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Senate bill 2374

Chairman Warrey and members of this committee, good morning. My name is Chris Oen. I work as the Senior Vice President & Chief Claims Officer for Nodak Insurance Company, a domestic company serving North Dakotans for over 78 years. I am also a member of ANDI, the Association of North Dakota Insurers. I come before you today in support of SB 2374.

I commend the Commissioner's office for the design of this bill, and appreciate their willingness to work with the industry on the bill's language. This bill and the language contained is a first for me and my involvement in property insurance for over 25 years. This bill contains property insurance reform that will allow North Dakota to remain a competitive marketplace for property insurers to do business.

While the bill contains a number of changes within its sections, I would like to outline a few key sections that the industry as worked with the Commissioner's office and why they are good for North Dakota insurance customers.

On page 10 under Section 5, this allows for mandatory arbitration language to be placed into property policy language. Arbitration simplifies the process involving disagreements in property claims. Without arbitration clauses in insurance policies, a policyholder has no choice but to hire an attorney and go through the courts. This is not only expensive, but takes typically a very long time. (in my experience, court cases take at least 18 months to 2 years for some sort of resolution)

How arbitration typically works is that each side selects and arbitrator, and those 2 arbitrators then select a neutral 3rd. Each side presents their case on paper, and sometimes in an informal hearing to the panel. That panel of three then adjudicate the disagreement and the ruling becomes final.

This process is beneficial to both the insurance company and policyholder because:

- Costs are MUCH lower due to the informal nature of the process. Court filing fees, extended discovery periods, depositions, and all the standard court cost and legal fees are avoided.
- By holding down legal costs, this lessens the expenses for an insurance company which would presumably be reflected in premium costs.
- Disagreements are decided usually in a matter of a few months. This is important as property claims need to be resolved quickly so repairs can be done and damages be finalized.

I would also note that this section is not mandatory for property insurers to adopt. With the requirements of up-front disclosure, a customer can decide if they are willing to accept mandatory arbitration or shop elsewhere.

On page 12, Section 6 allows for insurers to offer managed repair programs to their customers. I recognize there was discussions earlier in this session regarding programs within the insurance industry. I would like to be clear with the committee and go back to the basis of an insurance policy. We sell a promise that if a claim is covered, the company will pay what is needed to get their insured as close back to pre-loss conditions as possible.

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Property claims can be complicated. As an insurance claims executive with Nodak, my job is to find ways to make the claims process as simple, clear, and quick as possible. Giving the insurance industry the option of partnering with North Dakota repair businesses and giving that option to our customers is a win for both sides.

- Insurance companies would have less cost in adjusting expenses as we can go to managed repair program partners knowing the parameters of what the loss likely will cost.
- Insurance customers in North Dakota would have a clear path on getting their property repaired or restored, saving them time & confusion dealing with finding a contractor or repair facility.

A couple final thoughts on section 6. 1) The design of this language is to pass on the savings to the customer through a premium credit off the policy, and 2) this language is OPTIONAL, both for the Insurance company to provide or more importantly to the customer when they purchase the policy. We are not mandating, companies are not trying to price fix or control the repair industry. Managed Repair Programs give an option to a customer up front on how they would like the claims process to work, and that is a win/win for both sides.

Section 7 sets the correct path and parameters for actions against insurance companies. Bad Faith is a legal term that is outlined in the Unfair Claims Practices Act 26.1-04-03. This language puts in the proper order of how a lawsuit against an insurance company should proceed. If the Company is found by a court that the insurance contract was breeched, then the issue of bad faith is decided. We often see litigation that is jumbled and confusing, having accusations of bad faith when it hasn't even been determined if the claim is covered. This does not bar any individual from making claims for bad faith against their insurer, it only requires that the coverage or damages issue is decided first.

Finally, in regards to Section 8, I worked directly with the Commissioner's office on this language. Currently, there are no guardrails or definitive statute that defines how long a claim can be open. This language defines the different situations. And frankly, the issue of reopened or supplemental claims is not a huge one as 99.9% of all property claims are resolved quickly.

Why this law is important to insurers is if an insured fails to make repairs timely, there are increased costs in potential further damage or labor & material pricing changes. This section allows insurers to price premium accurately and fairly, fostering a competitive marketplace.