

2009 HOUSE INDUSTRY, BUSINESS AND LABOR

HB 1196

2009 HOUSE STANDING COMMITTEE MINUTES

Bill/Resolution No. 1196

House Industry, Business and Labor Committee

☐ Check here for Conference Committee

Hearing Date: January 19, 2009

Recorder Job Number: 7165

Committee Clerk Signature

Ellen DeTang

Chairman Keiser: Opened the hearing on HB 1196 relating to elimination of the reporting requirement of modified community rating of insurance policies.

Representative Clark~District 44 in Fargo: Introduced the HB 1196. Reports the finding of the committee. Seldom used or ignored statuettes.

Michael Fix~ Director of the Life & Health Division & Actuary North Dakota Insurance Department. See testimony attachment.

Vice Chairman Kasper: Explain to me community rating helps competition in North Dakota right now?

Fix: I'm not sure it has had a big impact. The impact on the number of companies in this state has gone down. We did do a survey to see if it did have any impact.

Chairman Keiser: The minimum loss ratio was a contributor to the lack of competition. We changed that. Community based rating from five to three tiers did tend to reduce competition or reduced the opportunity to cherry pick.

Fix: Based on the information, I don't know if community rating by itself has been a major factor.

Vice Chairman Kasper: Could we have a copy of the overview of the community rating.

Fix: I could put together a written description for you.

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House Industry, Business and Labor Committee

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Chairman Keiser: Anyone to appear in opposition, neutral?

Closes the hearing on HB 1196, what are the wishes of the committee?

Vice Chairman Kasper: Move a Do Pass.

Representative Nottestad:

Committee Roll Call on HB 1196 with a Do Pass with 13 yea's, 0 no's, 0 absent and

Representative Vigesaa is the carrier.

Date: Jan 19 - 2009
Roll Call Vote # 1

2009 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. 1196

House House, Business & Labor Committee

☐ Check here for Conference Committee

Legislative Council Amendment Number _____

Action Taken ☒ Do Pass ☐ Do Not Pass ☐ As Amended

Motion Made By Vice Chairman Kasper Seconded By Rep. Not

Representatives	Yes	No	Representatives	Yes	No
Chairman Keiser	x		Representative Amerman	x	
Vice Chairman <u>Kasper</u>	x		Representative Boe	x	
Representative Clark	x		Representative Gruchalla	x	
Representative N Johnson	x		Representative Schneider	x	
Representative Nottestad	x		Representative Thorpe	x	
Representative Ruby	x				
Representative Sukut	x				
Representative Vigesaa	x				

Total (Yes) 13 No 0

Absent 0

Floor Assignment Rep. Vigesaa

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

2009 SENATE INDUSTRY, BUSINESS AND LABOR

HB 1196

2009 SENATE STANDING COMMITTEE MINUTES

Bill/Resolution No. 1196

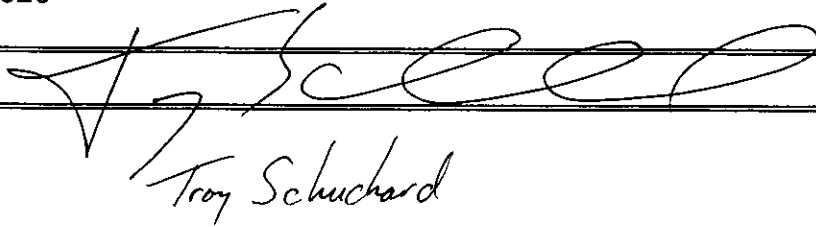
Senate Industry, Business, and Labor Committee

☐ Check here for Conference Committee

Hearing Date: March 16, 2009

Recorder Job Number: 11020

Committee Clerk Signature



Troy Schuchard

Minutes:

Chairman Klein: Opened the hearing on HB 1196, **Senator Horne** absent.

Michael Fix: Director of Life and health Division and Actuary with the North Dakota Insurance Department introduced and testified in support of HB 1196. (See attachment #1)

Senator Potter: Can you summarize your report on this? How does it work?

Michael Fix: The consideration in 1995 was whether or not it would have an impact on companies doing business in North Dakota. From 1994-2007 the number of companies had declined considerably, but as I reported to the Interim Committee I don't think we could blame it on this. In the evolution of the report, we expanded it from individual companies to include companies writing small group and companies writing large group as well. There are now 3 reports prepared each year.

Chairman Klein: Closed the hearing on HB 1196

Senator Wanzek: Motion for a Do Pass on HB 1196

Senator Andrist: Seconded

Chairman Klein: Motion for a Do Pass on HB 1196 passes 6-0, **Senator Andrist** to carry.

Date: 3/16/09
Roll Call Vote #: 1

Senate

Industry, Business and Labor

Legislative Council Amendment Number _____

Motion Made By Senator Wanzek Seconded By Senator Andrius

[illegible]

Absent 1

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

REPORT OF STANDING COMMITTEE (410)
March 16, 2009 3:36 p.m.

Module No: SR-47-5000
Carrier: Andrist
Insert LC: . Title: .

REPORT OF STANDING COMMITTEE

HB 1196: Industry, Business and Labor Committee (Sen. Klein, Chairman) recommends
DO PASS (6 YEAS, 0 NAYS, 1 ABSENT AND NOT VOTING). HB 1196 was placed
on the Fourteenth order on the calendar.

2009 TESTIMONY

HB 1196

HOUSE BILL NO. 1196

*Same
given to
Senate.*

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

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

Date: January 19, 2009

TESTIMONY

Good morning, Chairman Keiser and members of the committee. My name is Michael Fix and I am the Director of the Life and Health Division and Actuary of the North Dakota Insurance Department.

N.D.C.C. § 26.1-36.4-06, enacted in 1995, defines modified community rating methodology for premium rates for individual hospital and medical insurance. Included in this section is a requirement that the Commissioner design and adopt reporting forms. This has been implemented and used internally for a number of years.

A further requirement of this section is that the Commissioner report to the Legislative Assembly or to the Legislative Council the findings of these reports.

The internal reporting to the Insurance Department will continue as required by N.D.C.C. § 26.1-36.4-06. This amendment removes the reporting requirement from statute.

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



DEPARTMENT OF INSURANCE STATE OF NORTH DAKOTA

Adam W. Hamm
Commissioner of Insurance

MEMORANDUM

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

FROM: Michael L. Fix, Director of the Life and Health Division and Actuary
North Dakota Insurance Department *MF*

DATE: January 21, 2009

SUBJECT: Modified Community Rating Definitions – House Bill No. 1196

Three options for pricing structures include:

1. Individual Age Pricing
 - a. Each issue age has its own premium.
 - b. As issue age increases, higher premiums are charged.
2. Pure Community Rating
 - a. Each group has its own premium rate.
 - b. Each individual is charged the same rate, regardless of age or sex.
3. Modified Community Rating
 - a. This is between individual age pricing and pure community rating.
 - b. This is a pricing system that allows for younger individuals to be charged slightly higher rates and older individuals lower rates than would be otherwise actuarially justified by the claims data.
 - c. Small employer modified rating laws were initially adopted in North Dakota in 1993. Additional restrictions were adopted in 1995, including the elimination of gender rating.
 - d. Modified community rating that applies to individual health insurance policies was adopted in 1995. The reason for adoption of these restrictions was to prevent the practice of "cherry picking" by companies in this market. Companies would charge very low rates for younger, healthier individuals and very high rates for older, less-healthy individuals.