

**2025 HOUSE INDUSTRY, BUSINESS AND LABOR**

**HB 1027**

# 2025 HOUSE STANDING COMMITTEE MINUTES

## Industry, Business and Labor Committee Room JW327C, State Capitol

HB 1027  
1/13/2025

Relating to the administration of the state fire and tornado fund; and to provide a continuing appropriation.

2:01 p.m. Chairman Warrey opened the meeting.

Members Present: Chairman Warrey, Vice Chairman Ostlie, Vice Chairman Johnson, Representatives Bahl, Brown, Christy, Finley-DeVille, Grindberg, Kasper, Koppelman, D. Ruby, Schatz, Schauer, Vollmer

### **Discussion Topics:**

- Insurance regulation
- Interim study
- Inherent conflict
- Mandates
- Contract administration
- Current contract
- Contract terms

2:01 p.m. Representative Emily O'Brien, District 42, Grand Forks introduced and submitted testimony #29018.

2:10 p.m. John Arnold, Deputy Insurance Commissioner, ND Insurance Department testified in favor and submitted testimony #28701.

2:20 a.m. Tag Anderson, Director of Risk Management Division, Office of Management & Budget, testified as neutral and submitted testimony #28376 and #30209.

### **Additional Written Testimony:**

Keith Pic, CEO, North Dakota Insurance Reserve Fund (NDIRF), submitted testimony in favor #28711.

2:26 p.m. Chairman Warrey closed the hearing.

*Diane Lillis, Committee Clerk*



Management  
and Budget

Neutral Testimony Relating to  
**House Bill No. 1027**  
**Senate State and Local Government**  
January 13, 2025

## TESTIMONY OF

**Tag Anderson, Director Risk Management Division**

Chairman Warrey and members of the committee, my name is Tag Anderson. I am the Director of the Risk Management Division of the Office of Management and Budget (OMB). I appear today in a neutral position on HB 1027.

This legislation came out of interim study and prior testimony from OMB, the Insurance Department, and the North Dakota Insurance Reserve Fund is available for review. OMB has maintained and continues to maintain that there is no legal conflict between the state through the Insurance Department having a contractual relationship with an entity (North Dakota Insurance Reserve Fund/NDIRF) that it regulates in other areas. Should this legislation pass, OMB will ensure proper administration of the Fire and Tornado Fund through contract administration no differently than the Insurance Department, without any concurrent regulatory oversight by the Insurance Department. However, recognizing that this is a legislative policy decision as to what agency can best administer the Fire and Tornado Fund, OMB has and remains neutral.

The day-to-day administration of the Fire and Tornado Fund is currently being handled by NDIRF through a statutorily authorized contractual relationship. If that working relationship were to end, OMB would not be able to properly administer the Fire and Tornado Fund, and it is unknown if any other entity could step up and fulfill day-to-day administration let alone do so in a cost-effective manner. OMB does not currently have the staff or resources to directly administer the Fire and Tornado Fund, which would be necessary if the current relationship with NDIRF were to be terminated.

Section 3 of the bill, amending subsection 2 of NDCC 26.1-22-02, requires the contractual relationship with NDIRF or other entity to have a two-year term that cannot be terminated except upon sufficient notice given prior to the next legislative session to address the need for an appropriation or other legislative changes. But the bill as drafted does not take into account there is an existing contract that does not incorporate these statutory terms. Ensuring that NDIRF will continue to administer day to day activities of the Fire Tornado Fund is essential.

Chairman Warrey and committee members, this concludes my testimony. I would be happy to answer any questions.

Thank you.



**NORTH DAKOTA**  
Insurance Department

## TESTIMONY IN SUPPORT OF HB 1027

*John Arnold, Deputy Commissioner*

House Industry, Business and Labor Committee

January 13, 2025

Good afternoon, Chairman Warrey and members of the House Industry, Business and Labor Committee,

On behalf of Commissioner Godfread, I encourage your favorable consideration and a Do Pass recommendation for House Bill 1027. I want to assure the committee that the Department does not view the transition of the Fire and Tornado (F&T) Fund to the Office of Management of Budget (OMB) as a negative. In fact, we view this as the natural progression of the efforts that Commissioner Godfread initiated with the 66<sup>th</sup> Legislative Assembly to allow for the authority to enter into a contract with the North Dakota Insurance Reserve Fund (NDIRF) to administer the F&T Fund.

Commissioner Godfread sought this authority for two reasons. First, we simply were not good at it. While it's true that rates were kept artificially low, coverage was not adequate, and political subdivisions were under insured. Since contracting these services, NDIRF has increased the insured value of public property by many millions of dollars. These are properties that were not adequately covered by the Department. The second reason Commissioner Godfread sought this authority is because there is an inherent conflict in the regulator of the insurance industry also participating and competing in a segment of the industry. The contracting authority did not completely remove this conflict, removing itself from the day-to-day administration of the fund was a step in the right direction.

Completely removing the responsibility of the F&T Fund from the Commissioner also removes another regulatory conflict that was created by the contracting authority. Currently, the Department has both a regulatory relationship with NDIRF and a contractual relationship with NDIRF for services conducted within the insurance sector. This has led to conflicts when, for example, the contract for the administration of the F&T fund was due to be renegotiated and renewed while the Department was also preparing to conduct a regulatory examination of NDIRF. By completely removing the F&T Fund from the Department, HB 1027 reestablishes a purely regulatory relationship with the NDIRF by placing the contractual relationship with the OMB.

Thank you for your consideration.



Testimony to the  
**House Industry, Business and Labor Committee**  
January 13, 2025  
Prepared by Keith Pic, CEO  
North Dakota Insurance Reserve Fund

Chairman Warrey and members of the committee, my name is Keith Pic. I am the CEO of the North Dakota Insurance Reserve Fund (NDIRF). I am providing testimony in support of HB 1027 with amendments.

The NDIRF is a member-owned, nonprofit insurance pool established in 1986 to serve the insurance needs of North Dakota's political subdivisions. As a pool, we offer coverage for liability, automobile, and equipment risk exposures. Nearly 2,600 eligible entities have joined the NDIRF as members since its formation in 1986. In 2019 the NDIRF began administering the State Fire and Tornado Fund (NDFT) under contract with the Insurance Department.

The total insured value of the NDFT has increased by over \$8 billion since 2019. Coverage enhancements were also developed to expand coverage and improve the accuracy of building valuations. As the NDIRF continues to administer the NDFT, we are continually striving to provide the best coverage for our members and insureds and believe there are still opportunities for improvement within the program that can be made in conjunction with amendments to HB 1027.

Over the past several months, the NDIRF and OMB have discussed these potential amendments. Ultimately, the NDIRF would like to have the opportunity to continue administering the NDFT on behalf of the state entities, while writing property coverage directly for political subdivisions under its own program. There are other administrative improvements that can be made by clarifying language within the bill, such as coinsurance, automatic increases to insurable values, and reinsurance placement. We would also like to review language to help address agency budgetary concerns when property values increase as valuations take place throughout the six-year cycle.

At this time, I am requesting that the bill be held for additional amendments. These amendments would allow greater local control of the coverage being offered to political subdivisions through the NDIRF, alleviate the administrative concerns by OMB and Insurance Department and ultimately improve the overall function of the NDFT.

This concludes my testimony. I am happy to stand for any questions.

Thank you.



# North Dakota House of Representatives

STATE CAPITOL  
600 EAST BOULEVARD  
BISMARCK, ND 58505-0360



## **Representative Emily O'Brien**

District 42  
5021 West Elm Court  
Grand Forks, ND 58203-0606  
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## **COMMITTEES:**

Appropriations

01/13/2025

## **HB 1027**

**House Industry, Business and Labor Committee**

**Representative Warrey, Chairman**

Chairman Warrey and members of the Industry, Business and Labor Committee:

I am Representative Emily O'Brien, from District 42, Grand Forks, North Dakota.

House Bill 1027 is derived from your Interim Government Finance Committee and was reported to Legislative Management. The study must include an analysis of the statutory changes necessary to facilitate the office of management and budget's administration of these funds. This was approved during the 68<sup>th</sup> Regular Legislative Session in Senate Bill 2015 and 68<sup>th</sup> Special Legislative Session in House Bill 1541.

We studied the feasibility and desirability of changing administration of the state fire and tornado fund and state bonding fund from the insurance commissioner to the director of the office of management and budget. The state fire and tornado fund, as codified in Chapter 26.1-22, was created in 1919 to insure political subdivisions and state agencies against losses to public buildings and permanent fixtures. The funds are invested by the State Investment Board and the Insurance Commissioner contracts with the North Dakota Insurance Reserve Fund (NDIRF) for the administration of the funds pursuant to continuing appropriation authority. The Insurance Commissioner administered the funds until 2019 when the Legislative Assembly provided continuing appropriations for the funds and authorized the Insurance Commissioner to contract for administration of the funds.

We received information from representatives of the Insurance Department that provided information regarding the administration of the funds and similar self-insurance programs in other states. Florida, Kentucky, and North

Carolina administer similar funds under their risk management offices. The Legislative Assembly removed 3 FTE positions from the Insurance Department during the 2019 legislative session when the department started contracting for the administration of the funds.

The testimony received indicated that the department supports changing the administration of the funds from the department to Office of Management and Budget due to a conflict of interest with regulating NDIRF and contracting for administrative services from NDIRF.

During the interim, I contacted OMB in regard to this study and proposals moving forward. The interim committee ended up receiving information from OMB and opposing the change due to concerns about administering the funds if the contracted services from NDIRF were discontinued. We also received information from NDIRF regarding the identification of undervalued properties after taking over administration of the fund and an alternative scenario in which NDIRF would issue insurance policies to political subdivisions apart from the funds.

Two bill drafts were recommended, House Bill 1027 which you will hear now and House Bill 1026, which will be heard tomorrow morning at 9:00 AM.

This bill relates to changing the administration of the state fire and tornado fund from the Insurance Commissioner to OMB. The bill changes the administration of the funds, removes obsolete references, provides updates for consistency and clarity, and require a 2-year contract for administrative services with NDIRF or another entity.

There is a fiscal note attached to House Bill 1027 that was provided by the Office of Management and Budget. The Office of Management and Budget states that they do not have the staff to directly administer the Fund should the current contractual relationship with the North Dakota Insurance Reserve Fund terminate. In Section 3, Subsection 2, the office is giving the authority and may contract for administrative services.

Before you, is what has derived from that study: House Bill 1027.

### **Section 1**

Page 2, Lines 20 and 21: Removes the authority from the Insurance Commissioner to manage, control, and supervise the state fire and tornado fund and the insurance of public buildings in that fund. And renumbered accordingly.

### **Section 2**

Page 2, Line 26: Specifies utilized under Chapter 26.1-22-01.



Page 3, Line 4, Subsection 4: Adds definition 'Office" meaning the Office of Management and Budget.

Page 3, Line 13, Subsection 6: technical code revision

Page 3, Line 19, Subsection 8: Adds definition 'State agency" meaning a state board, bureau, commission, department, agency, industry, or institution and the international peace garden.

And renumbered accordingly.

### **Section 3**

Page 3, Line 26-30, Amends the Title and Subsection 1: Changes the title and transfers the management from the Insurance Commissioner to the Office of Management and Budget and provides a continuing appropriation.

Page 4, Lines 1-17, Subsection 2: Gives the office of management and budget the authority to manage the fund, utilizing any information in the file from the North Dakota insurance reserve fund or any other entity to assist with the management of the fund. Additionally, allowing the authority to enter into a contract for administrative services. A contract for administrative services must have a two-year term ending on June thirtieth of odd-numbered years, and the contract may not be terminated except at the end of the two-year term. If either party does not anticipate renewing the contract for another two-year term, notice must be given by September thirtieth of the even-numbered year during the two-year term.

Page 4, Lines 18-22, Subsection 3: Policy for the appropriation- moneys in the fund are appropriated to the office on a continuing basis for paying claims against the fund for losses, including loss adjustment expenses; contracting for administrative services under subsection 2; paying loss prevention inspection and rating inspection expenses to determine the proper assessment rates for property insured by the fund; and paying reinsurance expenses under section 26.1-22-21.

### **Section 4**

Page 4, Lines 26-29: Removes commissioner and replaced with office and clarifies entities insured under the state fire and tornado fund.

### **Section 5**

Begins on Page 4, legislative change is on Page 5, line 4: Removing premium, replacing with assessment.

### **Section 6**

Page 5, Lines 8-9, Amends the Title: Removes commissioner and replaced with office - Replacement cost appraisal.

Page 5, Lines 10-26, Subsection 1: technical correction - summarizing every state agency, political subdivision, and winter show insured under the fund. The entities insured under the fund shall report any additional information required by the office to administer this chapter. OMB shall provide forms for reporting.

Page 5, Lines 27-30 and Page 6, Lines 1-2, Subsection 2: One every six years, each state agency insured under the fund shall obtain replacement cost appraisal on all buildings, fixtures, and permanent contents under the agency's custody which are insured under this chapter. The office shall determine the manner of conducting appraisal. Annually, except for any year an appraisal is conducted, each state agency insured under the fund shall adjust the appraised value as required by the office.

## **Section 7**

Page 6, Lines 5-6, Amends the Title: Removes Commissioner to provide insurance and replaces with insurance for buildings and personal property - Additional coverage - Township and school district property.

Page 6, Lines 10-11, Subsection 1: Removes commissioner and replaces with office.

Page 6, Lines 12-15, Subsection 1a: Clarifies Insurance under this section applies to all buildings owned by state agencies with technical corrections in code.

Page 6, Lines 16-19, Subsection 1b: Clarifies Insurance coverage under this section may not exceed the insurable value of the property.

Page 6, Lines 20-22, Subsection 1c: Adds additional subsection, state-owned buildings constructed after 1939 and fixtures and permanent contents insured under this chapter must be insured at replacement cost unless the office approves an alternate value.

Page 6, Line 23, Subsection 1d: Removes commissioner and replaces with office.

Page 6, Lines 24-30, Page 7, Lines 1-2, Subsection 2: Removes language for coverage of the buildings owned by the state mill and replaced with An insurance policy under this chapter must include the name

of the insured, the location and description of the insured property, the amount of insurance coverage, and the amount of the assessment.

Page 7, Lines 3-16, Subsection 3: Removes the language for all public buildings owned by a political subdivision, may at the option of the governing body of the political subdivision be insured..... and replaced with beginning on line 9, In lieu of or in addition to the coverage under this section, a state agency, political subdivision, or winter show may purchase insurance from an authorized insurance company for:

Subsection 3a. All buildings and the contents of the buildings owned by the state mill and elevator association.

Subsection 3b. All public buildings owned by a political subdivision.

Subsection 3c. All public libraries owned by the state or a political subdivision for damage through vandalism.

Page 7, Lines 17-24, Subsection 4: Removes the language for all public libraries..... and replaced with The office shall develop guidelines to be used by state agencies political subdivisions, and winter shows to determine the insurable values of property for insurance coverage and indirect loss coverage under this chapter.

Page 7, Lines 25-28, Subsection 5: Adds that this chapter does not apply to the property of any township or school district located outside of the incorporated limits of a city unless the township or school district requests and applies for insurance coverage under this chapter. The application must be approved in writing by the office to be effective.

Page 7, Lines 29-31, Subsection 6: Adds that a state agency, political subdivision, or winter show may not make payments, enter contracts, or incur debt for insurance on buildings, fixtures, or permanent contents except as provided under this chapter.

Page 8, Lines 1-3, Subsection 7: Adds that if the insurance is canceled under section 26.1-22-16, the state agency, political subdivision, or winter show may procure insurance from any authorized insurance company.

