

# MICROFILM DIVIDER

OMB/RECORDS MANAGEMENT DIVISION

SFN 2053 (2/85) 5M



ROLL NUMBER

DESCRIPTION

2251

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Operator's Signature

*Deanna D. Smith*

Date

10/21/03

2003 SENATE INDUSTRY, BUSINESS AND LABOR

SB 2251

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10/21/03  
Date

2003 SENATE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. 2251

Senate Industry, Business and Labor Committee

☐ Conference Committee

Hearing Date 1-29-03

Tap: Number	Side A	Side B	Meter #
1	XXXX		0-4400
Committee Clerk Signature <i>Lisa VanBerkom</i>			

Minutes: Chairman Mutch opened the hearing on SB 2251. All Senators were present.

SB 2251 relates to creation of a property insurance placement facility.

**Testimony in support of SB 2251**

Jim Poolman, ND State Insurance Commissioner, spoke in support of the bill. He states that it essentially creates a market assistance program for home owners in ND. See handout attached. Included is a property casualty market chart. Poolman goes over the chart with the committee. He states that in 2001, the loss ratio was 297 %(percent). In 2000, the loss ration was 94%. In 1999, the loss ratio was 111%. In 1998 the loss ratio was 57%. In 1997, the loss ratio was 244%. The chart further explains into past years the loss ratio. Only two years did companies add to the surplus and didn't pay out more in claims than they took in. Reinsurance capacity has changed do to the economy. The hail storm of 2001, affected most of Bismarck and Mandan. Since then, 10

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Date

Page 2

Senate Industry, Business and Labor Committee

Bill/Resolution Number 2251

Hearing Date 1-29-03

small companies have left the state because of this. Many people in this area have had 2-3 claims filed against their home owner's policy, thus the rates are going up or they are not being written.

He states that he does not want a program that will compete with the industry. He wants to make insurance available to high-risk home owners. (Meter no. 0-790)

**Larry Maslowski**, Senior Property and Casualty Analyst for the North Dakota Insurance

Department, spoke in support of the bill. See attached testimony. His testimony goes over the bill, section by section. (meter no. 800). He states that consumers are having a problem finding insurance.

Senator Mutch: Is this plan unique to North Dakota?

Larry: There are 30 states with a similar plan at this point.

Senator Mutch: Does this require every company in the state to participate in this plan?

Larry: Yes.

Senator Klein: If someone is denied coverage 5 times, they can then apply for this plan?

Larry: Yes.

Senator Klein: Is there a guarantee that they will be accepted?

Larry: They can refuse SOME risks, like arson that hasn't been repaired.

Senator Nething: Is this an assigned risk program?

Larry: Yes.

Senator Nething: It is an umbrella of assigned risk. There must be a reason you would like to establish a new program.

Larry: It will give the consumer an additional option.

Senator Espegard: How do you cover the 200% loss ratio in your department?

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10/21/03  
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Page 3

Senate Industry, Business and Labor Committee

Bill/Resolution Number 2251

Hearing Date 1-29-03

Larry: Whatever costs incurred, it would be assessed and dispersed. There is a board that would decide that. Hopefully we don't have to do this.

End testimony and questions. (meter no. 1981, side A, tape 1)

**Testimony in opposition to SB 2251.**

**Rob Hovland**, Chairman of the North Dakota Domestic Insurance Companies Association, testified in opposition to SB 2251. See attached testimony. Rob states four primary reasons why they are opposed to this bill. First, it is our contention that the answer to addressing a looming crisis is to prevent it from ever happening. Rather than passing legislation that would put a system in place to jam business down the throat of companies that remain loyal to our state. Second, if the MAP plan were to be implemented, there are companies that would not have the ability to accept the business, yet could be forced to do so. Third, companies could be required to accept insurance business they don't currently write. Fourth reason is that you are giving a great deal of power to the Commissioner's office today and in the future. It is a form of dictatorship decision-making. (meter no. 2800)

Senator Heitkamp: You say we need to get ahead of it, but how can we prevent a storm or stock market action, how can we get out ahead?

Rob: Great question. We try to look at the insurance as a whole. You can't control hail, insurance companies are trying to attack auto, home owner's as a whole. There are other things besides natural disaster that we look at as a problem

**Pat Ward**, representing State Farm Insurance Companies and NAIL, testified in opposition to SB 2251. See attached testimony.

**Larry Maslowski** proposes amendments. See attached.

Page 4  
Senate Industry, Business and Labor Committee  
Bill/Resolution Number 2251  
Hearing Date 1-29-03

**Pat Ward**, responds to amendments. See attached.

The hearing is closed. No action was taken at this time.

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**FISCAL NOTE**  
**Requested by Legislative Council**  
01/20/2003

Bill/Resolution No.: SB 2251

**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.*

	2001-2003 Biennium		2003-2005 Biennium		2005-2007 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues	\$0	\$0	\$0	\$0	\$0	\$0
Expenditures	\$0	\$0	\$0	\$0	\$0	\$0
Appropriations	\$0	\$0	\$0	\$0	\$0	\$0

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

2001-2003 Biennium			2003-2005 Biennium			2005-2007 Biennium		
Counties	Cities	School Districts	Counties	Cities	School Districts	Counties	Cities	School Districts
\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0

**2. Narrative:** *Identify the aspects of the measure which cause fiscal impact and include any comments relevant to your analysis.*

This bill allows the Commissioner of Insurance to oversee the establishment of a program for providing insurance for homeowners that are unable to secure homeowner's insurance in the private market because of loss experience, poor credit, or other underwriting issues.

The program will be funded through assessments against those insurance companies that write homeowners insurance in North Dakota in proportion to market share. The bill will not impact the Insurance Department's budget or the general fund since the costs of operating and administering the program will be assessed to the industry.

**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.*

N/A

**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.*

N/A

**C. Appropriations:** *Explain the appropriation amounts. Provide detail, when appropriate, of the effect on the biennial appropriation for each agency and fund affected and any amounts included in the executive budget. Indicate the relationship between the amounts shown for expenditures and appropriations.*

N/A

<b>Name:</b>	Charles E. Johnson	<b>Agency:</b>	Insurance Department
<b>Phone Number:</b>	328-2440	<b>Date Prepared:</b>	01/27/2003

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10/21/03  
Date



February 11, 2003

*JE*  
2-12-03  
1212

PROPOSED AMENDMENTS TO SENATE BILL NO. 2251

Page 1, after line 13, insert:

- "1. "Basic property insurance" means insurance against direct loss to property as defined and limited in standard fire policies and extended coverage endorsements thereon.
2. "Homeowners insurance" means insurance on owner-occupied dwellings providing personal multi-peril property and liability coverage."

