

**2025 SENATE INDUSTRY AND BUSINESS**

**SB 2272**

# 2025 SENATE STANDING COMMITTEE MINUTES

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

SB 2272  
1/28/2025

A bill relating to the North Dakota insurance incentive program; and to provide a continuing appropriation.

10:30 a.m. Vice-Chairman Boehm opened the hearing on SB 2272.

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

### **Discussion Topics:**

- ND Insurance Department
- Study origination
- Insurance market industry improvements and needs
- Emergency request
- Definition of incentive plan
- Matching funds
- Qualifications to apply
- Return on public premiums
- Insufficient competition
- Specified funding source
- Insurance Tax Distribution Fund
- Funding allocation
- Availability crisis
- Consumer protection
- Other states experiences
- Structure of time frame
- Grant choices and ratio of money granted
- Future appropriations
- Regulatory Trust Fund
- Consumer impact
- Market fluctuations
- Risk pool size
- Risk to the state and state dollars
- Approved grant impact
- Grant requirements
- Investment attraction

- General Fund impact
- Wildfire impact
- Small, domestic insurers
- Maximum dollar availability and capital availability
- Coverage denial
- Product development expansion
- Building codes
- Baseline resiliency in communities
- ISO ratings and rate risks
- Distribution eligibility
- Investment or tax fund
- Annual flowback

10:30 a.m. Senator Jeff Barta, District 43, testified in favor and introduced the bill.

10:33 a.m. Jon Godfread, ND Insurance Commissioner, testified in favor and submitted testimony #32079.

11:15 a.m. John Arnold, Deputy Insurance Commissioner for the ND Insurance Department, testified in favor.

11:20 p.m. Jon Godfread, ND Insurance Commissioner, answered committee questions.

11:24 p.m. Chairman Barta closed the hearing on SB 2272.

*Audrey Oswald, Committee Clerk*



**NORTH DAKOTA**  
Insurance Department

## TESTIMONY

*Jon Godfread, Insurance Commissioner*  
Senate Industry and Business Committee  
January 28, 2025

### **Testimony in Support of Senate Bill 2272**

Good morning, Vice Chairman Boehm and members of the committee, thank you for the opportunity to speak in support of Senate Bill 2272. I'd like to begin by providing some context about how this legislation came to fruition and why it's important for North Dakota's property insurance market.

In recent years, we've seen increased upward pressure on insurance premiums and greater difficulty in maintaining adequate coverage. These challenges have impacted residents and businesses in every community across our state. I know many of you have experienced this firsthand, either through your own insurance needs or through conversations with your constituents.

These difficulties are not unique to North Dakota. Across the nation, insurance markets are struggling due to factors like increased severe weather events, rising claims costs, and reduced participation by insurers. However, North Dakota is in a better position than many other states, and this is exactly why we must take proactive steps to ensure that we remain ahead of these challenges.

In 2024, recognizing the urgency of this issue, I submitted a request to the Emergency Commission for funding to study potential solutions for improving North Dakota's property and casualty insurance market. I felt it was critical to act immediately rather than wait for this legislative session to seek the study, which would have delayed any action until the 70th Legislative Assembly in 2027. I'm grateful that the Emergency Commission and Budget Section agreed with this approach.

Senate Bill 2272 is the first of two legislative proposals resulting from that study. This bill establishes the North Dakota Insurance Incentive Program, a public-private initiative designed to attract new insurers to our market and encourage existing insurers to expand their offerings.

This program is modeled after Louisiana's successful Insure Louisiana Incentive Program, which was implemented in response to a severe property insurance crisis following hurricane-related losses. That program offered matching funds to insurers willing to invest in Louisiana's market, and it has delivered tangible results. In its first year, Louisiana's program facilitated the issuance of over 50,000 new policies, including 24,000 policies for individuals previously relying on the state-run insurer of last resort. Seeing this success, Louisiana allocated additional funding to the program in late 2023.

While North Dakota is not facing a crisis of the same magnitude as Louisiana, we can learn from their experience. Our challenges—severe weather events, limited insurer participation, and rising premiums—make it clear that we should act now to bolster our property insurance market.