Page 8, Lines 4-6, Subsection 8: Adds that if a disagreement or dispute arises under this section, the office and the state agency, political subdivision, or winter show shall settle the disagreement or dispute under section 26.1-22-11.

## **Section 8**



Page 8, Line 9, Amends the Title: Adds 'of value or loss' to Arbitration

Page 8, Lines 11-22, Subsection 1: Removes the commissioner and the board or officer having charge, and replaces with if the office and the state agency, political subdivision, or winter show having custody and disagree about the insurable value of the property or the amount of loss insured, the office and the state agency, political subdivision, or winter show may agree to have the value or loss determined by a competent, disinterested contractor, architect, experienced appraiser, appraisal company, or a member of those respective professional boards at the expense of the state agency, political subdivision, or winter show owning the property.

Page 8, Lines 23-25, Subsection 2: Adds if the office and the state agency, political subdivision, or winter show are unable to resolve a disagreement under subsection 1, the determination must be arbitrated as provided in this subsection.

Page 8, Lines 26-31, Subsection 2a: Adds The office and the state agency, political subdivision, or winter show having custody of the property each shall select one competent, disinterested contractor, architect, experienced appraiser, appraisal company, or a member of those respective professional boards. The two selected arbitrators shall select a third arbitrator with similar qualifications.

Page 9, Lines 1-7, Subsection 2b: Removes and the decision of the arbitrators, or a majority of them, must be given in writing to the commissioner and the board or officials concerned and - and adds or the amount of loss insured within thirty days after the section of the first two arbitrators. Upon determination by a majority of the arbitrators, the arbitrators shall notify the parties of the determination in writing. The determination is binding on both parties.

Page 9, Lines 8-14, Subsection 2c: Removes the expense and charges and is amended to just expenses of the arbitrator chosen by the party. The expenses of the third arbitrator must be paid equally by both parties to the dispute. And removes the decision by the board of arbitration must be made within thirty days from the time the matter is submitted to it....

Page 9, Lines 15-19, Subsection 2d: Adds in 'while the value is being determined under this section, property' must continue to be valued in the same amount as previously determined, or in case of new buildings or property, in the amount determined by the office.

Page 9, Lines 20-21, Subsection 3: Adds a new section This section applies to existing property, new construction, and property with a change in value.

## Section 9

Page 9, Lines 24-25, Amends the Title to read: Assessments - Collections - Minimum fund balance - Bond and borrowing authorization.

Page 9, Lines 26-29, Subsection 1: Adds 'Upon providing insurance coverage under this chapter, the office shall certify to the insured the amount of the assessment. The state agency, political subdivision, or winter show shall submit to the office the payment of the assessment within sixty days after the date of the certification. The office shall deposit the assessments in the fund.'

Page 9, Lines 30-21, Page 10, Lines 1-3, Subsection 2: Adds 'If the assessment is not paid within sixty days after the date of the certification, the attorney general and the state's attorney of the relevant county shall bring appropriate actions to enforce the collection of the assessment upon request of the office. A judgment obtained under this section must include an interest rate of six percent per year.'

Page 10, Lines 4-9, Subsection 3: Amends the subsection to read: 'If the fund balance is less than twelve million dollars, the office shall levy an assessment on every policy in force with the fund to increase the fund balance of the fund to twelve million dollars calculated as follows.'

Page 10, Lines 10-17, Subsection 3a: Provides technical corrections to read 'The eighty or ninety percent coinsurance rate for each eligible insured property the full rate for policies providing coverage against indirect losses, and the full rate for properties that are not eligible for the eighty or ninety percent coinsurance rate, must be applied to the amount of insurance provided in each policy to determine the tentative assessment against each policy.'

Page 10, Lines 18-19, Subsection 3b: Removes 'must then be ascertained' and should read: 'The total of all tentative assessments is the sum of the amounts calculated under subdivision a.'

Page 10, Lines 20-26, Subsection 3c. Provides technical corrections, and removes language beginning on Line 22 and should read: 'The percentage of the assessment needed to increase the fund balance to twelve million dollars must be calculated and collected on each policy. The assessments may not exceed sixty percent of the rates set by the insurance services office for insured property unless the fund balance is less than three million dollars.'



Page 10, Lines 27-29, Subsection 3d: Removes 'In case of a fractional percentage the next higher whole percent must be used in such computation' and adds ' a fractional percentage must be rounded up to the next whole percent'.

Page 10, Lines 30-31, Page 11, Lines 1-2, Subsection 4: Adds 'If the fund balance is less than two million dollars due to a catastrophe, disaster, or a succession of catastrophes or disasters, the office may issue anticipation bonds or borrow from the Bank of North Dakota to provide the amount needed to increase the fund balance to two million dollars upon approval from the industrial commission.'

Page 11, Line 3, Subsection 4a: Adds 'The term of the anticipation bonds or loan may not exceed twenty years.'

Page 11, Lines 4-5, Subsection 4b: Adds 'The office shall levy an assessment on all policies in force under the fund to repay the anticipation bonds or loan.'

## **Section 10**

Page 11, Lines 8-9, Amends Title to: Unreasonably hazardous risks - Mitigation - Insurance cancellation.

Page 11, Lines 10-27, Provides technical corrections replacing the commissioner with office. Line 11, the office may require the state agency, political subdivision, or winter show having control the risk to mitigate or remove the extra hazard. If the state agency, political subdivision, or winter show fails to mitigate or remove the extra hazard within six months after notification from the office, the office may cancel the insurance on the renewal upon thirty days' notice. A cancellation may not be made by the office for property under the industrial commission's custody without the approval of the industrial commission. Line 18-25 removes the language when a dispute arises. Line 25-27, adds 'If a disagreement or dispute arises under this section, the office and the state agency, political subdivision, or winter show shall settle the disagreement or dispute under section 26.1-22-11.'

## **Section 11**

Page 12, Line 1, Amends Title to: Losses - Limitation.

Page 12, Lines 2-10, Subsection 1: Provides technical corrections and changes from commissioner to office. It removes Immediately upon the happening or occasion of any such loss or damage, the insured shall notify the commissioner. The notification must be in the manner required by the commissioner and must provide..

Page 12, Lines 11-17, Subsection 2: Adds that 'Immediately after an event causing loss or damage, the insured shall notify the office in a manner prescribed by the office. Listing out what the notification must include. Additionally, changing from the commissioner to office.

Page 12, Lines 18-31, Page 13, Lines 1-4, Subsection 3: Removes language that was replaced in Section 10 on Page 11.

## **Section 12**

Page 13, Lines 7-8, Amends Title to: Excess loss reinsurance - Insurance broker of record.

Page 13, Lines 9-14, Subsection 1: Removes the commissioner and replaced with office.

Page 13, Lines 15 - 26, Subsection 2: Line 15 removes premium and replaced with assessment. Lines 19 - lines 26 are removed, this language was replaced in Section 10.

Page 13, Lines 27-29, Subsection 3: Adds the language: 'The office may contract for insurance broker of record services to assist in procuring excess loss reinsurance. The insurance broker must be licensed to do business in the state.

## **Section 13**

Page 14, Line 1, Amends Title to: Waiver of subrogation of rights during construction.

Page 14, Line 3, Removes commissioner and commissioner's discretion and replaced with 'office may'

## **Section 14**

Page 14, Lines 14-15, and 16, Subdivision c of subsection 1 of section 26.1-23.1-01 is amended to remove commissioner and replaced with office of management and budget under section 26.1-22-02.

## **Section 15**

Page 15, Lines 3-6, Amend Section 37-03-13 of North Dakota Century Code, subsection 2: removes insurance commissioner and replaced with office of management and budget, shall insure in full or in part.

**Section 16**

Repeals - Sections 26.1-22-03, 26.1-22-05, 26.1-22-06, 26.1-22-06.1, 26.1-22-08, 26.1-22-10.1, 26.1-22-13, 26.1-22-15, 26.1-22-18, 26.1-22-19, and 26.1-22-21.1 of North Dakota Century Code.

HB 1027 TAG ANDERSON

**BILL NO.**

Legislative Assembly  
of North Dakota

Introduced by

Legislative Management

(Government Finance Committee)

1 A BILL for an Act to amend and reenact sections 26.1-01-03, 26.1-22-01, 26.1-22-02,  
2 26.1-22-02.1, 26.1-22-03.1, 26.1-22-09, 26.1-22-10, 26.1-22-11, 26.1-22-14, 26.1-22-16,  
3 26.1-22-17, 26.1-22-21, and 26.1-22-22, subdivision c of subsection 1 of section 26.1-23.1-01,  
4 and section 37-03-13 of the North Dakota Century Code, relating to changing the administration  
5 of the state fire and tornado fund from the insurance commissioner to the office of management  
6 and budget; to repeal sections 26.1-22-03, 26.1-22-05, 26.1-22-06, 26.1-22-06.1, 26.1-22-08,  
7 26.1-22-10.1, 26.1-22-13, 26.1-22-15, 26.1-22-18, 26.1-22-19, and 26.1-22-21.1 of the North  
8 Dakota Century Code, relating to the administration of the state fire and tornado fund; and to  
9 provide a continuing appropriation.

10 **BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:**

11 **SECTION 1. AMENDMENT.** Section 26.1-01-03 of the North Dakota Century Code is  
12 amended and reenacted as follows:

13 **26.1-01-03. Duties of commissioner.**

14 The commissioner shall:

- 15 1. See that all the laws of this state respecting insurance companies and benevolent  
16 societies are executed faithfully.
- 17 2. Report in detail to the attorney general any violation of law relative to insurance  
18 companies and their officers or agents.
- 19 3. File the articles of incorporation of all insurance companies organized or doing  
20 business in this state, and on application furnish a certified copy thereof.
- 21 4. Furnish the insurance companies required to make reports to the commissioner and  
22 the benevolent societies the necessary blank forms for required statements and  
23 reports. The commissioner is not required to send blank forms to those insurance

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- 1 companies which submit their reports on printed forms conforming to those furnished
- 2 by the commissioner.
- 3 5. Preserve in permanent form a full record of the commissioner's proceedings and a
- 4 concise statement of each company or agency visited or examined.
- 5 6. Furnish at the request of any person, upon the payment of the required fee, certified
- 6 copies of any record or paper in the commissioner's office, if the commissioner deems
- 7 it not prejudicial to the public interests to do so, and give such other certificates as
- 8 may be provided by law.
- 9 7. Submit a biennial report as prescribed by section 54-06-04 to the governor and the
- 10 secretary of state. In addition to the requirements of section 54-06-04, the report must
- 11 contain an abstract only of the reports of the various insurance companies doing
- 12 business in this state showing the condition of the companies.
- 13 8. Upon request, send a copy of the commissioner's annual report to the insurance
- 14 commissioner, or other similar officer, of every other state and to each company doing
- 15 business in this state.
- 16 9. Communicate, on request, to the insurance commissioner of any other state any facts
- 17 that by law it is the commissioner's duty to ascertain respecting companies of this
- 18 state doing business within that state.
- 19 10. Manage, control, and supervise the state bonding fund.
- 20 11. ~~Manage, control, and supervise the state fire and tornado fund and the insurance of~~
- 21 ~~public buildings in that fund.~~
- 22 ~~12. Manage, control, and supervise the state fire marshal.~~

23 SECTION 2. AMENDMENT. Section 26.1-22-01 of the North Dakota Century Code is  
24 amended and reenacted as follows:

25 **26.1-22-01. Definitions.**

26 ~~InAs used in this chapter, unless the context otherwise requires:~~

- 27 1. "Fund" means the state fire and tornado fund.
- 28 2. "Indirect loss" means a loss in income or the additional expenses incurred because of
- 29 a property loss.
- 30 3. "International peace garden" means an entity located upon the international boundary
- 31 line between the United States and Canada used and maintained as a memorial to
- 32 commemorate the long-existing relationship of peace and good will between the



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people and the governments of the United States and Canada and to further international peace among the nations of the world.

4. North Dakota insurance reserve fund means the public risk pool established pursuant section 26.1-23.1-01 regardless of any name change or dissolution and reincorporation where the risk pool continues to provide coverage to a majority of eligible political subdivisions in North Dakota.

45. "Office" means the office of management and budget.

56. "Permanent contents" refers only to such public property, either owned or leased, usually kept or used in or about public buildings insured in the fund, and to all public personal property usually kept or used in or about all buildings used for public purposes, or within one hundred feet [30.48 meters] of all such buildings, or while on sidewalks, streets, alleys, yards, detached platforms, and in or on railway cars. The term includes similar property owned by an international peace garden or a winter show. The term does not include automobiles, trucks, tractors, road machinery, or similar property used principally outside such buildings.

5-7. "Political subdivision" means ~~all counties, townships, park districts, school districts, cities, and any other units~~ a county, township, park district, school district, city, or any other unit of local government which ~~are~~ is created either by statute or by the Constitution of North Dakota for local government or other public purposes.

6-8. "Replacement cost" is the cost to replace a building or its permanent contents with a similar structure of like materials or a similar product at current prices.

7-9. "State agency" means a state board, bureau, commission, department, agency, industry, or institution and the international peace garden.

10. "Winter show" means an agricultural exhibition sponsored each year in March by a nonprofit corporation.

SECTION 3. AMENDMENT. Section 26.1-22-02 of the North Dakota Century Code is amended and reenacted as follows:

**26.1-22-02. State fire and tornado fund under management of**  
**~~commissioner - Purpose of fund~~Office of management and budget - Continuing**  
**appropriation.**

1. There is created in the state treasury the state fire and tornado fund to insure state agencies, political subdivisions, and winter shows against direct and indirect losses

under this chapter. The fund consists of all assessments, interest, investment earnings, and other income collected under this chapter.

2. The commissioner~~office~~ shall manage the fund. The fund must be maintained as a fund to insure the various state industries, the various political subdivisions, any international peace garden, and any winter show against loss to the public buildings, or buildings owned by an international peace garden or a winter show, and fixtures and permanent contents therein, and against indirect loss, through fire, lightning, inherent explosion, windstorm, cyclone, tornado and hail, explosion, riot attending a strike, aircraft, smoke, and vehicles. At the option of the insured, the fund may insure against other risks of direct physical loss and indirect loss from those risks. All moneys collected under this chapter must be paid into the fund for use only for the purposes provided for in this chapter. The office may use any information on file in the state fire marshal program and may delegate responsibilities pursuant to a contract for administrative services from the North Dakota insurance reserve fund or another entity to assist with the management of the fund. A contract for administrative services must have a two-year term ending on June thirtieth of odd-numbered years, and the contract may not be terminated except at the end of the two-year term. If either party does not anticipate renewing the contract for another two-year term, notice must be given by September thirtieth of the even-numbered year during the two-year term.

3. Moneys in the fund are appropriated to the office on a continuing basis for paying claims against the fund for losses, including loss adjustment expenses; contracting for services under subsection 2; paying loss prevention inspection and rating inspection expenses to determine the proper assessment rates for property insured by the fund; and paying reinsurance expenses under section 26.1-22-21.

SECTION 4. AMENDMENT. Section 26.1-22-02.1 of the North Dakota Century Code is amended and reenacted as follows:

**26.1-22-02.1. Insurance against indirect losses.**

The commissioner~~office~~ shall provide, upon request of an entity insured ~~with~~under the fund, coverage ~~by the fund~~ for an indirect loss incurred ~~because of a loss~~ arising out of a peril insured against by the fund. The coverage provided by the fund shall~~must~~ be an amount that is subject to the underwriting guidelines adopted~~developed~~ by the commissioner~~office~~.