Page 1, line 14, replace "1." with "3."

Page 1, line 15, after the second comma insert "basic" and replace "casualty" with "homeowners"

Page 1, line 17, replace "2." with "4."

Page 1, line 18, after "securing" insert "basic"

Page 1, line 19, replace "casualty" with "homeowners"

Page 2, line 28, after the period insert "The commissioner may require the board to waive the assessment requirement for an insurer if the assessment would cause a significant financial impairment to the insurer or would jeopardize the solvency of the insurer."

Page 2, line 30, after the second comma insert "basic", remove "and casualty", and after "thereof" insert "in multi-peril policies or homeowners insurance"

Page 3, line 5, after "reported" insert "from income from this state"

Page 3, line 6, replace the semicolon with a colon and replace "farmowners multiple peril," with "and"

Page 3, line 7, remove ", and commercial multiple peril (nonliability portion)"

Page 3, line 9, replace "dwelling insurance," with "basic property and" and remove ", mobilehomeowners insurance, farmowners"

Page 3, line 10, remove "insurance, condominiumowners insurance, and commercial property insurance"

Page 3, line 11, replace the first comma with "or", remove "liability, or such manufacturing", and remove "as may"

Page 3, line 12, remove "be excluded by the commissioner"

Page 3, line 15, after the period insert "Rates must be actuarially sound under chapter 26.1-25 and may not actively compete with rates in the voluntary market."

*Deanna D. [Signature]*  
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10/21/03  
Date

Page 3, line 16, after "coverage" insert ", in writing,"

Renumber accordingly

2 of 2

Page No. 2

38299.0101

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12/21/03  
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Date: 2-11-03  
Roll Call Vote #: 1

2003 SENATE STANDING COMMITTEE ROLL CALL VOTES  
BILL/RESOLUTION NO. 2251

Senate \_\_\_\_\_ Committee \_\_\_\_\_

☐ Check here for Conference Committee

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

Action Taken Adopt Amendments

Motion Made By Espgaard Seconded By Klein

Senators	Yes	No	Senators	Yes	No
Sen. Jerry Klein, Vice Chairman	X				
Sen. Karen Krebsbach	X				
Sen. Dave Nething	X				
Sen. Joel Heitkamp	X				
Sen. Mike Every	X				
Sen. Duane Espgaard	X				
Sen. Duane Mutch, Chairman	X				

Total (Yes) 7 No 0

Absent 0

Floor Assignment \_\_\_\_\_

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

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Operator's Signature Deanna Waller Date 10/21/03

Date: 2-11-03  
Roll Call Vote #: 2

2003 SENATE STANDING COMMITTEE ROLL CALL VOTES  
BILL/RESOLUTION NO. 2251

Senate \_\_\_\_\_ Committee \_\_\_\_\_

☐ Check here for Conference Committee

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

Action Taken Do Pass As Amended

Motion Made By Espegard Seconded By Heitkamp

Senators	Yes	No	Senators	Yes	No
Sen. Jerry Klein, Vice Chairman	X				
Sen. Karen Krebsbach	X				
Sen. Dave Nething	X				
Sen. Joel Heitkamp	X				
Sen. Mike Every	X				
Sen. Duane Espegard	X				
Sen. Duane Mutch, Chairman	X				

Total (Yes) 7 No 0

Absent 0

Floor Assignment Espegard

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Date

REPORT OF STANDING COMMITTEE (410)  
February 13, 2003 8:34 a.m.

Module No: SR-28-2519  
Carrier: Espegard  
Insert LC: 38299.0101 Title: .0200

**REPORT OF STANDING COMMITTEE**

**SB 2251: 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). SB 2251 was placed on the Sixth order on the calendar.**

Page 1, after line 13, insert:

- "1. "Basic property insurance" means insurance against direct loss to property as defined and limited in standard fire policies and extended coverage endorsements thereon.
2. "Homeowners insurance" means insurance on owner-occupied dwellings providing personal multi-peril property and liability coverage."

Page 1, line 14, replace "1." with "3."

Page 1, line 15, after the second comma insert "basic" and replace "casualty" with "homeowners"

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Page 2, line 28, after the period insert "The commissioner may require the board to waive the assessment requirement for an insurer if the assessment would cause a significant financial impairment to the insurer or would jeopardize the solvency of the insurer."

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Page 3, line 12, remove "be excluded by the commissioner"

Page 3, line 15, after the period insert "Rates must be actuarially sound under chapter 26.1-25 and may not actively compete with rates in the voluntary market."

Page 3, line 16, after "coverage" insert ", in writing,"

Renumber accordingly

(2) DESK, (3) COMM

Page No. 1

SR-28-2519

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Date

Date: 3-26-03  
Roll Call Vote #: 1

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

Senate \_\_\_\_\_ 2251 Committee

☐ Check here for Conference Committee

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

Action Taken

Do Concur

Motion Made By

Heitkamp

Seconded By

Klein

Senators	Yes	No	Senators	Yes	No
<u>Mutch</u>	<u>X</u>				
<u>Klein</u>	<u>X</u>				
<u>Krebsbach</u>	<u>X</u>				
<u>Netting</u>	<u>X</u>				
<u>Heitkamp</u>	<u>X</u>				
<u>Evans</u>	<u>X</u>				
<u>Espey</u>	<u>A</u>				

Total (Yes) 6 No 0

Absent 1

Floor Assignment

Espey

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

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Diana Waller

10/21/03  
Date

2003 HOUSE INDUSTRY, BUSINESS AND LABOR

SB 2251

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2003 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. SB 2251

House Industry, Business and Labor Committee

☐ Conference Committee

Hearing Date March 12, 2003

Tape Number	Side A	Side B	Meter #
1	x		0.0-39.5
Committee Clerk Signature <i>Judith Hammer</i>			

Minutes: **Chairman Keiser** opened the hearing on SB 2251.