### **How the Program Works:**

Senate Bill 2272 establishes a fund to provide matching grants to insurance companies willing to allocate capital to write property insurance in North Dakota. Here's how it would work:

- Insurers can apply for grants ranging from \$2 million to \$10 million.
- The state provides matching funds for the insurer's capital investment on a 1:1 basis, distributed over five years (20% annually).
- To qualify, insurers must meet rigorous eligibility criteria, including:
  - A capital surplus of at least \$10 million.
  - A stable financial condition, demonstrated by satisfactory risk-based capital levels.
  - An adequate risk-based reinsurance program.

These safeguards ensure that the program supports financially stable insurers with the capacity to deliver real benefits to North Dakota consumers.

Once approved, participating insurers must use the funds to write property insurance in North Dakota, generating at least \$2 in new premiums for every \$1 of combined grant and capital investment. This ensures a strong return on public investment while increasing competition and availability in the market.

### **Why This Program Matters**

This program addresses one of the root causes of rising premiums and limited coverage—insufficient competition. By lowering barriers to entry and incentivizing insurers to invest in North Dakota, we can:

- Increase market competition, which helps to stabilize and potentially reduce premiums.
- Expand access to coverage, particularly in underserved areas such as rural communities.
- Ensure residents and businesses have reliable options to protect their homes, farms, and other assets.

Importantly, this program is designed with fiscal responsibility in mind. The state's investment is matched dollar-for-dollar by private insurers, leveraging public funds to generate significant market impact.

### **Learning from Other States**

As Insurance Commissioner, I've seen how other states have handled similar challenges. Some have enacted well-intentioned but counterproductive measures, such as blanket rate freezes or

mandated claim payments beyond policy terms. These approaches often drive insurers out of the market, exacerbating the very problems they seek to solve.

By contrast, SB 2272 takes a measured, market-based approach. It encourages competition and cooperation between the public and private sectors, fostering a healthier insurance market for the long term.

### **Funding Proposal**

At this time, I want to note that the current version of the bill does not include any dollars allocated to the fund, nor does it specify a funding source. Should this committee find that this is a worthy policy goal for North Dakota, we would propose an amendment to address funding.

Specifically, we recommend that the initial funding of \$20 million be drawn from the Insurance Tax Distribution Fund, which collects premium taxes paid by consumers. Additionally, we suggest that on an ongoing basis—or at least as long as this program is in effect—any excess dollars from the Insurance Regulatory Trust Fund above the legislatively mandated cap be swept into the Insurance Incentive Fund, up to a \$20 million cap. Any funds exceeding this cap would then flow into the General Fund.

These funding sources—derived from taxes paid by consumers and fees and fines paid by the insurance industry—ensure that insurance dollars are reinvested back into the market to benefit North Dakota consumers. This approach would help reduce premiums and increase competition, achieving the goals of this program.

Should the committee be interested, we would be happy to draft this proposed amendment or work with Legislative Council on the language. However, as the bill stands before you today, there is no funding allocated for the program. We wanted to first have the policy discussion before delving into the financial aspects.

The North Dakota Insurance Incentive Program is a forward-thinking solution that seeks to prevent the further deterioration of our state’s property insurance market. By proactively addressing issues of affordability and availability, this program helps us avoid the potential for a hard market in North Dakota—a situation where premiums skyrocket and coverage options diminish.

If left unaddressed, a worsening insurance market could lead us to a critical availability crisis, where certain areas of the state may struggle to find any insurance at all. The alternative to a competitive private market would be the establishment of a FAIR (Fair Access to Insurance Requirements) Plan or similar government-sponsored insurance program. FAIR Plans, which have been implemented in states facing extreme market challenges, are far from ideal.