SECTION 5. AMENDMENT. Section 26.1-22-03.1 of the North Dakota Century Code is amended and reenacted as follows:

**26.1-22-03.1. North Dakota insurance reserve fund - Producers - Commission.**

The North Dakota insurance reserve fund may use the services of producers licensed under this title to assist policyholders. Any commission paid to a producer under this section must be paid out of the premiumassessment income of the fund and must be assessed against the policyholders that benefit from the producer.

SECTION 6. AMENDMENT. Section 26.1-22-09 of the North Dakota Century Code is amended and reenacted as follows:

**26.1-22-09. Buildings to be reported to commissioneroffice - Replacement cost appraisal.**

1. In each odd-numbered year, or upon application for insurance, ~~the state board of higher education, and each officer, department, or agent of the state and of any industry thereof having in charge any public building belonging to the state, each county auditor, city auditor, township clerk, and school district business manager, as the case may be, the agent for an international peace garden, and the agent for a winter show, if applicable, every state agency, political subdivision, and winter show~~ insured under the fund shall report to the commissioneroffice the insurable value of each public building, or of each building owned by an international peace garden or a winter show with the exception of building, excluding buildings insured by private insurance companies, and the value of the fixtures and permanent contents therein insured under the fund, with the exception of excluding fixtures and permanent contents insured by private insurance companies, ~~belonging to the state, political subdivision, an international peace garden, or a winter show, and shall supply such other information as may be required by the commissioner on forms provided by the commissioner.~~ State agencies, political subdivisions, and winter shows shall report any additional information required by the office to administer this chapter. The office shall provide forms for reporting.
2. Once every six years, each state agency insured under the fund shall obtain a replacement cost appraisal on all buildings, fixtures, and permanent contents under the agency's custody which are insured under this chapter. The office shall determine the manner of conducting the appraisal. Annually, except for any year an appraisal is



conducted, each state agency insured under the fund shall adjust the appraised value as required by the office and that amount shall be considered the replacement value. In the event an appraisal results in a substantial premium increase that the office determines cannot be paid through existing agency appropriations, the amount shall be considered an earned receivable of the fund, and the agency shall seek a deficiency or general appropriation sufficient for payment during the next legislative session.

SECTION 7. AMENDMENT. Section 26.1-22-10 of the North Dakota Century Code is amended and reenacted as follows:

**26.1-22-10. ~~Commissioner to provide insurance on~~ Insurance for buildings and personal property - Additional coverage - Township and school district property.**

1. Upon application, ~~the commissioner~~the office shall provide for insurance against loss by fire, lightning, inherent explosion, windstorm, cyclone, tornado and hail, explosions, riot attending a strike, aircraft, smoke, vehicles, or may insure any other risks of direct physical loss, subject to the restrictions and exclusions ~~deemed necessary~~determined by ~~the commissioner, or~~the office.
  - a. Insurance under this section applies to all buildings owned by ~~the state, state industries~~state agencies, political subdivisions, international peace gardens, and winter shows, and the fixtures and permanent contents in ~~such~~the buildings, ~~to the extent of not to,~~
  - b. Insurance coverage under this section may not exceed the insurable value of ~~such~~the property, ~~as the value is agreed to between the commissioner and the officer or board having control of such property, or, in case of disagreement, by approval through arbitration.~~
  - c. State-owned buildings constructed after 1939 and fixtures and permanent contents insured under this chapter must be insured at replacement cost unless the office approves an alternate value.
  - d. ~~The commissioner~~the office may allow property to be insured on a blanket basis.
2. ~~All buildings and the contents of the buildings owned by the state mill and elevator association, in lieu of coverage under this chapter, may, at the option of the industrial commission, be insured by private insurance companies licensed to do business in this state, against at least all the types of hazards insured against by the fund. If the industrial commission exercises the option provided in this section, the commission~~

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- 1           ~~shall seek competitive sealed bids, shall invite the fund to submit a bid, and may reject~~  
2           ~~any or all bids received.~~An insurance policy under this chapter must include the name  
3           ~~of the insured, the location and description of the insured property, the amount of~~  
4           ~~insurance coverage, and the amount of the assessment.~~
- 5       3. ~~All public buildings owned by a political subdivision, in lieu of coverage provided for in~~  
6       ~~this section, may at the option of the governing body of the political subdivision be~~  
7       ~~insured on the basis of competitive sealed bids, through the fund which must be~~  
8       ~~invited to submit a sealed bid or private insurance companies licensed to do business~~  
9       ~~in this state, against damage resulting from hazards, which include those types of~~  
10       ~~hazards that may be insured against by the fund. The governing body may reject any~~  
11       ~~or all such bids.~~In lieu of or in addition to the coverage under this section, a state  
12       ~~agency, political subdivision, or winter show may purchase insurance from an~~  
13       ~~authorized insurance company for:~~
- 14       a. All buildings and the contents of the buildings owned by the state mill and  
15       elevator association.
- 16       b. All public buildings owned by a political subdivision.
- 17       c. All public libraries owned by the state or a political subdivision for damage  
18       through vandalism.
- 19       4. ~~All public libraries owned by the state or political subdivisions may, in addition to the~~  
20       ~~coverage provided for in this section, be covered against damage through vandalism.~~  
21       ~~If this coverage cannot be extended to the public libraries situated within this state, the~~  
22       ~~libraries may contract for this coverage with private insurance companies; provided,~~  
23       ~~that this coverage meets the recommendations of the insurance code of the American~~  
24       ~~library association.~~The office shall develop guidelines to be used by state agencies,  
25       ~~political subdivisions, and winter shows to determine insurable values of property for~~  
26       ~~insurance coverage and indirect loss coverage under this chapter.~~
- 27       5. This chapter does not apply to the property of any township or school district located  
28       ~~outside of the incorporated limits of a city unless the township or school district~~  
29       ~~requests and applies for insurance coverage under this chapter. The application must~~  
30       ~~be approved in writing by the office to be effective.~~



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1       6. A state agency, political subdivision, or winter show may not make payments, enter  
2       contracts, or incur debt for insurance on buildings, fixtures, or permanent contents  
3       except as provided under this chapter.

4       7. If the insurance is canceled under section 26.1-22-16, the state agency, political  
5       subdivision, or winter show may procure insurance from any authorized insurance  
6       company.

7       8. If a disagreement or dispute arises under this section, the office and the state agency,  
8       political subdivision, or winter show shall settle the disagreement or dispute under  
9       section 26.1-22-11.

10       SECTION 8. AMENDMENT. Section 26.1-22-11 of the North Dakota Century Code is  
11       amended and reenacted as follows:

12       **26.1-22-11. Arbitration of value or loss.**

13       ~~In case the commissioner and the board or officer having charge~~

14       1. If the office and the state agency, political subdivision, or winter show having custody  
15       of any property are unable to agree upon~~disagree about~~the insurable value of the  
16       property or the amount of loss insured, the value must be determined~~the office and the~~  
17       state agency, political subdivision, or winter show may agree to have the value or loss  
18       determined by a recognized~~competent, disinterested contractor, architect, experienced~~  
19       appraiser, appraisal company, or a member of those respective professional boards at  
20       the expense of the state industry~~agency, political subdivision, an international peace~~  
21       garden, or a~~or~~winter show owning the property, if the appraisal company arbitrator  
22       meets with the approval of both the commissioner and the board or officer concerned.  
23       ~~If they are unable to agree on an arbitrator, then the matter must be submitted to~~  
24       ~~arbitration by a board of arbitration selected as provided by this section. The~~  
25       ~~commissioner and the board or officer in charge.~~

26       2. If the office and the state agency, political subdivision, or winter show are unable to  
27       resolve a disagreement under subsection 1, the determination must be arbitrated as  
28       provided in this subsection.

29       a. The office and the state agency, political subdivision, or winter show having  
30       custody of the property each shall select one competent, disinterested contractor,  
31       architect, experienced appraiser, appraisal company, or one of the members of  
32       such board, and the two so chosen~~a member of those respective professional~~

boards. The two selected arbitrators shall select a third ~~person of~~ arbitrator with similar qualificationqualifications.

b. The three arbitrators shall ~~proceed to~~ determine the insurable value of the property, ~~and the decision of the arbitrators, or a majority of them, must be given in writing to the commissioner and the board or officials concerned and or the amount of loss insured within thirty days after the selection of the first two arbitrators. Upon determination by a majority of the arbitrators, the arbitrators shall notify the parties of the determination in writing. The determination is binding upon~~ both parties.

c. Each party to the dispute shall pay the ~~expense and charges~~ expenses of the arbitrator chosen by the party, ~~and the expense and the charges. The expenses of the third arbitrator must be borne~~ paid equally by both parties to the dispute. ~~The decision by the board of arbitration must be made within thirty days from the time the matter is submitted to it. Until the commissioner and board or officer in charge have agreed, or in case of dispute, until the decision of the appraisal company or arbitrators, the property~~

d. While the value is being determined under this section, property must continue to be valued in the same amount as previously determined, or in case of new buildings or property, in the amount ~~fixed~~ determined by the commissioner. The same procedure must be followed in case of new construction or in any increase or decrease in values office.

3. This section applies to existing property, new construction, and property with a change in value.

SECTION 9. AMENDMENT. Section 26.1-22-14 of the North Dakota Century Code is amended and reenacted as follows:

**26.1-22-14. Assessments and reporting of premiums and losses- Collections - Minimum fund balance - Bond and borrowing authorization.**

1. Upon providing insurance coverage under this chapter, the office shall certify to the insured the amount of the assessment. The state agency, political subdivision, or winter show shall submit to the office the payment of the assessment within sixty days after the date of the certification. The office shall deposit the assessments in the fund.



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- 1        2. If the assessment is not paid within sixty days after the date of the certification, the  
2        attorney general and the state's attorney of the relevant county shall bring appropriate  
3        actions to enforce the collection of the assessment upon request of the office. A  
4        judgment obtained under this section must include an interest rate of six percent per  
5        year.
- 6        3. If the reservefund balance is less than twelve million dollars, the commissioner shall  
7        determine the amount of money necessary to bring the reserve balance up to twelve  
8        million dollars. The commissioner thenoffice shall levy an assessment againston every  
9        policy in force with the fund.
- 10       2. The assessment must be computed to increase the fund balance of the fund to twelve  
11       million dollars calculated as follows:
- 12       a. The eighty percent or ninety percent coinsurance rate established for each  
13       eligible insured property for which that rate may be applicable, and, the full rate  
14       established for policies providing coverage against indirect losses, and the full  
15       rate for properties to which thethat are not eligible for the eighty percent or ninety  
16       percent coinsurance rate is not applicable, must be applied to the amount of  
17       insurance provided in each policy and the result of the application of the rate to  
18       the amount of insurance sets to determine the tentative assessment to be made  
19       against theeach policy.
- 20       b. The total of all tentative assessments must then be ascertainedis the sum of the  
21       amounts calculated under subdivision a.
- 22       c. The percentage of the assessment necessary to restoreneeded to increase the  
23       reservefund balance to the sum of twelve million dollars must then be  
24       computedcalculated and collected on each policy; provided, that until the reserve  
25       balance reaches twelve million dollars, the assessment must be in an amount  
26       determined by the commissioner but. The assessments may not exceed sixty  
27       percent of the rates set by the insurance services office for insured property  
28       unless the reservefund balance is depleted belowless than three million dollars.
- 29       d. In case of a fractional percentage the next higher whole percent must be used in  
30       such computationA fractional percent must be rounded up to the next whole  
31       percent.

- 1       4. If the fund balance is less than two million dollars due to a catastrophe, disaster, or a  
2       succession of catastrophes or disasters, the office may issue anticipation bonds or  
3       borrow from the Bank of North Dakota to provide the amount needed to increase the  
4       fund balance to two million dollars upon approval from the industrial commission.  
5       a. The term of the anticipation bonds or loan may not exceed twenty years.  
6       b. The office shall levy an assessment on all policies in force under the fund to  
7       repay the anticipation bonds or loan.

8       SECTION 10. AMENDMENT. Section 26.1-22-16 of the North Dakota Century Code is  
9       amended and reenacted as follows:

10       **26.1-22-16. Rejection of certainUnreasonably hazardous risks - Mitigation - Insurance**  
11       **cancellation.**

12       If the ~~commissioner~~office finds that any risk is unreasonably hazardous, the  
13       ~~commissioner~~office may require the ~~board or officer~~state agency, political subdivision, or winter  
14       show having control of the risk to make ~~any improvements or changes necessary to~~mitigate or  
15       remove the extra hazard. If the ~~board or agency~~state agency, political subdivision, or winter  
16       show fails to make the improvements or changesmitigate or remove the extra hazard within six  
17       months after the ~~demand by the commissioner~~notification from the office, the  
18       ~~commissioner~~office may cancel the insurance on the renewal upon thirty days' notice. ~~No~~A  
19       cancellation may not be made by the ~~commissioner~~office for property under the industrial  
20       commission's custody without the approval of the industrial commission. ~~If a dispute arises~~  
21       ~~between the commissioner and the board or official having control of the risk, either as to the~~  
22       ~~insurability thereof or as to the compliance by the board or officer with the requirements of the~~  
23       ~~commissioner, the dispute must be submitted to a board of arbitration as provided in section~~  
24       ~~26.1-22-11 and the decision of the board of arbitration is binding on both parties. If the~~  
25       ~~insurance on any risk is canceled as provided in this section, the board or officer in charge of~~  
26       ~~the risk may procure insurance from any authorized insurance company, and the premium is a~~  
27       ~~proper charge against the state, state industry, or political subdivision owning the property.~~If a  
28       disagreement or dispute arises under this section, the office and the state agency, political  
29       subdivision, or winter show shall settle the disagreement or dispute under section 26.1-22-11.

30       SECTION 11. AMENDMENT. Section 26.1-22-17 of the North Dakota Century Code is  
31       amended and reenacted as follows:

**26.1-22-17. Loss -- How paid Losses - Limitation.**

1. All losses occasioned by the perils insured against under this chapter must be paid out of the fund in an amount not exceeding the amount of the insurance upon any particular risk. The loss upon any building or property insured in the fund, whether totally destroyed or partially damaged by reason of the perils, must be adjusted by the ~~commissioner or a duly~~office, authorized adjuster, or adjusting company. All necessary loss adjustment expenses must be included as a ~~component~~part of the loss and must be paid out ~~offrom~~ the fund. ~~Immediately upon the happening or occasion of any such loss or damage, the insured shall notify the commissioner. The notification must be in the manner required by the commissioner and must provide~~
2. Immediately after an event causing loss or damage, the insured shall notify the office in a manner prescribed by the office. The notification must include a description of the property, the amount of insurance carried, the probable amount of loss or damage, and the probable cause of loss or damage. The insured may not disturb the property except as provided in the policy until the ~~commissioner~~office or the ~~commissioner's~~office's agent has adjusted the loss or has given notice that the information on which the adjustment is to be made has been secured.
3. Allowances for loss ~~and or~~ damage must be paid out ~~offrom~~ the fund ~~upon warrants drawn by the office of management and budget upon the state treasurer against the fund after the submission of a voucher prepared by the commissioner to the office of management and budget specifying the amount to be paid and the payee to whom the warrants must be drawn. However, if at any time due to a catastrophe or disaster, or a succession of catastrophes or disasters, the reserve balance has been depleted below two million dollars, the commissioner may, with the approval of the industrial commission, issue premium anticipation certificates in an amount sufficient to bring the reserve balance up to two million dollars. The premium anticipation certificates must be issued for a period of from ten to twenty years, as determined by the commissioner with the approval of the industrial commission, and the interest and principal must be paid and retired by assessments levied on all policies in force with the fund. To retire these premium anticipation certificates, the commissioner shall levy a special assessment on every policy in force with the fund; however, the total of all assessments and premiums provided for in section 26.1-22-14 may not exceed the full~~



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~~rate as developed by an advisory organization at the direction of the commissioner.~~

~~Any state department may invest its funds in the purchase of the premium anticipation certificates.~~

SECTION 12. AMENDMENT. Section 26.1-22-21 of the North Dakota Century Code is amended and reenacted as follows:

**26.1-22-21. Insurance required - Excess loss reinsurance - Insurance broker of record.**

1. The ~~commissioner~~office shall procure and shall keep in force excess loss reinsurance naming the fund as the reinsured. The excess loss reinsurance must be in an amount and for a period determined by the ~~commissioner~~office to be sufficient for the fund. The reinsurance contract must reimburse the fund for losses incurred by the fund under policies issued by the fund and arising out of each occurrence of a covered cause of loss and include at least a sixty-day cancellation notice.

