

**Testimony of Keith Pic, CEO, North Dakota Insurance Reserve Fund (NDIRF)
House Appropriations Government Operations Division
Chairman David Monson**

Introduction

Good morning, Chairman Monson, members of the House Appropriations Government Operations Division, and esteemed colleagues. My name is Keith Pic, and I serve as the Chief Executive Officer of the North Dakota Insurance Reserve Fund (NDIRF). I appreciate the opportunity to provide testimony today to clarify the mission and role of the NDIRF, address findings from the North Dakota Insurance Department's Market Conduct Examination, and provide context and responses to those findings.

The NDIRF was established in 1986 by North Dakota's political subdivisions to meet their unique insurance needs. We are a member-owned, nonprofit organization governed by our members, which include cities, counties, schools, and other political subdivisions across North Dakota. It is important to note that the NDIRF is not a state agency. The NDIRF is not required to exist statutorily or constitutionally. We operate independently as a self-insurance pool but are regulated by the North Dakota Insurance Department similar to insurance companies. Likewise, North Dakota's political subdivisions aren't required to be a member of the NDIRF and have the option of either self-insuring or purchasing insurance from the private marketplace.

Since our founding, the NDIRF has saved its members — and, by extension, North Dakota taxpayers — an estimated \$150 million. This is the true value of a self-insurance pool model. If our political subdivisions had to go out to the private market, there'd be \$150 million less in the pockets of our taxpayers.

This stability has enabled political subdivisions to allocate resources more effectively, benefiting the communities they serve. Over 25 years, we have demonstrated exceptional financial stewardship, with only one general rate increase during that time. As a nonprofit, member-owned organization, we exist solely to be the source of risk services for North Dakota's political subdivisions. This structure allows us to tailor coverage to meet their specific needs while ensuring stable, affordable rates and consistent service.

Additionally, we are committed to building strong relationships with our stakeholders through proactive communication and risk management education. For example, we offer online defensive driving courses, help sponsor POST-credited training opportunities for law enforcement across the state and provide scholarships to park districts to train playground safety inspectors to reduce playground accidents. We view education as an important tool to assist in risk management for our members. By providing regular updates and engaging directly with our members, we ensure a clear understanding of our mission and the value we provide. This approach has cemented our reputation as a trusted partner and steward of our political subdivisions' contributions to the pool.

Findings of the Market Conduct Examination

The recent Market Conduct Examination conducted by the North Dakota Insurance Department provided an opportunity to assess our operations and identify areas for improvement. If you haven't read the full report, I encourage you to do so. The examination focused on claims handling practices and compliance with regulatory standards. While it affirmed many of our strengths, it also highlighted specific areas requiring improvement:

1. **Claims Documentation:** Some claim files lacked sufficient detail, including adjuster reports and legal analyses, making it difficult for the Insurance Department to understand the decisions made.
2. **Equity in Claims Handling:** Variances were observed between the handling of first-party (member) and third-party claims, raising concerns about consistency.
3. **Communication on Claim Denials:** Denial letters often lacked detailed explanations, leaving claimants unclear about the reasoning behind decisions.

It is crucial to emphasize that the examination did not assess the correctness of claims approvals or denials but rather focused on the documentation supporting those decisions.

Providing Context for the Findings

While we take these findings seriously, I would like to provide important context:

- Many files closed without payment were “notice-only” files created to track potential claims that ultimately did not materialize. These closures are being misrepresented as liability denials.
- During the audit period, only 27% of third-party claim closures resulted from liability denials, a significantly lower rate than implied by recent media coverage.
- An independent claims audit by Farley Consulting reviewed some of the same files examined by the Insurance Department and found discrepancies. Specifically, some files labeled as deficient were determined to contain the required documentation.

The NDIRF's unique role as a nonprofit, member-owned pool requires balancing fairness to claimants with protecting the financial stability of our members' shared resources.

Steps Taken to Address the Findings

In response to the examination, we have implemented several measures to improve our operations:

1. **Complaint Policy:** We have implemented a complaint policy to better track and respond to written grievances by members and claimants.
2. **Engagement of Legal Expertise:** For complex cases, we will consult external legal counsel to ensure compliance with state laws and legal precedents. We have hired internal legal counsel who will provide an additional level of oversight of this process.

3. **Enhanced Claims Documentation:** We are developing standardized workflows and checklists for all claim files to ensure every decision is fully documented and easily understood.
4. **Consistent Claims Handling:** We are revising our claims philosophy to ensure equitable handling of first-party and third-party claims.
5. **Improved Communication:** Denial letters will include specific references to supporting evidence, providing greater clarity to claimants.

I have attached our Market Conduct Examination Response Plan, which includes more details about our response and its implementation.

Response to Broader Implications

The recent scrutiny of the NDIRF's operations has also brought attention to broader questions about the statutory framework for governmental liability in North Dakota. Legislative changes in this area could have significant fiscal implications for political subdivisions and taxpayers. We are committed to collaborating with lawmakers and stakeholders to ensure thoughtful, balanced discussions on these critical issues.

Conclusion

The NDIRF remains steadfast in its mission to serve North Dakota's political subdivisions with integrity and excellence. While we acknowledge the areas for improvement identified in the Market Conduct Examination, we are proud of our accomplishments and the value we provide to our members and the communities they serve.

I welcome any questions from the committee and look forward to continued collaboration to strengthen the NDIRF and its contributions to North Dakota.

Thank you.

NDIRF Market Conduct Examination Response Plan

Preparation and Planning

December 2024 – March 2025

Objective:

- Utilize the AGRiP Advisory Standards for Recognition as a roadmap to develop and implement policies and procedures intended to exceed the recommendations of the Insurance Department by January 2026.

Goal:

- Implement the recommendations outlined in the Market Conduct Examination Report intended to assist the Insurance Department in understanding the claims decision making process.

Engagement:

- The NDIRF will include all NDIRF employees, members, agents, and the Insurance Department as stakeholders in the process of implementing the recommendations.
- The Director of Claims and Assistant Director of Claims have the responsibility of developing the policies and procedures related to the claims department.

Policy Development:

- The Director of Claims and Assistant Director of Claims will review current policies and procedures.
- Draft new and updated policies and procedures.
- Compile current and draft policies and procedures.

Finalization:

- Draft policies and procedures are to be presented to stakeholders for feedback.
- Revise and finalize the policies for approval.

Communication and Training

April 2025 – June 2025

Communication Plan:

- New policies and procedures to be presented and explained in Department Staff meetings with follow-up communication through the intranet.

Training Development:

- Create training programs for each claims adjuster role.

- Build out and utilize guides, checklists, and other supporting materials.
- Identify opportunities in workflows for automated activities

Training Implementation:

- Conduct weekly training sessions.
- Allow for feedback on the effectiveness of the training.

Adjustments:

- Refine policies and procedures based on feedback and file reviews to address any unforeseen issues.

Monitoring and Maintenance

July 2025 – December 2025

Compliance:

- Utilize file reviews to track compliance.

Improvement:

- Review the effectiveness of policies and procedures.
- Compile policies and procedures into formal claims manual.
- Create improvement process for employees to provide ideas and suggestions.

Maintenance:

- Review claims manual yearly.
- Continually request feedback.
- Reinforce policies through feedback and claim file reviews