**Sen. Esegard, District 43**, introduced the legislation and testified in its support.

**Jim Poolman, Commissioner of North Dakota Insurance Department**, testified in support of SB 2251. We have experienced many difficulties in the property and casualty insurance market over the past several years. Loss ratios for the industry have been over 100% in 8 out of the past 10 years. Insurance companies are paying out \$3 for every dollar they collected in premiums. If we were to have another catastrophic storm like the hailstorm of 2001, or the market continue to tighten and capacity continue to shrink, those people with recent claims would run into a problem in finding insurance coverage. This bill will allow the Insurance Commissioner to set up a high risk pool for those persons who cannot purchase insurance in the marketplace. It lists the provisions with which the Insurance Department would comply and the public openness of the process in creating such a pool. This is enabling legislation that one hopes will never have to be used, but it is something that is needed. It sets out the parameters, the process and ability for the

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12/21/03  
Date



Page 2

House Industry, Business and Labor Committee

Bill/Resolution Number SB 2251

Hearing Date March 12, 2003

Department to establish such a mechanism. The original bill was significantly amended in the Senate, the industry had its concerns, I think we worked out a better bill than was originally drafted. I ask for your favorable support.

**Rep. Nottestad:** Do other states have this type of pool?

**Poolman:** Yes, several states have fair plans, joint underwriting authority plans, or market assistance plans to respond to volatile situations such as we have experienced during the past few years.

**Rep. Kasper:** On page 3, line 5, would you be assessing the insurance companies to participate in the capitalization rate of this entity? What's the dollar amount that you would have there or would it be non-capitalized and just an assessment to them?

**Poolman:** Initial capitalization requirements would be set up by a board comprised of industry officials. That board would determine what the needs would be. We have a preliminary estimate of \$150,000 to set this up, this would be assessed across the industry that writes homeowners business in the state.

**Rep. Ekstrom:** Is this more or less a regional problem? Urban or rural? And what would be the typical rates? Would this be comparable to the high risk auto policies?

**Poolman:** Homeowners rates are going up everywhere. In Texas, the problem is mold. Hail and wind have been our problem. Rates would be set by the board, and they would be higher than marketplace rates. The CHAN program for health insurance is a high risk pool and is 130% of the average for individual rates.

**Rep. Froseth:** Back to the rates, is any of the portion of the risk spread over the entire group of property owners?

Page 3

House Industry, Business and Labor Committee

Bill/Resolution Number SB 2251

Hearing Date March 12, 2003

**Poolman:** If rates were not to cover the risk, and claims would exceed the premiums collected, there would be an assessment to the industry. The industry would decide how to pass those costs on. I hope that it would be a minimal increase.

**Rep. Severson:** If we pass this, could we expect that some insurance companies would opt out of providing insurance to high risk customers just so this could be funded and then shared by other insurance companies?

**Poolman:** No, in general, the insurance industry opposed the bill on the Senate side. We have tailored to meet the needs. The Commissioner does not have to enact this legislation or utilize it unless there is already a market problem to begin with. I won't pawn off bad risks to insurance companies without going through a public hearing, without determining that a market crisis exists. We would not just create it to push off risks elsewhere.

**Rep. Ruby:** On page 3, under underwriting, you include "credit history". We had a previous bill that limited some rating by credit history. Why is that included here?

**Poolman:** We believe that all terms of underwriting that a private company would be able to use still would classify a higher risk, regardless of claims activity. All elements used in underwriting should potentially be used to determine what is a higher risk. If you go to the private marketplace and those standards are used, they should be used here as well. That other bill you referred to that passed relating to regulation of what is used for credit would still apply to this particular pool also.

**Rep. Dosch:** What is the risk to the state once we enact this and a high risk fund is put into place, activated? Is there risk exposure to the state or would the premiums cover the losses?

Page 4

House Industry, Business and Labor Committee

Bill/Resolution Number SB 2251

Hearing Date March 12, 2003

**Poolman:** Yes, there is no premium or claims exposure to the state or the taxpayers whatever.

Any sort of claims exposure over the premiums taken in would be an assessment to the industry that write homeowners in North Dakota.

**Rep. Ekstrom:** These high risk funds, are they generally reinsured?

**Poolman:** I don't believe so. It depends on how they are set up, using an underwriting authority for example. Or the structure would vary on how they were set up. Some may use a reinsurance mechanism.

**Rep. Klein:** You refer to the "facility" Is that the board?

**Poolman:** The "facility" would be the plan.

**Chairman Keiser:** Regarding the assessment fee and going backwards. What if we have 50 insurance companies operating in the state and we have to activate the pool? You haven't charged for that, you have to charge in the future to recover the assessment. Ten of those companies say, we're out, we're leaving the state. Our loss ratio is too high. With this additional assessment, we'll no longer do business here. This will deplete the pool to 40 companies to participate. The assessment would then go up. Then five more companies opt out.

**Poolman:** I'd bet that if a company were to leave the marketplace, they'd leave regardless of any assessment. It'd be based less on claims history than on general economic trends. It isn't the Commission's intention to use this as competition to the private marketplace. The board is set up with many industry representatives in it, so that voice will be heard.

**Chairman Keiser:** What if you've been denied 5 times by 5 different companies? Is there a potential for entities to be legitimately denied five times, because they're terrible risks who don't

*Deanna Wall*  
Operator's Signature

10/21/03  
Date

Page 5  
House Industry, Business and Labor Committee  
Bill/Resolution Number SB 2251  
Hearing Date March 12, 2003

manage their business affairs properly, their exposure is great. So they come in the back door with their denials and they want to be in the pool.

**Poolman:** Yes, there is that possibility. This bill would not help them. That is not a whole market problem, it is an individual problem based on risk and underwriting. We wouldn't set up a high risk pool for reprobates. We'd set up a high risk pool after a public hearing, after input by industry and consumer groups to analyze the market in general.

**Chairman Keiser:** If the market warranted setting up the high risk pool, could these companies come in the back door and qualify?

**Poolman:** The board would set up the underwriting guidelines. Act of God risks and claims versus mismanagement etc.

**Rep. Kasper:** On page 3, lines 23 & 24, the applicant is eligible to apply to the facility for coverage. That doesn't say "and must be provided coverage". So, is it your contention that there would be people in this state who cannot get insurance in the private market who would apply to this entity and could be denied coverage here?