2. The cost of the excess loss reinsurance must be paid out of the ~~premium~~assessment income of the fund and must be assessed against the policyholders that benefit from the reinsurance. Excess loss reinsurance must be written only by a company or companies authorized to do business within this state. The contract must be countersigned by a licensed North Dakota resident insurance producer. ~~On the last Monday in June prior to the expiration of the contract, the commissioner, with the approval of the industrial commission, shall contract for the excess loss reinsurance with the company or group of companies submitting the lowest and best bid for the period commencing on the ensuing first day of August. The commissioner, with the approval of the industrial commission, may disregard this section after the commissioner and the commission have studied the available bids for the reinsurance required by this section.~~

3. The office may contract for insurance broker of record services to assist in procuring excess loss reinsurance. The insurance broker must be licensed and authorized to do business in the state.

SECTION 13. AMENDMENT. Section 26.1-22-22 of the North Dakota Century Code is amended and reenacted as follows:



1       **26.1-22-22. ~~Commissioner may waive~~Waiver of subrogation rights during**  
2       **construction.**

3       The ~~commissioner may, in the commissioner's discretion,~~office may waive any right of the  
4       fund to recover for damage sustained by any structure as a result of fire or explosion caused by  
5       a contractor, its employees or agents, in the performance of a contract for the alteration of, or  
6       the construction of an addition to, a building insured ~~in~~under the fund.

7       **SECTION 14. AMENDMENT.** Subdivision c of subsection 1 of section 26.1-23.1-01 of the  
8       North Dakota Century Code is amended and reenacted as follows:

- 9           c.   Property insurance, including inland marine coverage, money and securities  
10           coverage, and extra expense coverage. However, this subdivision does not  
11           authorize government self-insurance pools to write those types of insurance  
12           coverages offered by the state fire and tornado fund under the provisions of  
13           chapter 26.1-22 as they existed on December 31, 1988, unless a government  
14           self-insurance pool enters a contract with the ~~commissioner~~office of management  
15           and budget to provide services for the state fire and tornado fund under section  
16           ~~26.1-22-03~~26.1-22-02.

17       **SECTION 15. AMENDMENT.** Section 37-03-13 of the North Dakota Century Code is  
18       amended and reenacted as follows:

19       **37-03-13. Adjutant general to control military installations - Maintenance**  
20       **fund - Insurance.**

- 21       1.   The adjutant general of the state of North Dakota has full control of Camp Gilbert C.  
22       Grafton, Ramsey County, Fraine Barracks, Burleigh County, national guard air base  
23       facilities constituting a portion of Hector Airfield in Cass County, all in North Dakota  
24       and such other real property, installations, and facilities that may be acquired or leased  
25       by this state or the office of the adjutant general for military purposes. All moneys  
26       received from the sale of timber, stone, agricultural products, or other material taken  
27       from the properties and the proceeds of any leases or subleases thereof and other  
28       proceeds from the sale of military property must be paid into the state treasury, and  
29       kept as a separate fund and are hereby appropriated for the improvement of the  
30       properties for military uses and must be paid out upon proper vouchers approved by  
31       the adjutant general in accordance with the act of Congress granting the lands,

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installations, or facilities to the state of North Dakota or as otherwise authorized by law.

2. The adjutant general, after consultation with the ~~insurance commissioner~~ office of management and budget, shall insure in full or in part with the state fire and tornado fund in accordance with chapter 26.1-22 ~~such~~ the buildings, installations, and facilities or their contents ~~or portions thereof~~ as the adjutant general determines to be in the best interests of the state. The adjutant general may not insure buildings or property that are subject to replacement by the United States.

SECTION 16. **REPEAL.** Sections 26.1-22-03, 26.1-22-05, 26.1-22-06, 26.1-22-06.1, 26.1-22-08, 26.1-22-10.1, 26.1-22-13, 26.1-22-15, 26.1-22-18, 26.1-22-19, and 26.1-22-21.1 of the North Dakota Century Code are repealed.

SECTION 17. **LEGISLATIVE MANAGEMENT STUDY - STATE FIRE AND TORNADO FUND AND POLITICAL SUBDIVISIONS.** During the 2025-27 interim, the legislative management shall consider studying, in collaboration with the director of the office of management and budget and the North Dakota insurance reserve fund, the feasibility and desirability of removing political subdivisions from the state fire and tornado fund. The study must include an analysis of the statutory changes necessary to accomplish the change and the impact removing political subdivisions may have on premiums. The legislative management shall report its findings and recommendations, together with any legislation required to implement the recommendations, to the seventieth legislative assembly.

SECTION 18. **EFFECTIVE DATE.** Sections 1 through 16 of this Act become effective on July 1, 2025.

# 2025 HOUSE STANDING COMMITTEE MINUTES

## Industry, Business and Labor Committee Room JW327C, State Capitol

HB 1027  
1/28/2025

A BILL for an Act to amend and reenact sections 26.1-01-03, 26.1-22-01, 26.1-22-02, 26.1-22-02.1, 26.1-22-03.1, 26.1-22-09, 26.1-22-10, 26.1-22-11, 26.1-22-14, 26.1-22-16, 26.1-22-17, 26.1-22-21, and 26.1-22-22, subdivision c of subsection 1 of section 26.1-23.1-01, and section 37-03-13 of the North Dakota Century Code, relating to changing the administration of the state fire and tornado fund from the insurance commissioner to the office of management and budget; to repeal sections 26.1-22-03, 26.1-22-05, 26.1-22-06, 26.1-22-06.1, 26.1-22-08, 26.1-22-10.1, 26.1-22-13, 26.1-22-15, 26.1-22-18, 26.1-22-19, and 26.1-22-21.1 of the North Dakota Century Code, relating to the administration of the state fire and tornado fund; to provide for a legislative management study; and to provide a continuing appropriation.

8:47 a.m. Chairman Warrey opened the meeting.

Members Present: Chairman Warrey, Vice Chairman Ostlie, Vice Chairman Johnson, Representatives Bahl, Brown, Finley DeVile, Grindberg, Kasper, Koppelman, D. Ruby, Schatz, Schauer, Vollmer

Member Absent: Representative Christy

### Discussion Topics:

- Risk Management amendment
- 6-year appraisal
- Replacement cost
- July 1 effective date

8:53 a.m. Keith Peach, CEO, North Dakota Insurance Reserve Fund (NDRF), to answer questions.

8:56 a.m. Representative Schauer moved to Adopt Amendment LC #25.0246.02001.

8:56 a.m. Representative Vollmer seconded the motion.

8:56 a.m. Voice vote.

8:56 a.m. Motion passed.

8: 57 a.m. Representative Ostlie moved a Do Pass as amended.

8:57 a.m. Representative Vollmer seconded the motion.

Representatives	Vote
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Representative Jonathan Warrey	Y
Representative Mitch Ostlie	Y
Representative Landon Bahl	Y
Representative Collette Brown	Y
Representative Josh Christy	AB
Representative Lisa Finley-DeVille	Y
Representative Karen Grindberg	Y
Representative Jorin Johnson	Y
Representative Jim Kasper	N
Representative Ben Koppelman	Y
Representative Dan Ruby	N
Representative Mike Schatz	N
Representative Austin Schauer	Y
Representative Daniel R. Vollmer	Y

Motion passed 10-3-1

8:58 a.m. Representative Warrey will carry the bill.

8:58 a.m. Chairman Warrey closed the meeting.

*Diane Lillis, Committee Clerk*



Sixty-ninth  
Legislative Assembly  
of North Dakota

**PROPOSED AMENDMENTS TO**

**HOUSE BILL NO. 1027**

Introduced by

Legislative Management

(Government Finance Committee)

*Jan 28-25*  
*1 of 16*

1 A BILL for an Act to amend and reenact sections 26.1-01-03, 26.1-22-01, 26.1-22-02,  
2 26.1-22-02.1, 26.1-22-03.1, 26.1-22-09, 26.1-22-10, 26.1-22-11, 26.1-22-14, 26.1-22-16,  
3 26.1-22-17, 26.1-22-21, and 26.1-22-22, subdivision c of subsection 1 of section 26.1-23.1-01,  
4 and section 37-03-13 of the North Dakota Century Code, relating to changing the administration  
5 of the state fire and tornado fund from the insurance commissioner to the office of management  
6 and budget; to repeal sections 26.1-22-03, 26.1-22-05, 26.1-22-06, 26.1-22-06.1, 26.1-22-08,  
7 26.1-22-10.1, 26.1-22-13, 26.1-22-15, 26.1-22-18, 26.1-22-19, and 26.1-22-21.1 of the North  
8 Dakota Century Code, relating to the administration of the state fire and tornado fund; to provide  
9 for a legislative management study; and to provide a continuing appropriation.

10 **BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:**

11 **SECTION 1. AMENDMENT.** Section 26.1-01-03 of the North Dakota Century Code is  
12 amended and reenacted as follows:

13 **26.1-01-03. Duties of commissioner.**

14 The commissioner shall:

- 15 1. See that all the laws of this state respecting insurance companies and benevolent  
16 societies are executed faithfully.
- 17 2. Report in detail to the attorney general any violation of law relative to insurance  
18 companies and their officers or agents.
- 19 3. File the articles of incorporation of all insurance companies organized or doing  
20 business in this state, and on application furnish a certified copy thereof.

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- 1       4.   Furnish the insurance companies required to make reports to the commissioner and
- 2       the benevolent societies the necessary blank forms for required statements and
- 3       reports. The commissioner is not required to send blank forms to those insurance
- 4       companies which submit their reports on printed forms conforming to those furnished
- 5       by the commissioner.
- 6       5.   Preserve in permanent form a full record of the commissioner's proceedings and a
- 7       concise statement of each company or agency visited or examined.
- 8       6.   Furnish at the request of any person, upon the payment of the required fee, certified
- 9       copies of any record or paper in the commissioner's office, if the commissioner deems
- 10      it not prejudicial to the public interests to do so, and give such other certificates as
- 11      may be provided by law.
- 12      7.   Submit a biennial report as prescribed by section 54-06-04 to the governor and the
- 13      secretary of state. In addition to the requirements of section 54-06-04, the report must
- 14      contain an abstract only of the reports of the various insurance companies doing
- 15      business in this state showing the condition of the companies.
- 16      8.   Upon request, send a copy of the commissioner's annual report to the insurance
- 17      commissioner, or other similar officer, of every other state and to each company doing
- 18      business in this state.
- 19      9.   Communicate, on request, to the insurance commissioner of any other state any facts
- 20      that by law it is the commissioner's duty to ascertain respecting companies of this
- 21      state doing business within that state.
- 22      10.   Manage, control, and supervise the state bonding fund.
- 23      11.   ~~Manage, control, and supervise the state fire and tornado fund and the insurance of~~
- 24      ~~public buildings in that fund.~~
- 25      ~~12.   Manage, control, and supervise the state fire marshal.~~

26       **SECTION 2. AMENDMENT.** Section 26.1-22-01 of the North Dakota Century Code is  
27   amended and reenacted as follows:

28       **26.1-22-01. Definitions.**

29       ~~In As used in~~ this chapter, ~~unless the context otherwise requires:~~

- 30       1.   "Fund" means the state fire and tornado fund.

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- 1        2. "Indirect loss" means a loss in income or the additional expenses incurred because of  
2        a property loss.
- 3        3. "International peace garden" means an entity located upon the international boundary  
4        line between the United States and Canada used and maintained as a memorial to  
5        commemorate the long-existing relationship of peace and good will between the  
6        people and the governments of the United States and Canada and to further  
7        international peace among the nations of the world.
- 8        4. "North Dakota insurance reserve fund" means the public risk pool established under  
9        section 26.1-23.1-01 regardless of any name change or dissolution and  
10       reincorporation if the risk pool continues to provide coverage to a majority of eligible  
11       political subdivisions in the state.
- 12       5. "Office" means the office of management and budget.
- 13       5.6. "Permanent contents" refers only to such public property, either owned or leased,  
14       usually kept or used in or about public buildings insured in the fund, and to all public  
15       personal property usually kept or used in or about all buildings used for public  
16       purposes, or within one hundred feet [30.48 meters] of all such buildings, or while on  
17       sidewalks, streets, alleys, yards, detached platforms, and in or on railway cars. The  
18       term includes similar property owned by an international peace garden or a winter  
19       show. The term does not include automobiles, trucks, tractors, road machinery, or  
20       similar property used principally outside such buildings.
- 21       5.6.7. "Political subdivision" means ~~all counties, townships, park districts, school districts,~~  
22       ~~cities, and any other units~~ a county, township, park district, school district, city, or any  
23       other unit of local government which ~~are~~ is created either by statute or by the  
24       Constitution of North Dakota for local government or other public purposes.
- 25       6.7.8. "Replacement cost" is the cost to replace a building or its permanent contents with a  
26       similar structure of like materials or a similar product at current prices.
- 27       7.8.9. "State agency" means a state board, bureau, commission, department, agency,  
28       industry, or institution and the international peace garden.
- 29       9.10. "Winter show" means an agricultural exhibition sponsored each year in March by a  
30       nonprofit corporation.



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**SECTION 3. AMENDMENT.** Section 26.1-22-02 of the North Dakota Century Code is amended and reenacted as follows:

**26.1-22-02. State fire and tornado fund under management of commissioner - ~~Purpose of fund~~Office of management and budget - Continuing appropriation.**

1. There is created in the state treasury the state fire and tornado fund to insure state agencies, political subdivisions, and winter shows against direct and indirect losses under this chapter. The fund consists of all assessments, interest, investment earnings, and other income collected under this chapter.
2. The commissioneroffice shall manage the fund. The fund must be maintained as a fund to insure the various state industries, the various political subdivisions, any international peace garden, and any winter show against loss to the public buildings, or buildings owned by an international peace garden or a winter show, and fixtures and permanent contents therein, and against indirect loss, through fire, lightning, inherent explosion, windstorm, cyclone, tornado and hail, explosion, riot attending a strike, aircraft, smoke, and vehicles. At the option of the insured, the fund may insure against other risks of direct physical loss and indirect loss from those risks. All moneys collected under this chapter must be paid into the fund for use only for the purposes provided for in this chapter. The office may use any information on file in the state fire marshal program and may delegate responsibilities according to a contract for administrative services from the North Dakota insurance reserve fund or another entity to assist with the management of the fund. A contract for administrative services must have a two-year term ending on June thirtieth of odd-numbered years, and the contract may not be terminated except at the end of the two-year term. If either party does not anticipate renewing the contract for another two-year term, notice must be given by September thirtieth of the even-numbered year during the two-year term.
3. Moneys in the fund are appropriated to the office on a continuing basis for paying claims against the fund for losses, including loss adjustment expenses; contracting for services under subsection 2; paying loss prevention inspection and rating inspection expenses to determine the proper assessment rates for property insured by the fund; and paying reinsurance expenses under section 26.1-22-21.



