the hard market that North Dakota is currently experiencing in the property insurance market. The fourth is in response to the Department's desire to remove unnecessary reporting requirements.

Section 1 - Withdrawal Notice. At the present time there is no statutory requirement for an insurance company to report to the Insurance Commissioner when the company decides to discontinue actively writing property and casualty products. This new section would create a requirement for property and casualty insurance companies who are actively participating in the marketing and servicing of a property and casualty insurance product in this state to send notice to the Commissioner in writing when the company makes a business decision to no longer actively participate in the marketing of that product. The notice to the Commissioner would need to include the date the company plans to stop writing, the number of policies that will be affected, and reason for the action. As the Department attempts to be more responsive to consumers and market situations, it is vital

for the Commissioner to have knowledge of actions that affect the overall availability of insurance in the market. The new requirement will help the Commissioner in his monitoring of the market place.

Section 2 - Commercial. In a hard market it is common for the insurance industry to reunderwrite the existing book of business and to nonrenew accounts that have been unprofitable, generally focusing on those with recent claims histories. The current law requires a company to send a notice to the policyholder of the company's intention to not renew the policy at least 30 days in advance of the renewal date. This amendment to the commercial policy requirements would change the notice requirement to 60 days. Extending the time for notice, we feel, will give consumers and agents more time to locate replacement coverage when they are being nonrenewed.

Section 3 - Homeowners. The current nonrenewal notice requirement for homeowners insurance is 30 days also. We are asking to amend that to 60 days as well.

Section 4 - Repeal. Current law requires insurance companies to make special annual claims reports to the Commissioner regarding legal malpractice claims and product liability claims. These requirements we believe were introduced in the 70s or 80s at the time of a hard liability market. In evaluating the ongoing need for this additional reporting requirement on the companies, we have noted that since the introduction of these requirements, there has never been a request for this information by any source. In the interest of eliminating apparent unnecessary requirements as well as improving Department and company efficiencies, we are asking that they be removed from code.

Testimony of Patrick Ward In Opposition to HB 1142

My name is Patrick Ward. I am an attorney with the law firm of Zuger Kirmis & Smith of Bismarck. I represent the North Dakota Domestic Insurance Companies and other property and casualty insurers, including State Farm and American Family Insurance in opposition to this bill.

Section 1 of this bill would put a new provision into the North Dakota Century Code requiring an insurance company to provide the insurance company with notice in writing of its plan to cease writing and renewing a property and casualty insurance "product" in this state. The term "insurance product" is not defined. The notice must contain the effective date of the plan, the number of policies effected, and the reason therefore. ~~The Domestic~~ Some Insurance Companies object to this provision in that it hinders their ability to make business decisions independent of regulation and it is unnecessary. Competitive insurance rates are encouraged by less regulation, not more. It will not help North Dakota attract new companies.

Section 2 of HB 1142 would expand from 30 to 60 days the time period in which an insurance company must give an insured a notice of intention not to renew the policy beyond the agreed expiration date. The vast majority of states have a 30 day cancellation requirement. This 60 day requirement would take North Dakota outside the usual, and again, would be an unnecessary restriction on the

freedom of insurance companies to do business in the state. Furthermore, there has been no demonstration that there is a problem in placing coverage within 30 days. Section 2 refers to non-renewal of commercial insurance policies. Also, there is a cost to these companies in charging over their systems.

The domestic and property and casualty insurance companies have the same objections to Section 3 of HB 1142 which would extend the 60 day notice requirement to property and casualty policies similar to the extension of that for commercial policies.

The domestic insurance companies therefore request a Do Not Pass recommendation from this committee on HB 1142.

P:\PWARD\Legislature 2003\HB1142 Testimony.doc

ENGROSSED HOUSE BILL NO. 1142

Presented by: ~~Larry Maslowski~~ Jim Poolman testimony
~~Senior Property and Casualty Analyst~~ ND Ins. Commissioner
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 Larry Maslowski, Senior Property and Casualty Analyst with the North Dakota Insurance Department. I stand before you today to introduce Engrossed House Bill No. 1142.

The proposed bill consists of four parts. The first three parts are being introduced as a direct result of the hard market that North Dakota is currently experiencing in the property insurance market. The fourth is in response to the Department's desire to remove unnecessary reporting requirements.

Section 1 - Withdrawal Notice. At the present time there is no statutory requirement for an insurance company to report to the Insurance Commissioner when the company decides to stop actively writing and renewing property and casualty products. This new section would create a requirement for property and casualty insurance companies, who are actively participating in the marketing and servicing of a property and casualty insurance product in this state, to send notice to the Commissioner in writing before notifying agents or stockholders when the company makes a business decision to no longer actively participate in the marketing of that product. The notice to the Commissioner would need to include the date the company plans to stop writing, the number of policies that will be affected, and reason for the action. As the Department attempts to be more

responsive to consumers and market situations, it is vital for the Commissioner to have knowledge of actions that affect the overall availability of insurance in the market. The new requirement will help the Commissioner in his monitoring of the market place.

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Section 3 - Homeowners. The current nonrenewal notice requirement for homeowners insurance is 30 days also. The original bill asked to have that changed to 60 days; however, the House Industry, Business and Labor Committee amended our request and changed it to 45 days. The Department does support the engrossed version of the bill.

Section 4 - Repeal. Current law requires insurance companies to make special annual claims reports to the Commissioner regarding legal malpractice claims and product liability claims. These requirements we believe were introduced in the 70s or 80s at the time of a hard liability market. In evaluating the ongoing need for this additional reporting requirement on the companies, we have noted that since the introduction of these requirements, there has never been a request for this information by any source. In the interest of eliminating apparent unnecessary requirements as well as improving Department and company efficiencies, we are asking that they be removed from code.