**Poolman:** The board would set up underwriting guidelines. This goes right to Chairman Keiser's question, should somebody who is essentially a bad risk, based on their behavior, not because of Acts-of-God-claims, be allowed in this pool?

**Rep. Kasper:** So there could be instances where someone would apply to the pool and be denied coverage under this bill?

**Poolman:** The bill was drafted to be open ended enough that the Board could tailor underwriting guidelines to essentially do that.

Page 6  
House Industry, Business and Labor Committee  
Bill/Resolution Number SB 2251  
Hearing Date March 12, 2003

**Larry Maslowski, Senior Property & Casualty Analyst, North Dakota Insurance**

**Department, testified in support of SB 2251. (See attached)**

**Chairman Keiser:** If they leave the market and you send them an assessment and they have no intention of coming back, will they pay it?

**Maslowski:** They have the obligation to pay it. Regarding the question if they have to take everybody, the answer is probably no. Other plans exist with standards of underwriting that stipulate that if the housekeeping of this property is so poor and the property itself is in such bad shape and no effort is made to care for it, those standards can be applied. It is possible that not everybody will automatically be included. Thirty other states have plans and legislation similar to what SB 2251 is designed to do. This pool will not encompass risks related to autos or commercial properties.

**Rep. Thorpe:** What's the qualifier here? There was a case in Fargo, a renewal, and with an adapted new scoring system. The rates went from \$800-\$1600 per year. As long as somebody was willing to write a renewal for her at any price, she wouldn't qualify for this pool?

**Maslowski:** I wouldn't look at that situation as being unable to get insurance.

**Chairman Keiser:** What if someone gets 5 denials from 5 good companies that don't take high risks but simply control their costs. How will we get them to say, yes, but you didn't try those companies that do take high risks so you wouldn't have been denied?

**Maslowski:** The statute as drafted now doesn't speak to that. We put in here, 5 rejections, most other plans have 2 or 3 rejections. We're a little tougher.

**Poolman:** Essentially, the process, five denials, is one thing but the underwriting standards are also such that if you can go out and get private insurance you can still go out in a surplus lines

*Deanna Wallis*  
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10/21/03  
Date

Page 7

House Industry, Business and Labor Committee

Bill/Resolution Number SB 2251

Hearing Date March 12, 2003

market. The key to that is the underwriting standards. They can be drafted so that they are not competing with the private marketplace.

**Rep. Ruby:** So you price it so that you aren't in competition with private marketplace. It would be in their vested interest to go to those high risk agencies rather than take the state pool.

**Poolman:** That's absolutely correct. The other point is that we want to stress the incentive to get out of this pool, to depopulate the pool, so the rate would be set to depopulate, and get them back into the private marketplace. When the market softens again and improves, there would be a natural depopulation mechanism in effect.

**Rep. Thorpe:** So I understand that this is for people who might be carrying a mortgage and are unable to obtain coverage at any price. This would be the last resort for them because the other alternative is that the mortgage holder could ask for the mortgage to be paid in full if they couldn't get insurance.

**Rep. Zaiser:** What assurance is there that the rates would always be higher than the voluntary market? How would it be monitored?

**Maslowski:** Under statute, it would be up to the Department of Insurance to make sure the rate level is set so that it is higher than the voluntary market.

I don't have specifics to give you but it would be similar to the plan we already have for auto insurance. They use a factor above the published rates to determine premiums.

**Rep. Zaiser:** Could there be a carrier that would cause conflict? You're talking about averages.

**Maslowski:** In this market, I wouldn't expect it. The homeowner market has two companies that are willing to write substandard risk policies. That's different than in the auto insurance industry.

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Operator's Signature

Date

Page 8

House Industry, Business and Labor Committee

Bill/Resolution Number SB 2251

Hearing Date March 12, 2003

The marketplace hasn't responded to this. I have a minor amendment that I ask the committee to consider. (See attached)

**Pat Ward, representing State Farm Insurance, testified in support of SB 2251. (See attached)**

As there was no one else present who wished to testify either in support of or in opposition to SB 2251, the hearing was closed.

**Rep. Klein moved to adopt the amendments. Rep. Severson seconded the motion. A voice vote carried the motion.**

**Rep. Keiser:** This makes me anxious, getting into the marketplace and starting to make changes. This could have unintended consequences. I hope we never have to use this program, no matter what the partisan politics of the Insurance Commissioner might be, I hope he would be hesitant to use the program. I do think that companies might bail and leave the state.

**Rep. Thorpe:** I hope the Commissioner will never have to use this but I think he will feel comfortable by having the option available.

**Rep. Johnson moved a Do Pass As Amended.**

**Rep. Boe seconded the motion.**

**Results of the roll call vote were: 13-0-1.**

**Rep. Tieman will carry this on the floor.**

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*Deanna D. Smith*  
Operator's Signature

10/21/03  
Date

38299.0201  
Title.0300

Adopted by the Industry, Business and Labor  
Committee

March 12, 2003

**House Amendments to Engrossed SB 2251 - Industry, Business and Labor Committee  
03/13/2003**

Page 3, line 29, replace "or have" with ", nor may", after "action" insert "be brought", and after  
"them" insert a comma

Renumber accordingly

1 of 1

38299.0201

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Deanna Waller  
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10/21/03  
Date



Date: 3/12/03  
Roll Call Vote #: |

2003 HOUSE STANDING COMMITTEE ROLL CALL VOTES  
BILL/RESOLUTION NO. 2251

House INDUSTRY BUSINESS & LABOR Committee

☐ Check here for Conference Committee

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

Action Taken

Do Pass & Amended

Motion Made By

Johnson

Seconded By

Boe

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

Total (Yes) 13 No 0

Absent 1

Floor Assignment. Tieman

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

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10/21/03  
Date

**REPORT OF STANDING COMMITTEE (410)**  
March 13, 2003 8:43 a.m.

Module No: HR-45-4634  
Carrier: Tieman  
Insert LC: 38299.0201 Title: .0300

**REPORT OF STANDING COMMITTEE**

**SB 2251, as engrossed: Industry, Business and Labor Committee (Rep. Kelser, Chairman) recommends AMENDMENTS AS FOLLOWS and when so amended, recommends DO PASS (13 YEAS, 0 NAYS, 1 ABSENT AND NOT VOTING). Engrossed SB 2251 was placed on the Sixth order on the calendar.**