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1       **SECTION 4. AMENDMENT.** Section 26.1-22-02.1 of the North Dakota Century Code is  
2 amended and reenacted as follows:

3       **26.1-22-02.1. Insurance against indirect losses.**

4       The ~~commissioner~~office shall provide, upon request of an entity insured ~~with~~under the fund,  
5 coverage ~~by the fund~~ for an indirect loss ~~incurred because of a loss~~ arising out of a peril insured  
6 against by the fund. The coverage provided by the fund shall ~~must~~ be an amount that is subject  
7 to the underwriting guidelines ~~adopted~~developed by the ~~commissioner~~office.

8       **SECTION 5. AMENDMENT.** Section 26.1-22-03.1 of the North Dakota Century Code is  
9 amended and reenacted as follows:

10       **26.1-22-03.1. North Dakota insurance reserve fund - Producers - Commission.**

11       The North Dakota insurance reserve fund may use the services of producers licensed under  
12 this title to assist policyholders. Any commission paid to a producer under this section must be  
13 paid out of the ~~premium~~assessment income of the fund and must be assessed against the  
14 policyholders that benefit from the producer.

15       **SECTION 6. AMENDMENT.** Section 26.1-22-09 of the North Dakota Century Code is  
16 amended and reenacted as follows:

17       **26.1-22-09. Buildings ~~to be reported to commissioner~~office - Replacement cost**  
18 **appraisal.**

19       1. In each odd-numbered year, or upon application for insurance, ~~the state board of~~  
20 ~~higher education, and each officer, department, or agent of the state and of any~~  
21 ~~industry thereof having in charge any public building belonging to the state, each~~  
22 ~~county auditor, city auditor, township clerk, and school district business manager, as~~  
23 ~~the case may be, the agent for an international peace garden, and the agent for a~~  
24 ~~winter show, if applicable, every state agency, political subdivision, and winter show~~  
25 insured under the fund shall report to the ~~commissioner~~office the insurable value of  
26 each ~~public building, or of each building owned by an international peace garden or a~~  
27 ~~winter show with the exception of~~building, excluding buildings insured by private  
28 insurance companies, and the value of the fixtures and permanent contents  
29 ~~therein~~insured under the fund, ~~with the exception of~~excluding fixtures and permanent  
30 contents insured by private insurance companies, ~~belonging to the state, political~~  
31 ~~subdivision, an international peace garden, or a winter show, and shall supply such~~

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other information as may be required by the commissioner on forms provided by the commissioner. State agencies, political subdivisions, and winter shows shall report any additional information required by the office to administer this chapter. The office shall provide forms for reporting.

2. Once every six years, each state agency insured under the fund shall obtain a replacement cost appraisal on all buildings, fixtures, and permanent contents under the agency's custody which are insured under this chapter. The office shall determine the manner of conducting the appraisal. Annually, except for any year an appraisal is conducted, each state agency insured under the fund shall adjust the appraised value as required by the office and the amount must be considered the replacement value. If an appraisal results in a substantial premium increase the office determines may not be paid through existing agency appropriations, the amount must be considered an earned receivable of the fund, and the agency shall seek a deficiency or general appropriation sufficient for payment during the next legislative session.

**SECTION 7. AMENDMENT.** Section 26.1-22-10 of the North Dakota Century Code is amended and reenacted as follows:

**26.1-22-10. ~~Commissioner to provide insurance on~~ Insurance for buildings and personal property - Additional coverage - Township and school district property.**

1. Upon application, ~~the commissioner~~ the office shall provide for insurance against loss by fire, lightning, inherent explosion, windstorm, cyclone, tornado and hail, explosions, riot attending a strike, aircraft, smoke, vehicles, or may insure any other risks of direct physical loss, subject to the restrictions and exclusions ~~deemed necessary~~ determined by the ~~commissioner, on~~ office.
- a. Insurance under this section applies to all buildings owned by ~~the state, state industries~~ state agencies, political subdivisions, ~~international peace gardens~~, and winter shows, and the fixtures and permanent contents in ~~such~~ the buildings, ~~to the extent of not to~~.
- b. Insurance coverage under this section may not exceed the insurable value of ~~such~~ the property, as the value is agreed to ~~between the commissioner and the officer or board having control of such property, or, in case of disagreement, by approval through arbitration.~~



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- 1           c. State-owned buildings constructed after 1939 and fixtures and permanent  
2           contents insured under this chapter must be insured at replacement cost unless  
3           the office approves an alternate value.
- 4           d. The commissioner's office may allow property to be insured on a blanket basis.
- 5       2. ~~All buildings and the contents of the buildings owned by the state mill and elevator~~  
6       ~~association, in lieu of coverage under this chapter, may, at the option of the industrial~~  
7       ~~commission, be insured by private insurance companies licensed to do business in~~  
8       ~~this state, against at least all the types of hazards insured against by the fund. If the~~  
9       ~~industrial commission exercises the option provided in this section, the commission~~  
10      ~~shall seek competitive sealed bids, shall invite the fund to submit a bid, and may reject~~  
11      ~~any or all bids received.~~ An insurance policy under this chapter must include the name  
12      of the insured, the location and description of the insured property, the amount of  
13      insurance coverage, and the amount of the assessment.
- 14      3. ~~All public buildings owned by a political subdivision, in lieu of coverage provided for in~~  
15      ~~this section, may at the option of the governing body of the political subdivision be~~  
16      ~~insured on the basis of competitive sealed bids, through the fund which must be~~  
17      ~~invited to submit a sealed bid or private insurance companies licensed to do business~~  
18      ~~in this state, against damage resulting from hazards, which include those types of~~  
19      ~~hazards that may be insured against by the fund. The governing body may reject any~~  
20      ~~or all such bids.~~ In lieu of or in addition to the coverage under this section, a state  
21      agency, political subdivision, or winter show may purchase insurance from an  
22      authorized insurance company for:
- 23           a. All buildings and the contents of the buildings owned by the state mill and  
24           elevator association.
- 25           b. All public buildings owned by a political subdivision.
- 26           c. All public libraries owned by the state or a political subdivision for damage  
27           through vandalism.
- 28      4. ~~All public libraries owned by the state or political subdivisions may, in addition to the~~  
29      ~~coverage provided for in this section, be covered against damage through vandalism.~~  
30      ~~If this coverage cannot be extended to the public libraries situated within this state, the~~  
31      ~~libraries may contract for this coverage with private insurance companies; provided,~~



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- 1           that this coverage meets the recommendations of the insurance code of the American  
2           library association. The office shall develop guidelines to be used by state agencies,  
3           political subdivisions, and winter shows to determine insurable values of property for  
4           insurance coverage and indirect loss coverage under this chapter.
- 5        5. This chapter does not apply to the property of any township or school district located  
6           outside of the incorporated limits of a city unless the township or school district  
7           requests and applies for insurance coverage under this chapter. The application must  
8           be approved in writing by the office to be effective.
- 9        6. A state agency, political subdivision, or winter show may not make payments, enter  
10           contracts, or incur debt for insurance on buildings, fixtures, or permanent contents  
11           except as provided under this chapter.
- 12       7. If the insurance is canceled under section 26.1-22-16, the state agency, political  
13           subdivision, or winter show may procure insurance from any authorized insurance  
14           company.
- 15       8. If a disagreement or dispute arises under this section, the office and the state agency,  
16           political subdivision, or winter show shall settle the disagreement or dispute under  
17           section 26.1-22-11.

18       **SECTION 8. AMENDMENT.** Section 26.1-22-11 of the North Dakota Century Code is  
19       amended and reenacted as follows:

20       **26.1-22-11. Arbitration of value or loss.**

21       ~~In case the commissioner and the board or officer having charge~~

- 22       1. If the office and the state agency, political subdivision, or winter show having custody  
23           of any property are unable to agree upon~~disagree about~~ the insurable value of the  
24           property or the amount of loss insured, the value must be determined~~the office and the~~  
25           state agency, political subdivision, or winter show may agree to have the value or loss  
26           determined by a recognized~~competent, disinterested contractor, architect, experienced~~  
27           appraiser, appraisal company, or a member of those respective professional boards at  
28           the expense of the state~~industry~~agency, political subdivision, an international peace  
29           garden, or a~~or~~ winter show owning the property, if the appraisal company arbitrator  
30           meets with the approval of both the commissioner and the board or officer concerned.  
31        ~~If they are unable to agree on an arbitrator, then the matter must be submitted to~~

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1 arbitration by a board of arbitration selected as provided by this section. The  
2 commissioner and the board or officer in charge.

3 2. If the office and the state agency, political subdivision, or winter show are unable to  
4 resolve a disagreement under subsection 1, the determination must be arbitrated as  
5 provided in this subsection.

6 a. The office and the state agency, political subdivision, or winter show having  
7 custody of the property each shall select one competent, disinterested contractor,  
8 architect, experienced appraiser, appraisal company, or one of the members of  
9 such board, and the two so chosen a member of those respective professional  
10 boards. The two selected arbitrators shall select a third person or arbitrator with  
11 similar qualification qualifications.

12 b. The three arbitrators shall proceed to determine the insurable value of the  
13 property, and the decision of the arbitrators, or a majority of them, must be given  
14 in writing to the commissioner and the board or officials concerned and or the  
15 amount of loss insured within thirty days after the selection of the first two  
16 arbitrators. Upon determination by a majority of the arbitrators, the arbitrators  
17 shall notify the parties of the determination in writing. The determination is  
18 binding upon both parties.

19 c. Each party to the dispute shall pay the expense and charges expenses of the  
20 arbitrator chosen by the party, and the expense and the charges. The expenses  
21 of the third arbitrator must be borne paid equally by both parties to the dispute.  
22 The decision by the board of arbitration must be made within thirty days from the  
23 time the matter is submitted to it. Until the commissioner and board or officer in  
24 charge have agreed, or in case of dispute, until the decision of the appraisal  
25 company or arbitrators, the property

26 d. While the value is being determined under this section, property must continue to  
27 be valued in the same amount as previously determined, or in case of new  
28 buildings or property, in the amount fixed determined by the commissioner. The  
29 same procedure must be followed in case of new construction or in any increase  
30 or decrease in values office.



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- 1       3. This section applies to existing property, new construction, and property with a change  
2       in value.

3       **SECTION 9. AMENDMENT.** Section 26.1-22-14 of the North Dakota Century Code is  
4 amended and reenacted as follows:

5       **26.1-22-14. Assessments and reporting of premiums and losses- Collections -**  
6 **Minimum fund balance - Bond and borrowing authorization.**

- 7       1. Upon providing insurance coverage under this chapter, the office shall certify to the  
8       insured the amount of the assessment. The state agency, political subdivision, or  
9       winter show shall submit to the office the payment of the assessment within sixty days  
10       after the date of the certification. The office shall deposit the assessments in the fund.  
11       2. If the assessment is not paid within sixty days after the date of the certification, the  
12       attorney general and the state's attorney of the relevant county shall bring appropriate  
13       actions to enforce the collection of the assessment upon request of the office. A  
14       judgment obtained under this section must include an interest rate of six percent per  
15       year.  
16       3. If the reserve fund balance is less than twelve million dollars, the commissioner shall  
17       determine the amount of money necessary to bring the reserve balance up to twelve  
18       million dollars. The commissioner then the office shall levy an assessment against on every  
19       policy in force with the fund.  
20       2. The assessment must be computed to increase the fund balance of the fund to twelve  
21       million dollars calculated as follows:  
22       a. The eighty percent or ninety percent coinsurance rate established for each  
23       eligible insured property for which that rate may be applicable, and, the full rate  
24       established for policies providing coverage against indirect losses, and the full  
25       rate for properties to which the that are not eligible for the eighty percent or ninety  
26       percent coinsurance rate is not applicable, must be applied to the amount of  
27       insurance provided in each policy and the result of the application of the rate to  
28       the amount of insurance sets to determine the tentative assessment to be made  
29       against the each policy.  
30       b. The total of all tentative assessments must then be ascertained is the sum of the  
31       amounts calculated under subdivision a.



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- 1 c. The percentage of the assessment ~~necessary to restore~~needed to increase the  
2 ~~reserve~~fund balance to the ~~sum of~~ twelve million dollars must then be  
3 ~~computed~~calculated and collected on each policy; provided, that until the reserve  
4 balance reaches twelve million dollars, the assessment must be in an amount  
5 ~~determined by the commissioner but~~. The assessments may not exceed sixty  
6 percent of the rates set by the insurance services office for insured property  
7 unless the ~~reserve~~fund balance is depleted ~~below~~less than three million dollars.
- 8 d. ~~In case of a fractional percentage the next higher whole percent must be used in~~  
9 ~~such computation~~A fractional percent must be rounded up to the next whole  
10 percent.
- 11 4. If the fund balance is less than two million dollars due to a catastrophe, disaster, or a  
12 succession of catastrophes or disasters, the office may issue anticipation bonds or  
13 borrow from the Bank of North Dakota to provide the amount needed to increase the  
14 fund balance to two million dollars upon approval from the industrial commission.
- 15 a. The term of the anticipation bonds or loan may not exceed twenty years.  
16 b. The office shall levy an assessment on all policies in force under the fund to  
17 repay the anticipation bonds or loan.

18 **SECTION 10. AMENDMENT.** Section 26.1-22-16 of the North Dakota Century Code is  
19 amended and reenacted as follows:

20 **26.1-22-16. Rejection of certainUnreasonably hazardous risks - Mitigation - Insurance**  
21 **cancellation.**

22 If the ~~commissioner~~office finds that any risk is unreasonably hazardous, the  
23 ~~commissioner~~office may require the board or ~~office~~state agency, political subdivision, or winter  
24 show having control of the risk to ~~make any improvements or changes necessary to~~mitigate or  
25 remove the extra hazard. If the board or ~~agency~~state agency, political subdivision, or winter  
26 show fails to ~~make the improvements or changes~~mitigate or remove the extra hazard within six  
27 months after the ~~demand by the commissioner~~notification from the office, the  
28 ~~commissioner~~office may cancel the insurance on the renewal upon thirty days' notice. ~~No~~A  
29 cancellation may not be made by the ~~commissioner~~office for property under the industrial  
30 commission's custody without the approval of the industrial commission. ~~If a dispute arises~~  
31 ~~between the commissioner and the board or official having control of the risk, either as to the~~

1 insurability thereof or as to the compliance by the board or officer with the requirements of the  
2 commissioner, the dispute must be submitted to a board of arbitration as provided in section  
3 26.1-22-11 and the decision of the board of arbitration is binding on both parties. If the  
4 insurance on any risk is canceled as provided in this section, the board or officer in charge of  
5 the risk may procure insurance from any authorized insurance company, and the premium is a  
6 proper charge against the state, state industry, or political subdivision owning the property. If a  
7 disagreement or dispute arises under this section, the office and the state agency, political  
8 subdivision, or winter show shall settle the disagreement or dispute under section 26.1-22-11.