### **The Drawbacks of FAIR Plans:**

1. **Costly for Consumers:** Coverage under a FAIR Plan is often significantly more expensive than private market insurance. This places a heavy financial burden on policyholders, many of whom are already struggling with rising costs.
2. **Financial Strain on the State:** FAIR Plans require substantial government involvement and funding, adding a significant and recurring financial burden to the state's budget. North Dakota would have to divert resources away from other priorities to maintain such a program.
3. **Limited Coverage Options:** FAIR Plans are typically designed to provide bare-bones coverage, focusing on the most basic risks. This leaves consumers without access to more comprehensive or tailored insurance products that meet their unique needs.
4. **Stifles Market Innovation:** By creating a government-backed alternative, FAIR Plans can discourage private insurers from entering or remaining in the market, further reducing competition and choice for consumers.
5. **Reactive, Not Proactive:** FAIR Plans are often implemented as a last resort, only after a market has already collapsed. They do nothing to address the underlying issues that led to the crisis, leaving the state in a perpetual cycle of high costs and limited availability.

The North Dakota Insurance Incentive Program offers a much better alternative. Instead of waiting for a crisis to unfold, this program takes proactive steps to attract private insurers, foster competition, and stabilize the market before it reaches a breaking point. By offering targeted incentives, we create an environment where insurers are motivated to invest in North Dakota, develop innovative products, and provide affordable coverage options for consumers and businesses alike.

Unlike a FAIR Plan, which is a costly reaction to market failure, the Insurance Incentive Program is a cost-effective, preventative measure. It leverages private investment, ensures accountability through performance-based grants, and focuses on building a sustainable, competitive market. This approach not only avoids placing additional financial strain on the state but also protects consumers from the high costs and limited options associated with government-sponsored insurance programs.

We hope to avoid ever requiring a FAIR Plan in North Dakota, and we can achieve this by developing a highly competitive and robust insurance market. Senate Bill 2272 positions us to do just that. By passing this legislation, we can safeguard our property insurance market, ensure its availability and affordability, and protect North Dakota consumers from the costly consequences of market failure.

Thank you for your time and consideration. I'm happy to answer any questions you may have.



# NORTH DAKOTA Insurance Department

Safeguarding promises. Fostering Fairness.

## Fact Sheet: Senate Bill 2272, creation of the North Dakota Insurance Incentive Program

The **North Dakota Insurance Incentive Program** aims to improve the availability and affordability of property insurance across the state. The program encourages greater investment in the local insurance market by providing matching capital fund grants to qualified insurers. This initiative is particularly helpful in North Dakota, where challenges like severe weather and limited insurer participation can make securing affordable coverage difficult. By attracting more insurers and boosting competition, **the program helps ensure residents and businesses have access to reliable property insurance options.**

### Program Administration

- › Administered by the Insurance Commissioner.
- › Continuing appropriation, with initial funding from the **Insurance Tax Distribution Fund**.
- › Grants to insurance companies to expand insurance accessibility and/or affordability.
- › Matching grants to insurance companies to expand insurance accessibility and/or affordability.
- › Initial grants range from \$2 million to \$10 million.
- › Matching grants to insurance companies to expand insurance accessibility and/or affordability.
- › At least 20% of total funds are allocated to **domestic insurers**.
- › If funds remain after initial grant rounds, second and third rounds may be issued.
- › Insurers receiving previous grants may reapply, up to the \$10 million cap per round.
- › The Insurance Commissioner will respond to all applications.
- › Unused funds will revert to the General Fund if not used.