Page 3, line 29, replace "or have" with ", nor may", after "action" insert "be brought", and after "them" insert a comma

Renumber accordingly

(2) DESK, (3) COMM

Page No. 1

HR-45-4634

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10/21/03  
Date

2003 TESTIMONY

SB 2251

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10/21/03  
Date

SENATE BILL NO. 2251

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

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

**Date:** January 29, 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 Senate Bill No. 2251.

The bill creates a new section of the code providing authority to the Commissioner, if necessary, to implement a residual market mechanism known as a property insurance placement facility. The market availability for property insurance is extremely strained at this time due to a poor loss history in the state. Consumers and agents are having some difficulty finding coverage. The concern exists that if further catastrophic loss events would occur in the future, the availability of insurance may be significantly restricted by a lack of capacity in the market. Should this occur the Commissioner feels it prudent to have in place enabling legislation that would give him the tools to respond to such a crisis and be able to provide consumers with a source for coverage.

**Sunrise - Trigger.** The section contains the enabling language that sets out the requirement for the Commissioner to hold a public hearing to determine whether it is necessary to implement the property insurance placement facility.

**Definition.** The section contains the definitions of "insurer" and "North Dakota property

Insurance placement facility".

**Board.** The section defines the number and the method of selecting board members for the facility. Seven members from the industry and two public members are contemplated. The Commissioner would appoint the initial board on a staggered basis. Subsequent industry members would be elected by the board, while subsequent public members would be by appointment of the Commissioner.

The board is required to prepare and maintain a plan of operation for the facility to include the authorization to hire employees or independent contractors, to establish a facility from which to do business, to assess members to defray the losses and expenses, to negotiate commission agreements, to establish reasonable underwriting standards, to develop reasonable cancellation and non-renewal standards, to enter into reinsurance agreements, to develop procedures for determining limits of insurance, payment of claims, appealing adverse decisions, reporting statistical data, and contracting functions with the private sector. The plan and amendments are subject to approval by the Commissioner.

**Facility Membership.** The section provides that all insurers who are authorized to write and are actively writing property and casualty insurance in this state are members of the facility. Members are responsible for the cost of funding the operation, expenses, and losses of the facility. Costs will be assessed annually based on each member's pro rata share of the premium written in the second year previous as stated on the annual statement or other reports. The basis for the premium will be that listed on the following lines of the annual statement: fire, allied lines, farmowners multiple peril, homeowners multiple peril, and commercial multiple peril (non liability portion).

**Coverage Forms.** The section defines the type of policies to be written by the facility to be: dwelling, homeowners, mobile home owners, farm owners, condominium owners, and commercial property. Private passenger auto and commercial liability are excluded.

**Rates.** The section authorizes the facility to develop rates and to seek prior approval of rates from the Commissioner.

**Underwriting Eligibility.** The section sets the minimum standards for eligibility to participate in the plan. A person who has been refused coverage by five standard carriers for underwriting, claims, or credit reasons is eligible to apply.

**Agents.** The section indicates that all licensed property and casualty agents may submit an application on behalf of an applicant. The agent will receive a commission for the service. The agent is not a representative of the facility.

**Immunity.** The section provides immunity from liability for the facility, its members, employees, contractors, agents, and the Commissioner for statements made in good faith in the operation of the facility.

**Examination and Audits.** The section requires the Commissioner to conduct an examination of the facility every three years. An annual financial report is required of the facility by April 1 of each year to include premiums, losses, expenses, and assessments.

Testimony of [REDACTED] of SB 2251

Good morning Mr. Chairman, members of the Committee. My name is Patrick Ward. I'm here today representing State Farm Insurance Companies and NAII.

I'd like to testify in opposition to SB 2251.

I'd like to preface my remarks by stating that State Farm supports this concept of FAIR plan legislation where there is an availability problem in the voluntary market for residential property insurance. We are not opposed to a well-crafted plan that is limited to providing basic property insurance for residential property. If there is truly an availability problem in North Dakota—as opposed to an affordability problem—then a FAIR plan is a safety net for North Dakotans. When someone owns a home that is otherwise insurable, yet cannot find coverage through an insurance company because those companies are not writing new business, a FAIR plan that gives them coverage for named perils such as fire, wind, flood, and protects their property serves a useful purpose.

We are opposed to this piece of legislation because it goes much further than that. After one hearing, if the commissioner makes a determination that there is an availability problem, he's empowered to set up a state plan, and force all the insurance companies writing business in a given line to be assessed for the plan. It's not clear how the commissioner would make the determination. If a person

were offered coverage, but the premium were higher than he'd had in the past, if a person could not find coverage through his prior carrier, or a carrier available through his agent, or if a person could find coverage only through a surplus lines writer, does this make for an availability crisis?

Rather than a hearing, we believe that there is a better gauge for whether an availability problem truly exists. This gauge would enable the insurance commissioner to "test" the voluntary market. He would call for all the insurance companies writing in any given line to step up to the plate and voluntarily put together something known as a voluntary Market Assistance Plan. A Market Assistance Plan puts the burden on the industry to address availability. The industry would be asked by the Commissioner to meet and put together a Market Assistance Plan. Not every company may be willing to do so; it may be that no companies have capacity to write new business. It may be that there is capacity, but that those unable to find insurance coverage have simply not been made aware of all the names of carriers who do have the capacity to write their business.

MAPs are not new to the insurance industry. About five years ago, the Department of Insurance in Virginia was concerned that there was an availability crisis along the coastal areas of that state. It held a meeting of the companies writing homeowners insurance in the state; they put together a listing of those companies writing along the coast -- as it happened there were 12 willing to write,

Deanna D. Hall  
Operator's Signature

10/21/03  
Date



and another 2 were later added to the list. The list was available at the Department of Insurance of a consumer, realtor, or banker called in stating that they'd been declined insurance due to the location of the property.