9 **SECTION 11. AMENDMENT.** Section 26.1-22-17 of the North Dakota Century Code is  
10 amended and reenacted as follows:

11 **26.1-22-17. ~~Loss~~ How paid ~~Losses~~ - Limitation.**

- 12 1. All losses occasioned by the perils insured against under this chapter must be paid out  
13 of the fund in an amount not exceeding the amount of the insurance upon any  
14 particular risk. The loss upon any building or property insured in the fund, whether  
15 totally destroyed or partially damaged by reason of the perils, must be adjusted by the  
16 commissioner or a duly office, authorized adjuster, or adjusting company. All necessary  
17 loss adjustment expenses must be included as a component part of the loss and must  
18 be paid out off from the fund. ~~Immediately upon the happening or occasion of any such~~  
19 ~~loss or damage, the insured shall notify the commissioner. The notification must be in~~  
20 ~~the manner required by the commissioner and must provide~~
- 21 2. Immediately after an event causing loss or damage, the insured shall notify the office  
22 in a manner prescribed by the office. The notification must include a description of the  
23 property, the amount of insurance carried, the probable amount of loss or damage,  
24 and the probable cause of loss or damage. The insured may not disturb the property  
25 except as provided in the policy until the commissioner office or the  
26 commissioner's office's agent has adjusted the loss or has given notice that the  
27 information on which the adjustment is to be made has been secured.
- 28 3. Allowances for loss and or damage must be paid out off from the fund upon warrants  
29 drawn by the office of management and budget upon the state treasurer against the  
30 fund after the submission of a voucher prepared by the commissioner to the office of  
31 management and budget specifying the amount to be paid and the payee to whom the



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1       warrants must be drawn. However, if at any time due to a catastrophe or disaster, or a  
2       succession of catastrophes or disasters, the reserve balance has been depleted below  
3       two million dollars, the commissioner may, with the approval of the industrial  
4       commission, issue premium anticipation certificates in an amount sufficient to bring the  
5       reserve balance up to two million dollars. The premium anticipation certificates must  
6       be issued for a period of from ten to twenty years, as determined by the commissioner  
7       with the approval of the industrial commission, and the interest and principal must be  
8       paid and retired by assessments levied on all policies in force with the fund. To retire  
9       these premium anticipation certificates, the commissioner shall levy a special  
10      assessment on every policy in force with the fund; however, the total of all  
11      assessments and premiums provided for in section 26.1-22-14 may not exceed the full  
12      rate as developed by an advisory organization at the direction of the commissioner.  
13      Any state department may invest its funds in the purchase of the premium anticipation  
14      certificates.

15      **SECTION 12. AMENDMENT.** Section 26.1-22-21 of the North Dakota Century Code is  
16      amended and reenacted as follows:

17      **26.1-22-21. Insurance required - Excess loss reinsurance - Insurance broker of**  
18      **record.**

- 19      1.   The ~~commissioner~~office shall procure and shall keep in force excess loss reinsurance  
20      naming the fund as the reinsured. The excess loss reinsurance must be in an amount  
21      and for a period determined by the ~~commissioner~~office to be sufficient for the fund.  
22      The reinsurance contract must reimburse the fund for losses incurred by the fund  
23      under policies issued by the fund and arising out of each occurrence of a covered  
24      cause of loss and include at least a sixty-day cancellation notice.
- 25      2.   The cost of the excess loss reinsurance must be paid out of the ~~premium~~assessment  
26      income of the fund and must be assessed against the policyholders that benefit from  
27      the reinsurance. Excess loss reinsurance must be written only by a company or  
28      companies authorized to do business within this state. The contract must be  
29      countersigned by a licensed North Dakota resident insurance producer. ~~On the last~~  
30      ~~Monday in June prior to the expiration of the contract, the commissioner, with the~~  
31      ~~approval of the industrial commission, shall contract for the excess loss reinsurance~~



LB 140816

1 with the company or group of companies submitting the lowest and best bid for the  
2 period commencing on the ensuing first day of August. The commissioner, with the  
3 approval of the industrial commission, may disregard this section after the  
4 commissioner and the commission have studied the available bids for the reinsurance  
5 required by this section.

6 3. The office may contract for insurance broker of record services to assist in procuring  
7 excess loss reinsurance. The insurance broker must be licensed and authorized to do  
8 business in the state.

9 **SECTION 13. AMENDMENT.** Section 26.1-22-22 of the North Dakota Century Code is  
10 amended and reenacted as follows:

11 **26.1-22-22. Commissioner may waive**Waiver of subrogation rights during  
12 **construction.**

13 The commissioner may, in the commissioner's discretion, office may waive any right of the  
14 fund to recover for damage sustained by any structure as a result of fire or explosion caused by  
15 a contractor, its employees or agents, in the performance of a contract for the alteration of, or  
16 the construction of an addition to, a building insured in under the fund.

17 **SECTION 14. AMENDMENT.** Subdivision c of subsection 1 of section 26.1-23.1-01 of the  
18 North Dakota Century Code is amended and reenacted as follows:

19 c. Property insurance, including inland marine coverage, money and securities  
20 coverage, and extra expense coverage. However, this subdivision does not  
21 authorize government self-insurance pools to write those types of insurance  
22 coverages offered by the state fire and tornado fund under the provisions of  
23 chapter 26.1-22 as they existed on December 31, 1988, unless a government  
24 self-insurance pool enters a contract with the commissioneroffice of management  
25 and budget to provide services for the state fire and tornado fund under section  
26 26.1-22-0326.1-22-02.

27 **SECTION 15. AMENDMENT.** Section 37-03-13 of the North Dakota Century Code is  
28 amended and reenacted as follows:

DMB 15 Oct 16

1       **37-03-13. Adjutant general to control military installations - Maintenance fund -**

2       **Insurance.**

3       1. The adjutant general of the state of North Dakota has full control of Camp Gilbert C.  
4       Grafton, Ramsey County, Fraine Barracks, Burleigh County, national guard air base  
5       facilities constituting a portion of Hector Airfield in Cass County, all in North Dakota  
6       and such other real property, installations, and facilities that may be acquired or leased  
7       by this state or the office of the adjutant general for military purposes. All moneys  
8       received from the sale of timber, stone, agricultural products, or other material taken  
9       from the properties and the proceeds of any leases or subleases thereof and other  
10      proceeds from the sale of military property must be paid into the state treasury, and  
11      kept as a separate fund and are hereby appropriated for the improvement of the  
12      properties for military uses and must be paid out upon proper vouchers approved by  
13      the adjutant general in accordance with the act of Congress granting the lands,  
14      installations, or facilities to the state of North Dakota or as otherwise authorized by  
15      law.

16      2. The adjutant general, after consultation with the ~~insurance commissioner~~ office of  
17      management and budget, shall insure in full or in part with the state fire and tornado  
18      fund in accordance with chapter 26.1-22 ~~such~~ the buildings, installations, and facilities  
19      or their contents ~~or portions thereof~~ as the adjutant general determines to be in the  
20      best interests of the state. The adjutant general may not insure buildings or property  
21      that are subject to replacement by the United States.

22      **SECTION 16. REPEAL.** Sections 26.1-22-03, 26.1-22-05, 26.1-22-06, 26.1-22-06.1,  
23      26.1-22-08, 26.1-22-10.1, 26.1-22-13, 26.1-22-15, 26.1-22-18, 26.1-22-19, and 26.1-22-21.1 of  
24      the North Dakota Century Code are repealed.

25      **SECTION 17. LEGISLATIVE MANAGEMENT STUDY - POLITICAL SUBDIVISIONS -**  
26      **REMOVAL FROM STATE FIRE AND TORNADO FUND.** During the 2025-26 interim, the  
27      legislative management shall consider studying, in collaboration with the director of the office of  
28      management and budget and the North Dakota insurance reserve fund, the feasibility and  
29      desirability of removing political subdivisions from the state fire and tornado fund. The study  
30      must include an analysis of the statutory changes necessary to accomplish the change and the  
31      impact removing political subdivisions may have on premiums. The legislative management

- 1 shall report its findings and recommendations, together with any legislation required to
- 2 implement the recommendations, to the seventieth legislative assembly.



**REPORT OF STANDING COMMITTEE  
HB 1027**

**Industry, Business and Labor Committee (Rep. Warrey, Chairman)** recommends **AMENDMENTS** ([25.0246.02001](#)) and when so amended, recommends **DO PASS** (10 YEAS, 3 NAYS, 1 ABSENT AND NOT VOTING). HB 1027 was placed on the Sixth order on the calendar.

**2025 SENATE INDUSTRY AND BUSINESS**

**HB 1027**

# 2025 SENATE STANDING COMMITTEE MINUTES

## Industry and Business Committee Fort Union Room, State Capitol

HB 1027  
2/18/2025

A bill relating to the administration of the state fire and tornado fund; to provide for a legislative management study; and to provide a continuing appropriation

9:59 a.m. Chairman Barta opened the hearing.

Members present: Chairman Barta, Vice-Chair Boehm, Senator Klein, Senator Kessel, Senator Enget

### Discussion Topics:

- State bonding fund
- Industry competition
- ND Insurance Reserve Fund (NDIRF)
- Office of Management and Budget (OMB)
- Adequacy of reserves and fiscal amounts
- Litigation cost increases
- Energy Infrastructure projects
- Lawsuit coverages and determinations
- State funded compensation and attorney fees
- Political subdivisions and insurance coverage

10:00 a.m. John Arnold, Deputy Commissioner for the ND Insurance Department, testified in favor and submitted testimony #37922.

10:07 a.m. Tag Anderson, Risk Management Director, Office of Management and Budget, testified in neutral and submitted testimony #37925.

10:10 a.m. Keith Pic, CEO, ND Insurance Reserve Fund (NDIRF), testified in neutral.

10:15 a.m. John Arnold, Deputy Commissioner for the ND Insurance Department, testified in favor.

10:16 a.m. Chairman Barta closed the hearing.

10:21 a.m. Keith Pic, CEO of ND Insurance Reserve Fund (NDIRF), testified in neutral.

10:33 a.m. Aaron Birst, Executive Director, ND Association of Counties, testified in neutral.

10:40 a.m. Chairman Barta closed the hearing.

*Audrey Oswald, Committee Clerk*





**NORTH DAKOTA**  
Insurance Department

## TESTIMONY SUPPORTING HB 1027

*John Arnold, Deputy Commissioner*

Senate Industry and Business Committee

February 18, 2025

Good morning, Chairman Barta and members of the House Industry, Business and Labor Committee,

On behalf of Commissioner Godfreed, I encourage your favorable consideration and a Do Pass recommendation for House Bill 1027. I want to assure the committee that the Department does not view the transition of the Fire and Tornado (F&T) Fund to the Office of Management of Budget (OMB) as a negative. In fact, we view this as the natural progression of the efforts that Commissioner Godfreed initiated with the 66<sup>th</sup> Legislative Assembly to allow for the authority to enter into a contract with the North Dakota Insurance Reserve Fund (NDIRF) to administer the F&T Fund.

Commissioner Godfreed sought this authority for two reasons. First, we simply were not good at it. While it's true that rates were kept artificially low, coverage was not adequate, and political subdivisions were under insured. Since contracting these services, NDIRF has increased the insured value of public property by many millions of dollars. These are properties that were not adequately covered by the Department. The second reason Commissioner Godfreed sought this authority is because there is an inherent conflict in the regulator of the insurance industry also participating and competing in a segment of the industry. While the contracting authority did not completely remove this conflict, removing itself from the day-to-day administration of the fund was a step in the right direction.

Completely removing the responsibility of the F&T Fund from the Commissioner removes an additional regulatory conflict that was created by the contracting authority. Currently, the Department has both a regulatory relationship with NDIRF and a contractual relationship with NDIRF for services conducted within the insurance sector. This has led to conflicts when, for example, the contract for the administration of the F&T fund was due to be renegotiated and renewed while the Department was also preparing to conduct a regulatory examination of NDIRF. By completely removing the F&T Fund from the Department, HB 1027 reestablishes a purely regulatory relationship with the NDIRF by placing the contractual relationship with the OMB.

Thank you for your consideration.



Management  
and Budget

Neutral Testimony Relating to  
**Engrossed House Bill No. 1027**  
**Senate Industry and Business**  
February 18, 2025

## TESTIMONY OF

### **Tag Anderson, Director Risk Management Division**

Chairman Barta and members of the committee, my name is Tag Anderson. I am the Director of the Risk Management Division of the Office of Management and Budget (OMB). I appear today in a neutral position on engrossed HB 1027.

This legislation came out of interim study and prior testimony from OMB, the Insurance Department, and the North Dakota Insurance Reserve Fund (NDIRF) is available for review. Should this legislation pass, OMB will ensure proper administration of the Fire and Tornado Fund through contract administration no differently than the Insurance Department. OMB recognizes that which agency can best administer the Fire and Tornado Fund is a legislative policy decision, and therefore we remain neutral.

The day-to-day administration of the Fire and Tornado Fund is currently being handled by NDIRF through a statutorily authorized contractual relationship. If that working relationship were to end, OMB would not be able to properly administer the Fire and Tornado Fund. It is currently unknown if any other entity could fulfill the day-to-day administration in a cost-effective manner. OMB does not currently have the staff or resources to directly administer the Fire and Tornado Fund, which would be necessary if the current relationship with NDIRF were to be terminated.

Section 3 of the bill, amending subsection 2 of NDCC 26.1-22-02, requires the contractual relationship with NDIRF or other entity to have a two-year term that cannot be terminated except upon sufficient notice given prior to the next legislative session to address the need for an appropriation or other legislative changes. It is our understanding, the current contract between NDIRF and the Insurance Department ends on June 30, 2025. If engrossed HB 1027 passes, there will be a one-month Insurance Department and NDIRF contract renewal delay, which would need to be addressed as OMB takes over administration. As we have been clear from the start during the interim study, ensuring that NDIRF will continue to administer day-to-day activities of the Fire Tornado Fund is essential.

There were some substantive amendments that were adopted by the House that more clearly define the relationship between the state and NDIRF, address spending limitations that a state agency could face with substantial premiums increases, as well as continued study of the Fire and Tornado Fund and coverage afforded political subdivisions.

Chairman Barta and committee members, this concludes my testimony. I would be happy to answer any questions. Thank you.

# 2025 SENATE STANDING COMMITTEE MINUTES

## Industry and Business Committee Fort Union Room, State Capitol

HB 1027  
4/1/2025

A bill relating to changing the administration of the state fire and tornado fund from the insurance commissioner to the office of management and budget.

11:23 a.m. Chairman Barta opened the hearing.

Members present: Chairman Barta, Vice-Chair Boehm, Senator Kelin, Senator Kessel, Senator Enget

### Discussion Topics:

- Additional language
- Office of Management and Budget (OMB)
- Insurance reserve and the insurance commissioner
- Frustrations with political subdivisions and zoning
- Violation of laws
- Political subdivision impact and local townships
- Local control and setbacks
- Intentional action language

11:25 a.m. Aaron Birst, Association of Counties, testified in favor and explained the amendment.

11:37 a.m. Senator Klein moved to adopt amendment LC# 25.0246.03001.

11:37 a.m. Senator Kessel, seconded the motion.

Senators	Vote
Senator Jeff Barta	Y
Senator Keith Boehm	N
Senator Mark Enget	Y
Senator Greg Kessel	Y
Senator Jerry Klein	Y

Motion passed 4-1-0.

11:38 a.m. Senator Klein moved a Do Pass As Amended.

11:38 a.m. Senator Kessel seconded the motion.

Senators	Vote
Senator Jeff Barta	Y
Senator Keith Boehm	N
Senator Mark Enget	Y



Senator Greg Kessel	Y
Senator Jerry Klein	Y

Motion passed 4-1-0.

Senator Klein will carry the bill.