### Grant Eligibility

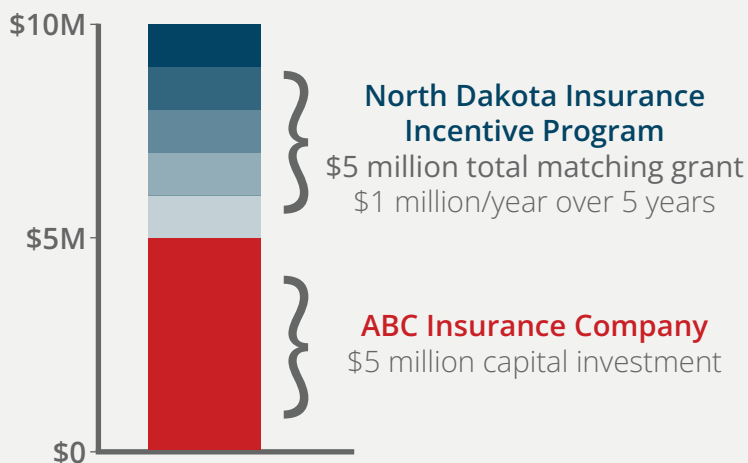
- › Insurers must have a capital surplus exceeding \$10 million
- › Must demonstrate satisfactory prior experience in property insurance
- › New insurers are eligible if management has relevant experience
- › Insurers must commit at least \$2 million in capital
- › Insurers must write property insurance in North Dakota with premiums **at least twice the amount** of the combined grant and capital

### Example

ABC Insurance Company is seeking to expand its coverage in North Dakota to give rural consumers more options. ABC Insurance commits **\$5 million in capital**. The state matches this with a **\$5 million grant**, with \$1 million dispursed each year for five years.

The insurer creates a new insurance product tailored for rural homeowners, including coverage for wind and hail risks.

The insurer writes \$20 million in new premiums (double the combined \$10 million from the insurer's capital and the matching grant), providing affordable policies to homeowners who previously struggled to find coverage.





# 2025 SENATE STANDING COMMITTEE MINUTES

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

SB 2272  
2/3/2025

A bill relating to the North Dakota insurance incentive; and to provide a continuing appropriation.

9:52 a.m. Chairman Barta opened the hearing.

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

Members absent: Senator Kessel

### **Discussion Topics:**

- PNC providers
- Incentivization
- Fiscal details
- Premium matches

9:54 a.m. Chairman Barta closed the hearing.

*Audrey Oswald, Committee Clerk*

# 2025 SENATE STANDING COMMITTEE MINUTES

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

SB 2272  
2/5/2025

A bill relating to the North Dakota insurance incentive program; and to provide a continuing appropriation.

11:09 a.m. Chairman Barta opened the hearing.

Members present: Chairman Barta, Senator Klein, Senator Enget

Members absent: Vice-Chairman Boehm, Senator Kessel

### **Discussion Topics:**

- Carrier expansion
- Premium amounts and size
- Matching funds
- Domestic insurers
- Association of ND Insurers
- Fairness and equitability
- Premium volume and percentages
- Possible amendment
- Appropriation language
- Investment
- Reserve limit and the Insurance Regulatory Trust Fund
- Effectiveness of program

11:10 a.m. Steve Becher, Executive Director of Professional Insurance Agents of ND, testified in neutral.

11:12 a.m. Chris Oen, Vice President of Casualty Claims at Nodak Insurance Company in Fargo, testified in neutral.

11:16 a.m. John Arnold, ND Deputy Insurance Commissioner, testified in neutral.

11:23 a.m. Chairman Barta adjourned the meeting.

*Audrey Oswald, Committee Clerk*

# 2025 SENATE STANDING COMMITTEE MINUTES

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

SB 2272  
2/10/2025

A bill relating to the North Dakota insurance incentive program; and relating to the insurance incentive fund; to provide a continuing appropriation; and to provide an exemption.

9:29 a.m. Chairman Barta opened the hearing.

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

### Discussion Topics:

- Hardening market
- Out-of-state insurance companies
- In-state domestic insurers and local carriers
- Long-term effects

9:30 a.m. Senator Klein updated committee on insurance companies input on the bill and committee discussion.

9:39 a.m. Senator Klein moved to adopt amendment LC# 25.1217.01001.

9:39 a.m. Senator Boehm seconded the motion.

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

Motion passed 5-0-0.

9:43 a.m. Senator Klein moved a Do Pass As Amended.

9:43 a.m. Senator Barta seconded the motion.

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

Motion failed 2-3-0.

9:45 a.m. Senator Kessel moved a Without Committee Recommendation.

9:45 a.m. Senator Boehm seconded the motion.