Not every risk may be written in the voluntary market; however there also may be coverage available through excess lines writers and this may be appropriate for some properties that are marginal risks – vacant property, very poorly maintained property, and the like. We would propose language that "a FAIR plan as provided for in this Act may not be established unless the Commissioner has found that a voluntary market assistance plan has not achieved the goal of providing adequate access to basic residential property insurance." If the marketplace does not respond, then that is a clear indication that a FAIR plan should be activated.

We are also very concerned about the scope of this bill. It sets up a state-plan for not only residential property insurance, for homeowners insurance, for farmowners insurance– which means it includes liability insurance. And it goes much further than protecting individual homeowners and farmowners; it applies to commercial property insurance. The problem with the expansiveness of this legislation is that the more lines of insurance you make available through a state-run plan, the more you require one line of insurance to subsidize losses of another very different type of insurance. For example: A simple basic 'fire policy' – a policy that covers property insurance only on a home – presents risks of

named perils – fire, wind, flood, etc. These risks are very different from those presented by a commercial entity – even though they may be small, commercial lines present risks unlike those in personal lines. To ask the policyholders of personal lines insurance companies to subsidize the losses in a residual market by an assessment on an unrelated line of insurance is unfair.

This bill also provides for no incentive to depopulate the plan. There is no provision for how rates will be set. The rates of the plan should be set at a high level, so that this plan does not come to compete with insurance companies who write a given line of insurance in the state. There are no provisions stating what limits of coverage the plan shall provide - \$100,000? \$1,000,000 (as in Texas's FAIR plan)? Will there be limits on repair or replacement costs? None of this is set forth in the plan.

Thank you very much for your time and consideration. We ask you to vote against SB 2251.

*Senate*  
TESTIMONY ON HOUSE BILL 2251

Mr. Chairman, members of the IBL committee, my name is Rob Hovland. I am currently the Chairman of the North Dakota Domestic Insurance Companies Association, and am here to testify in opposition to this bill. There are primarily four reasons we oppose this bill.

The very nature of the bill is recognition that North Dakota has an insurance crisis looming. So many companies have left our state or quit writing insurance, that two weeks ago, the House IBL recommended passing a Bill requiring that in the future, companies that leave must notify the Commissioner's office before they walk out the door.

In order to pass this bill, I think a person would have to accept the premise that there is a good chance that a major market fallout will occur which would result in many people being unable to obtain insurance. When more companies quit or leave, and that crisis hits, we're talking about putting a system in place that will force insurance on the companies that don't leave or quit.

The first reason we oppose this bill, is that while the Commissioner's motives are honorable, it is our contention that the answer to addressing a looming crisis is to prevent it from ever happening. Rather than passing legislation that would put a system in place to jam business down the throat of companies that remain loyal to our state, we should be spending our energy figuring out a way to prevent that situation from happening. I think this is analogous to a person standing on the edge of a cliff, and instead of figuring out a way to pull them away from the cliff's edge, we are talking about what to do when they fall.

We believe a different approach should be taken -- pass legislation that will make North Dakota a more attractive place to write insurance.

The second reason we oppose this bill is that if the MAP plan were to be implemented, there are companies that would not have the ability to accept the business, yet could be forced to do so. This Bill is not intended to deal with a few consumers who can't get insurance, it is intended to address a massive problem -- the situation where a significant number of people can't get affordable insurance.

Many North Dakota insurance companies rely on and are heavily reinsured. Reinsurance is basically insurance for insurance companies. Some of us have limits on the volume of business we can accept under our reinsurance contract. Furthermore, A.M. Best, which is the organization that rates the stability of insurance companies, has been putting an enormous amount of pressure on some companies to limit growth.

At least a half a dozen companies, including some of our members, discontinued accepting new applications last year due to over-growth. If we were required to accept new business we don't have room for, we are left with two options. Either we get rid of one policy for every one we are required to accept, or we join the ranks of those that left the market.

The third reason we oppose this Bill is that companies could be required to accept insurance business they don't currently write. For example, some of our members don't write commercial insurance, other than farms, and the way this bill is written, they could be forced to do so. If a company doesn't write a line of insurance, they obviously do not have reinsurance, and the assets and financial stability of the company are at risk.

Certainly, this is not the intent of the Bill, but just as certain is that we cannot support it

unless those issues are properly addressed and some safeguards are in place to prevent it from happening.

The fourth reason is that you are giving a great deal of power to the Commissioner's office – today and in the future. Although there is a Board procedure in place, every item in the Plan must be approved by the Commissioner. Essentially, it is still a form of dictatorship decision-making.

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10/21/03  
Date

Pat Ward

Comments on amendments to SB 2251 Property Placement Facility bill.  
Prepared by Larry Maslowski, North Dakota Insurance Department

The following amendments to SB 2251 are a result of discussions with Pat Ward and Barb Ulbrich of State Farm and Rob Hoveland of Center Mutual.

1. The scope of the bill is reduced by scaling down the lines of insurance to reflect only "basic property insurance" and "homeowners" insurance. There are numerous changes in the bill to reflect this change.
- 2.. The definitions for "basic property" and "homeowners" insurance were added.
3. Language was added to address the domestic companies concern about potential impacts to solvency or financial standing of a company. The commissioner would now have the ability to waiver the assessment requirement if it would cause significant financial impairment or jeopardize the solvency of the company.
4. Added language to clarify that the premium used to calculate the assessment is based on North Dakota premium only.
5. Added language to indicate that rates charged shall be actuarially sound and shall not actively compete with rates in the regular or voluntary market.
6. Added language to require that the denial from 5 companies needed to be eligible for this plan must be in writing.

February 3, 2003

**PROPOSED AMENDMENTS TO SENATE BILL NO. 2251**

Page 1, after line 13, insert the following:

- “1. “Basic property insurance” means insurance against direct loss to property as defined and limited in standard fire policies and extended coverage endorsements thereon.
2. “Homeowners insurance” means insurance on owner-occupied dwellings providing personal multi-peril property and liability coverage commonly known as homeowners insurance.”

Page 1, line 14, replace “1.” with “3.”

Page 1, line 15, after the second comma insert “basic” and replace “casualty” with “homeowners”

Page 1, line 17, replace “2.” with “4.”

Page 1, line 18, after “securing” insert “basic”

Page 1, line 19, replace “casualty” with “homeowners”

Page 2, line 28, after the period insert “The commissioner may require the board to waive the assessment requirement for an insurer if the assessment would cause a significant financial impairment to the insurer or would jeopardize the solvency of the insurer.”