11:39 a.m. Chairman Barta closed the hearing.

*Audrey Oswald, Committee Clerk*

Sixty-ninth  
Legislative Assembly  
of North Dakota

**PROPOSED AMENDMENTS TO  
FIRST ENGROSSMENT**

VC 4/1/25  
1 of 16

**ENGROSSED HOUSE BILL NO. 1027**

Introduced by

Legislative Management

(Government Finance Committee)

1 A BILL for an Act to amend and reenact sections 26.1-01-03, 26.1-22-01, 26.1-22-02,  
2 26.1-22-02.1, 26.1-22-03.1, 26.1-22-09, 26.1-22-10, 26.1-22-11, 26.1-22-14, 26.1-22-16,  
3 26.1-22-17, 26.1-22-21, and 26.1-22-22, ~~subdivision~~ subdivisions a and c of subsection 1 of  
4 section 26.1-23.1-01, and section 37-03-13 of the North Dakota Century Code, relating to  
5 changing the administration of the state fire and tornado fund from the insurance commissioner  
6 to the office of management and budget; to repeal sections 26.1-22-03, 26.1-22-05, 26.1-22-06,  
7 26.1-22-06.1, 26.1-22-08, 26.1-22-10.1, 26.1-22-13, 26.1-22-15, 26.1-22-18, 26.1-22-19, and  
8 26.1-22-21.1 of the North Dakota Century Code, relating to the administration of the state fire  
9 and tornado fund; to provide for a legislative management study; and to provide a continuing  
10 appropriation.

11 **BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:**

12 **SECTION 1. AMENDMENT.** Section 26.1-01-03 of the North Dakota Century Code is  
13 amended and reenacted as follows:

14 **26.1-01-03. Duties of commissioner.**

15 The commissioner shall:

- 16 1. See that all the laws of this state respecting insurance companies and benevolent  
17 societies are executed faithfully.
- 18 2. Report in detail to the attorney general any violation of law relative to insurance  
19 companies and their officers or agents.

- 1        3.    File the articles of incorporation of all insurance companies organized or doing
- 2                business in this state, and on application furnish a certified copy thereof.
- 3        4.    Furnish the insurance companies required to make reports to the commissioner and
- 4                the benevolent societies the necessary blank forms for required statements and
- 5                reports. The commissioner is not required to send blank forms to those insurance
- 6                companies which submit their reports on printed forms conforming to those furnished
- 7                by the commissioner.
- 8        5.    Preserve in permanent form a full record of the commissioner's proceedings and a
- 9                concise statement of each company or agency visited or examined.
- 10       6.    Furnish at the request of any person, upon the payment of the required fee, certified
- 11                copies of any record or paper in the commissioner's office, if the commissioner deems
- 12                it not prejudicial to the public interests to do so, and give such other certificates as
- 13                may be provided by law.
- 14       7.    Submit a biennial report as prescribed by section 54-06-04 to the governor and the
- 15                secretary of state. In addition to the requirements of section 54-06-04, the report must
- 16                contain an abstract only of the reports of the various insurance companies doing
- 17                business in this state showing the condition of the companies.
- 18       8.    Upon request, send a copy of the commissioner's annual report to the insurance
- 19                commissioner, or other similar officer, of every other state and to each company doing
- 20                business in this state.
- 21       9.    Communicate, on request, to the insurance commissioner of any other state any facts
- 22                that by law it is the commissioner's duty to ascertain respecting companies of this
- 23                state doing business within that state.
- 24       10.    Manage, control, and supervise the state bonding fund.
- 25       11.    ~~Manage, control, and supervise the state fire and tornado fund and the insurance of~~
- 26                ~~public buildings in that fund.~~
- 27       ~~12.    Manage, control, and supervise the state fire marshal.~~

28        **SECTION 2. AMENDMENT.** Section 26.1-22-01 of the North Dakota Century Code is  
29 amended and reenacted as follows:

30        **26.1-22-01. Definitions.**

31        ~~InAs used in this chapter, unless the context otherwise requires:~~



- 1        1. "Fund" means the state fire and tornado fund.
- 2        2. "Indirect loss" means a loss in income or the additional expenses incurred because of
- 3        a property loss.
- 4        3. "International peace garden" means an entity located upon the international boundary
- 5        line between the United States and Canada used and maintained as a memorial to
- 6        commemorate the long-existing relationship of peace and good will between the
- 7        people and the governments of the United States and Canada and to further
- 8        international peace among the nations of the world.
- 9        4. "North Dakota insurance reserve fund" means the public risk pool established under
- 10       section 26.1-23.1-01 regardless of any name change or dissolution and
- 11       reincorporation if the risk pool continues to provide coverage to a majority of eligible
- 12       political subdivisions in the state.
- 13       5. "Office" means the office of management and budget.
- 14       6. "Permanent contents" refers only to such public property, either owned or leased,
- 15       usually kept or used in or about public buildings insured in the fund, and to all public
- 16       personal property usually kept or used in or about all buildings used for public
- 17       purposes, or within one hundred feet [30.48 meters] of all such buildings, or while on
- 18       sidewalks, streets, alleys, yards, detached platforms, and in or on railway cars. The
- 19       term includes similar property owned by an international peace garden or a winter
- 20       show. The term does not include automobiles, trucks, tractors, road machinery, or
- 21       similar property used principally outside such buildings.
- 22       ~~5-7.~~ "Political subdivision" means ~~all counties, townships, park districts, school districts,~~
- 23       ~~cities, and any other units~~ a county, township, park district, school district, city, or any
- 24       other unit of local government which ~~are~~ is created either by statute or by the
- 25       Constitution of North Dakota for local government or other public purposes.
- 26       ~~6-8.~~ "Replacement cost" is the cost to replace a building or its permanent contents with a
- 27       similar structure of like materials or a similar product at current prices.
- 28       ~~7-9.~~ "State agency" means a state board, bureau, commission, department, agency,
- 29       industry, or institution and the international peace garden.
- 30       10. "Winter show" means an agricultural exhibition sponsored each year in March by a
- 31       nonprofit corporation.

**SECTION 3. AMENDMENT.** Section 26.1-22-02 of the North Dakota Century Code is amended and reenacted as follows:

**26.1-22-02. State fire and tornado fund ~~under management of commissioner - Purpose of fund~~Office of management and budget - Continuing appropriation.**

1. There is created in the state treasury the state fire and tornado fund to insure state agencies, political subdivisions, and winter shows against direct and indirect losses under this chapter. The fund consists of all assessments, interest, investment earnings, and other income collected under this chapter.
2. The ~~commissioner~~office shall manage the fund. The fund must be maintained as a fund to insure the various state industries, the various political subdivisions, any international peace garden, and any winter show against loss to the public buildings, or buildings owned by an international peace garden or a winter show, and fixtures and permanent contents therein, and against indirect loss, through fire, lightning, inherent explosion, windstorm, cyclone, tornado and hail, explosion, riot attending a strike, aircraft, smoke, and vehicles. At the option of the insured, the fund may insure against other risks of direct physical loss and indirect loss from those risks. All moneys collected under this chapter must be paid into the fund for use only for the purposes provided for in this chapter. The office may use any information on file in the state fire marshal program and may delegate responsibilities according to a contract for administrative services from the North Dakota insurance reserve fund or another entity to assist with the management of the fund. A contract for administrative services must have a two-year term ending on June thirtieth of odd-numbered years, and the contract may not be terminated except at the end of the two-year term. If either party does not anticipate renewing the contract for another two-year term, notice must be given by September thirtieth of the even-numbered year during the two-year term.
3. Moneys in the fund are appropriated to the office on a continuing basis for paying claims against the fund for losses, including loss adjustment expenses; contracting for services under subsection 2; paying loss prevention inspection and rating inspection expenses to determine the proper assessment rates for property insured by the fund; and paying reinsurance expenses under section 26.1-22-21.



**SECTION 4. AMENDMENT.** Section 26.1-22-02.1 of the North Dakota Century Code is amended and reenacted as follows:

**26.1-22-02.1. Insurance against indirect losses.**

The ~~commissioner~~office shall provide, upon request of an entity insured ~~with~~under the fund, coverage ~~by the fund~~ for an indirect loss ~~incurred because of a loss~~ arising out of a peril insured against by the fund. The coverage provided by the fund ~~shall~~must be an amount that is subject to the underwriting guidelines ~~adopted~~developed by the ~~commissioner~~office.

**SECTION 5. AMENDMENT.** Section 26.1-22-03.1 of the North Dakota Century Code is amended and reenacted as follows:

**26.1-22-03.1. North Dakota insurance reserve fund - Producers - Commission.**

The North Dakota insurance reserve fund may use the services of producers licensed under this title to assist policyholders. Any commission paid to a producer under this section must be paid out of the ~~premium~~assessment income of the fund and must be assessed against the policyholders that benefit from the producer.

**SECTION 6. AMENDMENT.** Section 26.1-22-09 of the North Dakota Century Code is amended and reenacted as follows:

**26.1-22-09. Buildings ~~to be reported to commissioner~~office - Replacement cost appraisal.**

1. In each odd-numbered year, or upon application for insurance, ~~the state board of higher education, and each officer, department, or agent of the state and of any industry thereof having in charge any public building belonging to the state, each county auditor, city auditor, township clerk, and school district business manager, as the case may be, the agent for an international peace garden, and the agent for a winter show, if applicable,~~every state agency, political subdivision, and winter show insured under the fund shall report to the ~~commissioner~~office the insurable value of each public building, ~~or of each building owned by an international peace garden or a winter show with the exception of~~building, excluding buildings insured by private insurance companies, and the value of the fixtures and permanent contents ~~therein insured under the fund, with the exception of~~excluding fixtures and permanent contents insured by private insurance companies, ~~belonging to the state, political subdivision, an international peace garden, or a winter show, and shall supply such~~



other information as may be required by the commissioner on forms provided by the commissioner. State agencies, political subdivisions, and winter shows shall report any additional information required by the office to administer this chapter. The office shall provide forms for reporting.

2. Once every six years, each state agency insured under the fund shall obtain a replacement cost appraisal on all buildings, fixtures, and permanent contents under the agency's custody which are insured under this chapter. The office shall determine the manner of conducting the appraisal. Annually, except for any year an appraisal is conducted, each state agency insured under the fund shall adjust the appraised value as required by the office and the amount must be considered the replacement value. If an appraisal results in a substantial premium increase the office determines may not be paid through existing agency appropriations, the amount must be considered an earned receivable of the fund, and the agency shall seek a deficiency or general appropriation sufficient for payment during the next legislative session.

**SECTION 7. AMENDMENT.** Section 26.1-22-10 of the North Dakota Century Code is amended and reenacted as follows:

**26.1-22-10. ~~Commissioner to provide insurance on~~ Insurance for buildings and personal property - Additional coverage - Township and school district property.**

1. Upon application, ~~the commissioner~~the office shall provide for insurance against loss by fire, lightning, inherent explosion, windstorm, cyclone, tornado and hail, explosions, riot attending a strike, aircraft, smoke, vehicles, or may insure any other risks of direct physical loss, subject to the restrictions and exclusions ~~deemed necessary~~determined by the ~~commissioner, on~~office.
- a. Insurance under this section applies to all buildings owned by ~~the state, state industries~~state agencies, political subdivisions, ~~international peace gardens,~~ and winter shows, and the fixtures and permanent contents in ~~such~~the buildings, ~~to the extent of not to,~~
- b. Insurance coverage under this section may not exceed the insurable value of ~~such~~the property, as the value is agreed to ~~between the commissioner and the officer or board having control of such property, or, in case of disagreement, by approval through arbitration.~~

- 1           c. State-owned buildings constructed after 1939 and fixtures and permanent  
2           contents insured under this chapter must be insured at replacement cost unless  
3           the office approves an alternate value.
- 4           d. The commissioner office may allow property to be insured on a blanket basis.
- 5       2. ~~All buildings and the contents of the buildings owned by the state mill and elevator~~  
6       ~~association, in lieu of coverage under this chapter, may, at the option of the industrial~~  
7       ~~commission, be insured by private insurance companies licensed to do business in~~  
8       ~~this state, against at least all the types of hazards insured against by the fund. If the~~  
9       ~~industrial commission exercises the option provided in this section, the commission~~  
10      ~~shall seek competitive sealed bids, shall invite the fund to submit a bid, and may reject~~  
11      ~~any or all bids received. An insurance policy under this chapter must include the name~~  
12      ~~of the insured, the location and description of the insured property, the amount of~~  
13      ~~insurance coverage, and the amount of the assessment.~~
- 14      3. ~~All public buildings owned by a political subdivision, in lieu of coverage provided for in~~  
15      ~~this section, may at the option of the governing body of the political subdivision be~~  
16      ~~insured on the basis of competitive sealed bids, through the fund which must be~~  
17      ~~invited to submit a sealed bid or private insurance companies licensed to do business~~  
18      ~~in this state, against damage resulting from hazards, which include those types of~~  
19      ~~hazards that may be insured against by the fund. The governing body may reject any~~  
20      ~~or all such bids. In lieu of or in addition to the coverage under this section, a state~~  
21      ~~agency, political subdivision, or winter show may purchase insurance from an~~  
22      ~~authorized insurance company for:~~
- 23           a. All buildings and the contents of the buildings owned by the state mill and  
24           elevator association.
- 25           b. All public buildings owned by a political subdivision.
- 26           c. All public libraries owned by the state or a political subdivision for damage  
27           through vandalism.
- 28      4. ~~All public libraries owned by the state or political subdivisions may, in addition to the~~  
29      ~~coverage provided for in this section, be covered against damage through vandalism.~~  
30      ~~If this coverage cannot be extended to the public libraries situated within this state, the~~  
31      ~~libraries may contract for this coverage with private insurance companies; provided,~~



- 1       that this coverage meets the recommendations of the insurance code of the American  
2       library association. The office shall develop guidelines to be used by state agencies,  
3       political subdivisions, and winter shows to determine insurable values of property for  
4       insurance coverage and indirect loss coverage under this chapter.
- 5       5. This chapter does not apply to the property of any township or school district located  
6       outside of the incorporated limits of a city unless the township or school district  
7       requests and applies for insurance coverage under this chapter. The application must  
8       be approved in writing by the office to be effective.
- 9       6. A state agency, political subdivision, or winter show may not make payments, enter  
10      contracts, or incur debt for insurance on buildings, fixtures, or permanent contents  
11      except as provided under this chapter.
- 12      7. If the insurance is canceled under section 26.1-22-16, the state agency, political  
13      subdivision, or winter show may procure insurance from any authorized insurance  
14      company.
- 15      8. If a disagreement or dispute arises under this section, the office and the state agency,  
16      political subdivision, or winter show shall settle the disagreement or dispute under  
17      section 26.1-22-11.