Page 2, line 30, after the second comma insert “basic”, remove “and casualty”, and after “thereof” insert “in multi-peril policies or homeowners insurance”

Page 3, line 5, replace “must” with “shall” and after “reported” insert “from income from North Dakota”

Page 3, line 6, replace the semicolon with a colon and replace “farmowners multiple peril,” with “and”

Page 3, line 7, remove “, and commercial multiple peril (nonliability portion)”

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Page 3, line 8, replace "must" with "shall"

Page 3, line 9, replace "dwelling insurance," with "basic property and" and remove "mobilehomeowners insurance, farmowners"

Page 3, line 10, remove "insurance, condominiumowners insurance, and commercial property insurance"

Page 3, line 11, replace the first comma with "or", remove "liability, or such manufacturing", and remove "as may"

Page 3, line 12, remove "be excluded by the commissioner"

Page 3, line 15, after the period insert "Rates shall be actuarially sound pursuant to chapter 26.1-25 and shall not actively compete with rates in the voluntary market."

Page 3, line 16, after "coverage" insert "in writing"

Renumber accordingly

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**NORTH DAKOTA HOMEOWNERS EXPERIENCE**  
(#s in 000s)

YEAR:		STATE:		North Dakota		North Dakota		North Dakota	
		Debit	Credit	Debit	Credit	Debit	Credit	Debit	Credit
Guaranty									
State Farm Fire And Cas Co		\$ 8,218		7,655		8,114			
American Family Mut Ins Co		7,805		7,559		3,903			78%
Republic Mut Ins Co		3,905		3,078		1,831			53%
First Nat Fire Ins Co		3,807		3,359		2,738			41%
First Nat Fire Ins Co		2,834		2,397		965			29%
Quincy Insurance Co		1,845		1,000		1,027			84%
Northwestern Ins Co		1,572		1,254		585			62%
Continental Mut Ins Co		1,447		1,447		388			46%
Central Mut Ins Co		1,448		1,517		1,274			88%
Continental Ins Co		1,370		1,370		401			29%
Emancipation Ins Co									
		\$ 34,573	\$ 32,386	\$ 18,086					53%
STATEWIDE TOTAL		\$ 82,757	\$ 80,429	\$ 28,857					67%

Notes: \* Compensation Actually Written in State

102

YEAR:	2000							
STATE:	North Dakota							
	Direct	Indirect	Employment	Direct	Indirect	Total	Less	Ratio
Commuter								
State Farm Fire And Cas On	\$	10,057	\$	8,448	\$	0,072		92%
American Family Mutual Insurs	\$	8,234	\$	8,960	\$	8,438		94%
Foremost Union Mutual Insuranc	\$	4,486	\$	4,231	\$	2,989		71%
Norfolk Mutual Insurance Comp	\$	3,367	\$	4,211	\$	3,131		74%
Free Insurance Exchange	\$	3,347	\$	3,010	\$	2,718		80%
Omaha Fire Insurance Company	\$	2,848	\$	2,878	\$	3,060		107%
Auto-Owners Insurance Company	\$	2,666	\$	2,007	\$	2,574		137%
North Star Mutual Insurance Co	\$	1,892	\$	1,488	\$	1,824		127%
Central Mutual Insurance Comp	\$	1,870	\$	1,838	\$	1,047		66%
Allstate Insurance Company	\$	1,811	\$	1,551	\$	1,011		55%
	\$	61,802	\$	38,709	\$	35,482		58%
STATEWIDE TOTAL	\$	81,054	\$	58,205	\$	58,054		84%

Total is Comprehensive Activity Waiting to State

YEAR:		STATE:		North Dakota		North Dakota		1987	
Contract	Vendor	Direct	Indirect	Direct	Indirect	Direct	Indirect	Direct	Indirect
		Expenses	Expenses	Expenses	Expenses	Expenses	Expenses	Expenses	Expenses
State Farm Fire And Auto Co		\$ 7,258	\$ 7,018	\$ 7,018	\$ 28,871				
American Family Mut Ins Co		-	4,076	4,076	10,048				340%
Farmland Mut Ins Co		\$ 2,984	3,817	3,817	7,532				144%
Parment Mut Ins Co		\$ 2,437	3,354	3,354	8,121				192%
First Nat Ins Co		\$ 2,274	2,130	2,130	8,435				415%
Central Mut Ins Co		\$ 1,550	1,485	1,485	2,448				164%
First Nat Ins Co		\$ 1,441	1,371	1,371	3,533				254%
Okla Mut Ins Co		\$ 1,248	1,220	1,220	1,508				123%
Okla Mut Ins Co		\$ 1,231	808	808	2,168				349%
Northwest Mut Ins Co		\$ 1,213	1,178	1,178	3,320				112%
		\$ 2,218	28,583	\$ 28,583	\$ 73,193				248%
STATEWIDE TOTAL		\$ 48,708	\$ 48,820	\$ 48,820	\$ 113,794				246%

Total of Component Activity Within the State: 107

YEAR-STATE		North Dakota		Direct		Indirect		Lanes		Baths	
Contract	Within	Direct	Indirect	Within	Outside	Direct	Indirect	Within	Outside	Direct	Indirect
Alabama Family Med Inc Co	\$	6,002	\$	5,827	\$	4,738					
State Farm Fire And Ins Co	\$	5,790	\$	5,475	\$	4,919					
Northwest Ind Co	\$	2,663	\$	3,352	\$	4,202					
Farmers Union Mut Ins Co	\$	2,813	\$	2,759	\$	3,718					
American West Ins Co	\$	1,708	\$	1,746	\$	1,482					
Fire Ins Exch	\$	1,454	\$	1,308	\$	1,204					
Continental Ind Co	\$	1,195	\$	1,143	\$	1,378					
State Farm Ind Co	\$	1,109	\$	1,118	\$	843					
Century Ind Co	\$	1,072	\$	1,084	\$	1,027					
Commercial Ind Co	\$	1,002	\$	1,018	\$	1,836					
Multiplan Ind Co	\$	2,778	\$	24,886	\$	25,062					
STATEWIDE TOTAL											
	\$	38,865	\$	38,705	\$	38,187					

[illegible]

1995		North Dakota		Direct		Lemon	
YEAR:	STATE:	Commodity	Wholesale	Export	Inc'd	Rate	Rate
		State Farm Fire and Cas Co	\$ 6,767	\$ 5,578	\$	5,870	90%
		State Farm Family Ind Ins Co	\$ 5	\$ 4,648	\$	4,111	100%
		North Nat Ind Co	\$ 3,864	\$ 3,839	\$	3,200	150%
		Farmers Union Mut Ind Co	\$ 3,308	\$ 2,256	\$	3,482	100%
		Fire Ins Exch	\$ 1,978	\$ 1,852	\$	2,258	122%
		Central Nat Ind Co	\$ 1,421	\$ 1,350	\$	1,448	107%
		Continental Ins Co	\$ 1,220	\$ 1,226	\$	816	67%
		Northwestern Ind Ins Co	\$ 1,220	\$ 1,315	\$	1,547	118%
		Northwest Ind Ins Co	\$ 1,220	\$ 1,178	\$	1,022	143%
		Northwest Ind Ins Co	\$ 1,221	\$ 1,078	\$	77%	77%
		Northwest Ind Ins Co	\$ 28,988	\$ 28,079	\$	21,464	117%
		STATEWIDE TOTAL	\$ 46,126	\$ 43,119	\$	46,181	100%

Total & Commodity Activity Written in Block

105

[illegible]

Operator's Signature Deanna Hall

10/21/03  
Date

March 10, 2003

**PROPOSED AMENDMENTS TO ENGROSSED SENATE BILL NO. 2251**

Page 3, line 29, insert a comma after the first "for", replace "or have" with "nor may", after "action" insert "be brought", and insert a comma after the second "for"

Renumber accordingly

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Operator's Signature

10/21/03  
Date

ENGROSSED SENATE BILL NO. 2251

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

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

**Date:** March 12, 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 Senate Bill No. 2251.

The bill creates a new section of the code providing authority to the Commissioner, if necessary, to implement a residual market mechanism known as a property insurance placement facility. The market availability for property insurance is extremely strained at this time due to a poor loss history in the state. Consumers and agents are having some difficulty finding coverage. The concern exists that if further catastrophic loss events would occur in the future, the availability of insurance may be significantly restricted by a lack of capacity in the market. Should this occur the Commissioner feels it prudent to have in place enabling legislation that would give him the tools to respond to such a crisis and be able to provide consumers with a source for coverage.

**Sunrise - Trigger.** The section contains the enabling language that sets out the requirement for the Commissioner to hold a public hearing to determine whether it is necessary to implement the property insurance placement facility.

**Definition.** The section contains the definitions of "insurer" and "North Dakota property

insurance placement facility".

**Board.** The section defines the number and the method of selecting board members for the facility. Five members from the industry and two public members are contemplated. The Commissioner would appoint the initial board on a staggered basis. Subsequent industry members would be elected by the board, while subsequent public members would be by appointment of the Commissioner.

The board is required to prepare and maintain a plan of operation for the facility which includes the authorization to hire employees or independent contractors, to establish a facility from which to do business, to assess members to defray the losses and expenses, to negotiate commission agreements, to establish reasonable underwriting standards, to develop reasonable cancellation and non-renewal standards, to enter into reinsurance agreements, to develop procedures for determining limits of insurance, payment of claims, appealing adverse decisions, reporting statistical data, and contracting functions with the private sector. Once implemented, the board has 90 days to submit its plan to the Commissioner. The plan and amendments are subject to approval by the Commissioner.

The Commissioner may waive the assessment for a company if it would cause a significant financial impairment or jeopardize the company's solvency.

**Facility Membership.** The section provides that all insurers who are authorized to write and are actively writing basic property insurance or homeowners insurance in this state are members of the facility. Members are responsible for the cost of funding the operation, expenses, and losses of the facility. Costs will be assessed annually based on each member's pro rata share of the premium written in the second year previous as stated on the annual statement or other reports. The basis for the assessment will be the premium listed on the following lines of the annual statement: fire, allied lines, and homeowners multiple peril.

**Coverage Forms.** The section requires the use of standard policy forms for basic property and homeowners insurance. Automobile and commercial risks are excluded.

**Rates.** The section authorizes the facility to develop rates and to seek prior approval of rates from the Commissioner. Rates are required to be actuarially sound and may not actively compete with rates in the voluntary market.

**Underwriting Eligibility.** The section sets the minimum standards for eligibility to participate in the plan. A person who has been refused coverage by five standard carriers for underwriting, claims, or credit reasons is eligible to apply.

**Agents.** The section indicates that all licensed property and casualty agents may submit an application on behalf of an applicant. The agent will receive a commission for the service. The agent is not a representative of the facility.

**Immunity.** The section provides immunity from liability for the facility, its members, employees, contractors, agents, and the Commissioner for statements made in good faith in the operation of the facility.

Please note that we are proposing a minor amendment to correct the grammatical structure of the section. With this amendment, the section would read:

**Immunity.** The facility, its members, employees, contractors, agents, and the commissioner are not liable for, nor may a cause of action be brought against them for, statements made in good faith in the course of conducting facility operations and procedures.

**Examination and Audits.** The section requires the Commissioner to conduct an examination of the facility every three years. An annual financial report is required of the facility by April 1 of each year to include premiums, losses, expenses, and assessments.

Att # 2

Testimony of Patrick Ward in Support of SB 2251

My name is Patrick Ward. I am an attorney with the law firm of Zuger Kirmis & Smith. I am here today representing State Farm Insurance Company in support of the First Engrossment to SB 2251.

We support this concept of FAIR plan legislation where there is an availability problem in a voluntary market for residential property insurance. We are not opposed to a well crafted plan that is limited to providing basic property insurance for residential property. Where there is truly an availability problem for insurance, as opposed to an affordability problem, a FAIR plan is a safety net for citizens of North Dakota. When someone owns a home that should otherwise be insurable, yet cannot find coverage through an insurance company because those companies are not writing new business, a FAIR plan gives them coverage for named perils such as fire, wind, and the like, and protects their property serving a very useful purpose.

SB 2251 as revised by the Senate in the First Engrossment is good legislation.

We urge you to support SB 2251.