18       **SECTION 8. AMENDMENT.** Section 26.1-22-11 of the North Dakota Century Code is  
19       amended and reenacted as follows:

20       **26.1-22-11. Arbitration of value or loss.**

21       ~~In case the commissioner and the board or officer having charge~~

- 22       1. If the office and the state agency, political subdivision, or winter show having custody  
23       of any property are unable to agree upondisagree about the insurable value of the  
24       property or the amount of loss insured, the value must be determinedthe office and the  
25       state agency, political subdivision, or winter show may agree to have the value or loss  
26       determined by a recognizedcompetent, disinterested contractor, architect, experienced  
27       appraiser, appraisal company, or a member of those respective professional boards at  
28       the expense of the state industryagency, political subdivision, an international peace  
29       garden, or aor winter show owning the property, if the appraisal company arbitrator  
30       meets with the approval of both the commissioner and the board or officer concerned.  
31       If they are unable to agree on an arbitrator, then the matter must be submitted to



- 1 arbitration by a board of arbitration selected as provided by this section. The  
2 commissioner and the board or officer in charge.
- 3 2. If the office and the state agency, political subdivision, or winter show are unable to  
4 resolve a disagreement under subsection 1, the determination must be arbitrated as  
5 provided in this subsection.
- 6 a. The office and the state agency, political subdivision, or winter show having  
7 custody of the property each shall select one competent, disinterested contractor,  
8 architect, experienced appraiser, appraisal company, or one of the members of  
9 such board, and the two so chosen a member of those respective professional  
10 boards. The two selected arbitrators shall select a third person of arbitrator with  
11 similar qualification qualifications.
- 12 b. The three arbitrators shall proceed to determine the insurable value of the  
13 property, and the decision of the arbitrators, or a majority of them, must be given  
14 in writing to the commissioner and the board or officials concerned and or the  
15 amount of loss insured within thirty days after the selection of the first two  
16 arbitrators. Upon determination by a majority of the arbitrators, the arbitrators  
17 shall notify the parties of the determination in writing. The determination is  
18 binding upon both parties.
- 19 c. Each party to the dispute shall pay the expense and charges expenses of the  
20 arbitrator chosen by the party, and the expense and the charges. The expenses  
21 of the third arbitrator must be borne paid equally by both parties to the dispute.  
22 The decision by the board of arbitration must be made within thirty days from the  
23 time the matter is submitted to it. Until the commissioner and board or officer in  
24 charge have agreed, or in case of dispute, until the decision of the appraisal  
25 company or arbitrators, the property
- 26 d. While the value is being determined under this section, property must continue to  
27 be valued in the same amount as previously determined, or in case of new  
28 buildings or property, in the amount fixed determined by the commissioner. The  
29 same procedure must be followed in case of new construction or in any increase  
30 or decrease in values office.

- 1       3. This section applies to existing property, new construction, and property with a change  
2       in value.

3       **SECTION 9. AMENDMENT.** Section 26.1-22-14 of the North Dakota Century Code is  
4 amended and reenacted as follows:

5       **26.1-22-14. Assessments and reporting of premiums and losses- Collections -**  
6 **Minimum fund balance - Bond and borrowing authorization.**

- 7       1. Upon providing insurance coverage under this chapter, the office shall certify to the  
8       insured the amount of the assessment. The state agency, political subdivision, or  
9       winter show shall submit to the office the payment of the assessment within sixty days  
10       after the date of the certification. The office shall deposit the assessments in the fund.  
11       2. If the assessment is not paid within sixty days after the date of the certification, the  
12       attorney general and the state's attorney of the relevant county shall bring appropriate  
13       actions to enforce the collection of the assessment upon request of the office. A  
14       judgment obtained under this section must include an interest rate of six percent per  
15       year.  
16       3. If the reserve fund balance is less than twelve million dollars, the commissioner shall  
17       determine the amount of money necessary to bring the reserve balance up to twelve  
18       million dollars. The commissioner then the office shall levy an assessment against on every  
19       policy in force with the fund.  
20       2. The assessment must be computed to increase the fund balance of the fund to twelve  
21       million dollars calculated as follows:  
22       a. The eighty percent or ninety percent coinsurance rate established for each  
23       eligible insured property for which that rate may be applicable, and, the full rate  
24       established for policies providing coverage against indirect losses, and the full  
25       rate for properties to which the that are not eligible for the eighty percent or ninety  
26       percent coinsurance rate is not applicable, must be applied to the amount of  
27       insurance provided in each policy and the result of the application of the rate to  
28       the amount of insurance set to determine the tentative assessment to be made  
29       against the each policy.  
30       b. The total of all tentative assessments must then be ascertained is the sum of the  
31       amounts calculated under subdivision a.



- 1           c. The percentage of the assessment ~~necessary to restore~~needed to increase the  
2           ~~reserve~~fund balance to ~~the sum of~~ twelve million dollars must then be  
3           ~~computed~~calculated and collected on each policy; ~~provided, that until the reserve~~  
4           ~~balance reaches twelve million dollars, the assessment must be in an amount~~  
5           ~~determined by the commissioner but.~~ The assessments may not exceed sixty  
6           percent of the rates set by the insurance services office for insured property  
7           unless the ~~reserve~~fund balance is ~~depleted below~~less than three million dollars.
- 8           d. ~~In case of a fractional percentage the next higher whole percent must be used in~~  
9           ~~such computation~~A fractional percent must be rounded up to the next whole  
10          percent.
- 11          4. If the fund balance is less than two million dollars due to a catastrophe, disaster, or a  
12          succession of catastrophes or disasters, the office may issue anticipation bonds or  
13          borrow from the Bank of North Dakota to provide the amount needed to increase the  
14          fund balance to two million dollars upon approval from the industrial commission.
- 15          a. The term of the anticipation bonds or loan may not exceed twenty years.  
16          b. The office shall levy an assessment on all policies in force under the fund to  
17          repay the anticipation bonds or loan.

18          **SECTION 10. AMENDMENT.** Section 26.1-22-16 of the North Dakota Century Code is  
19          amended and reenacted as follows:

20          **26.1-22-16. Rejection of certain**~~Unreasonably hazardous risks - Mitigation - Insurance~~  
21          **cancellation.**

22          If the ~~commissioner~~office finds that any risk is unreasonably hazardous, the  
23          ~~commissioner~~office may require the ~~board or officer~~state agency, political subdivision, or winter  
24          show having control of the risk to ~~make any improvements or changes necessary to~~mitigate or  
25          remove the extra hazard. If the ~~board or agency~~state agency, political subdivision, or winter  
26          show fails to ~~make the improvements or changes~~mitigate or remove the extra hazard within six  
27          months after ~~the demand by the commissioner~~notification from the office, the  
28          ~~commissioner~~office may cancel the insurance on the renewal upon thirty days' notice. ~~No~~A  
29          cancellation may not be made by the ~~commissioner~~office for property under the industrial  
30          commission's custody without the approval of the industrial commission. ~~If a dispute arises~~  
31          ~~between the commissioner and the board or official having control of the risk, either as to the~~



1 insurability thereof or as to the compliance by the board or officer with the requirements of the  
2 commissioner, the dispute must be submitted to a board of arbitration as provided in section  
3 26.1-22-11 and the decision of the board of arbitration is binding on both parties. If the  
4 insurance on any risk is canceled as provided in this section, the board or officer in charge of  
5 the risk may procure insurance from any authorized insurance company, and the premium is a  
6 proper charge against the state, state industry, or political subdivision owning the property. If a  
7 disagreement or dispute arises under this section, the office and the state agency, political  
8 subdivision, or winter show shall settle the disagreement or dispute under section 26.1-22-11.

9 **SECTION 11. AMENDMENT.** Section 26.1-22-17 of the North Dakota Century Code is  
10 amended and reenacted as follows:

11 **26.1-22-17. Loss – How paid Losses - Limitation.**

- 12 1. All losses occasioned by the perils insured against under this chapter must be paid out  
13 of the fund in an amount not exceeding the amount of the insurance upon any  
14 particular risk. The loss upon any building or property insured in the fund, whether  
15 totally destroyed or partially damaged by reason of the perils, must be adjusted by the  
16 ~~commissioner or a duly~~office, authorized adjuster, or adjusting company. All necessary  
17 loss adjustment expenses must be included as a component part of the loss and must  
18 be paid out offrom the fund. ~~Immediately upon the happening or occasion of any such~~  
19 ~~loss or damage, the insured shall notify the commissioner. The notification must be in~~  
20 ~~the manner required by the commissioner and must provide~~
- 21 2. Immediately after an event causing loss or damage, the insured shall notify the office  
22 in a manner prescribed by the office. The notification must include a description of the  
23 property, the amount of insurance carried, the probable amount of loss or damage,  
24 and the probable cause of loss or damage. The insured may not disturb the property  
25 except as provided in the policy until the ~~commissioner~~office or the  
26 ~~commissioner's~~office's agent has adjusted the loss or has given notice that the  
27 information on which the adjustment is to be made has been secured.
- 28 3. Allowances for loss ~~and or~~ damage must be paid out ~~of~~from the fund upon warrants  
29 drawn by the office of management and budget upon the state treasurer against the  
30 fund after the submission of a voucher prepared by the commissioner to the office of  
31 management and budget specifying the amount to be paid and the payee to whom the

warrants must be drawn. However, if at any time due to a catastrophe or disaster, or a succession of catastrophes or disasters, the reserve balance has been depleted below two million dollars, the commissioner may, with the approval of the industrial commission, issue premium anticipation certificates in an amount sufficient to bring the reserve balance up to two million dollars. The premium anticipation certificates must be issued for a period of from ten to twenty years, as determined by the commissioner with the approval of the industrial commission, and the interest and principal must be paid and retired by assessments levied on all policies in force with the fund. To retire these premium anticipation certificates, the commissioner shall levy a special assessment on every policy in force with the fund; however, the total of all assessments and premiums provided for in section 26.1-22-14 may not exceed the full rate as developed by an advisory organization at the direction of the commissioner. Any state department may invest its funds in the purchase of the premium anticipation certificates.

**SECTION 12. AMENDMENT.** Section 26.1-22-21 of the North Dakota Century Code is amended and reenacted as follows:

**26.1-22-21. ~~Insurance required~~ - Excess loss reinsurance - Insurance broker of record.**

1. The ~~commissioner~~office shall procure and shall keep in force excess loss reinsurance naming the fund as the reinsured. The excess loss reinsurance must be in an amount and for a period determined by the ~~commissioner~~office to be sufficient for the fund. The reinsurance contract must reimburse the fund for losses incurred by the fund under policies issued by the fund and arising out of each occurrence of a covered cause of loss and include at least a sixty-day cancellation notice.
2. The cost of the excess loss reinsurance must be paid out of the ~~premium~~assessment income of the fund and must be assessed against the policyholders that benefit from the reinsurance. Excess loss reinsurance must be written only by a company or companies authorized to do business within this state. The contract must be countersigned by a licensed North Dakota resident insurance producer. ~~On the last Monday in June prior to the expiration of the contract, the commissioner, with the approval of the industrial commission, shall contract for the excess loss reinsurance~~



1 with the company or group of companies submitting the lowest and best bid for the  
2 period commencing on the ensuing first day of August. The commissioner, with the  
3 approval of the industrial commission, may disregard this section after the  
4 commissioner and the commission have studied the available bids for the reinsurance  
5 required by this section.

- 6 3. The office may contract for insurance broker of record services to assist in procuring  
7 excess loss reinsurance. The insurance broker must be licensed and authorized to do  
8 business in the state.

9 **SECTION 13. AMENDMENT.** Section 26.1-22-22 of the North Dakota Century Code is  
10 amended and reenacted as follows:

11 **26.1-22-22. Commissioner may waive**Waiver of subrogation rights during  
12 **construction.**

13 The commissioner may, in the commissioner's discretion, office may waive any right of the  
14 fund to recover for damage sustained by any structure as a result of fire or explosion caused by  
15 a contractor, its employees or agents, in the performance of a contract for the alteration of, or  
16 the construction of an addition to, a building insured ~~in~~under the fund.

17 **SECTION 14. AMENDMENT.** Subdivision a of subsection 1 of section 26.1-23.1-01 of the  
18 North Dakota Century Code is amended and reenacted as follows:

- 19 a. Casualty insurance, including general, public officials, and professional liability  
20 coverages. However, if a court determines by clear and convincing evidence a  
21 governing body of a political subdivision took intentional action through an  
22 ordinance, administrative rule, or any other official action in violation of any state  
23 law, the political subdivision is liable to the self-insurance pool for all attorney  
24 fees, expenses, and costs incurred defending the action.

25 **SECTION 15. AMENDMENT.** Subdivision c of subsection 1 of section 26.1-23.1-01 of the  
26 North Dakota Century Code is amended and reenacted as follows:

- 27 c. Property insurance, including inland marine coverage, money and securities  
28 coverage, and extra expense coverage. However, this subdivision does not  
29 authorize government self-insurance pools to write those types of insurance  
30 coverages offered by the state fire and tornado fund under the provisions of  
31 chapter 26.1-22 as they existed on December 31, 1988, unless a government



1 self-insurance pool enters a contract with the ~~commissioner~~office of management  
2 and budget to provide services for the state fire and tornado fund under section  
3 ~~26.1-22-03~~26.1-22-02.

4 **SECTION 16. AMENDMENT.** Section 37-03-13 of the North Dakota Century Code is  
5 amended and reenacted as follows:

6 **37-03-13. Adjutant general to control military installations - Maintenance fund -**  
7 **Insurance.**

8 1. The adjutant general of the state of North Dakota has full control of Camp Gilbert C.  
9 Grafton, Ramsey County, Fraine Barracks, Burleigh County, national guard air base  
10 facilities constituting a portion of Hector Airfield in Cass County, all in North Dakota  
11 and such other real property, installations, and facilities that may be acquired or leased  
12 by this state or the office of the adjutant general for military purposes. All moneys  
13 received from the sale of timber, stone, agricultural products, or other material taken  
14 from the properties and the proceeds of any leases or subleases thereof and other  
15 proceeds from the sale of military property must be paid into the state treasury, and  
16 kept as a separate fund and are hereby appropriated for the improvement of the  
17 properties for military uses and must be paid out upon proper vouchers approved by  
18 the adjutant general in accordance with the act of Congress granting the lands,  
19 installations, or facilities to the state of North Dakota or as otherwise authorized by  
20 law.

21 2. The adjutant general, after consultation with the ~~insurance commissioner~~office of  
22 management and budget, shall insure in full or in part with the state fire and tornado  
23 fund in accordance with chapter 26.1-22 ~~such~~the buildings, installations, and facilities  
24 or their contents ~~or portions thereof~~ as the adjutant general determines to be in the  
25 best interests of the state. The adjutant general may not insure buildings or property  
26 that are subject to replacement by the United States.

27 **SECTION 17. REPEAL.** Sections 26.1-22-03, 26.1-22-05, 26.1-22-06, 26.1-22-06.1,  
28 26.1-22-08, 26.1-22-10.1, 26.1-22-13, 26.1-22-15, 26.1-22-18, 26.1-22-19, and 26.1-22-21.1 of  
29 the North Dakota Century Code are repealed.

30 **SECTION 18. LEGISLATIVE MANAGEMENT STUDY - POLITICAL SUBDIVISIONS -**  
31 **REMOVAL FROM STATE FIRE AND TORNADO FUND.** During the 2025-26 interim, the

- 1 legislative management shall consider studying, in collaboration with the director of the office of
- 2 management and budget and the North Dakota insurance reserve fund, the feasibility and
- 3 desirability of removing political subdivisions from the state fire and tornado fund. The study
- 4 must include an analysis of the statutory changes necessary to accomplish the change and the
- 5 impact removing political subdivisions may have on premiums. The legislative management
- 6 shall report its findings and recommendations, together with any legislation required to
- 7 implement the recommendations, to the seventieth legislative assembly.

**REPORT OF STANDING COMMITTEE  
ENGROSSED HB 1027**

**Industry and Business Committee (Sen. Barta, Chairman)** recommends **AMENDMENTS** ([25.0246.03001](#)) and when so amended, recommends **DO PASS** (4 YEAS, 1 NAY, 0 ABSENT OR EXCUSED AND NOT VOTING). Engrossed HB 1027 was placed on the Sixth order on the calendar. This bill does not affect workforce development.