<b>Senators</b>	<b>Vote</b>
Senator Jeff Barta	N
Senator Keith Boehm	Y
Senator Mark Enget	Y
Senator Greg Kessel	Y
Senator Jerry Klein	N

Motion passed 3-2-0.

Senator Boehm will carry the bill.

9:46 a.m. Chairman Barta closed the hearing.

*Audrey Oswald, Committee Clerk*

February 10, 2025

Sixty-ninth  
Legislative Assembly  
of North Dakota

**PROPOSED AMENDMENTS TO**

**SENATE BILL NO. 2272**

Introduced by

Senators Barta, Klein, Boschee

Representatives Lefor, O'Brien, Warrey

- 1 A BILL for an Act to create and enact a new chapter to title 26.1 of the North Dakota Century  
2 Code, relating to the North Dakota insurance incentive program; ~~and~~ to amend and reenact  
3 subsection 1 of section 21-10-06 and subsection 3 of section 26.1-01-07.1 of the North Dakota  
4 Century Code, relating to the insurance incentive fund; to provide a continuing appropriation;  
5 and to provide an exemption.

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

- 7 **SECTION 1. AMENDMENT.** Subsection 1 of section 21-10-06 of the North Dakota Century  
8 Code is amended and reenacted as follows:
- 9 1. Subject to the provisions of section 21-10-02, the board shall invest the following  
10 funds:
    - 11 a. State bonding fund.
    - 12 b. Teachers' fund for retirement.
    - 13 c. State fire and tornado fund.
    - 14 d. Workforce safety and insurance fund.
    - 15 e. Public employees retirement system.
    - 16 f. Insurance regulatory trust fund.
    - 17 g. State risk management fund.
    - 18 h. Budget stabilization fund.
    - 19 i. Water projects stabilization fund.
    - 20 j. Health care trust fund.



JB 7006

- k. Cultural endowment fund.
- l. Petroleum tank release compensation fund.
- m. Legacy fund.
- n. Legacy earnings fund.
- o. Opioid settlement fund.
- p. Insurance incentive fund.
- q. A fund under contract with the board pursuant to subsection 3.

**SECTION 2. AMENDMENT.** Subsection 3 of section 26.1-01-07.1 of the North Dakota Century Code is amended and reenacted as follows:

3. Except as otherwise provided by law, after the fiscal year has been closed and all expenses relating to the fiscal year have been accounted for, the office of management and budget shall transfer any fund balance remaining in the insurance regulatory trust fund that exceeds one million dollars to the ~~general fund~~ insurance incentive fund.

**SECTION 3.** A new chapter to title 26.1 of the North Dakota Century Code is created and enacted as follows:

**Definitions.**

As used in this chapter:

1. "Fund" means the North Dakota insurance incentive fund.
2. "Net written premiums" means the total premiums, exclusive of assessments and other charges, paid by policyholders to insurers for policies that comply with this chapter, minus any return premiums or other premium credits due to policyholders.
3. "Program" means the North Dakota insurance incentive program.

**North Dakota insurance incentive program creation - Administration.**

1. The North Dakota insurance incentive program is hereby created for the purpose of providing grants to insurers to improve the availability and affordability of property insurance in this state.
2. The commissioner may implement this chapter through public-private partnerships executed through cooperative endeavors with authorized insurers. The endeavors may include matching capital fund grants in accordance with this chapter.

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1     3. The commissioner may grant matching capital funds to qualified property insurers from  
2     the fund.

3     4. The commissioner shall adopt rules to administer and implement the program.

4     **North Dakota insurance incentive fund - Continuing appropriation.**

5     There is created in the state treasury an insurance incentive fund. The fund consists of all  
6     money transferred or appropriated to the fund and all interest and earnings upon moneys in the  
7     fund. Moneys in the fund are appropriated to the insurance department on a continuing basis for  
8     the purposes of administering the provisions of this chapter, including to provide grants to  
9     insurers in accordance with this chapter. Except as otherwise provided by law, after the  
10    biennium has been closed and all expenses related to the previous biennium have been  
11    accounted for, the office of management and budget shall transfer any fund balance remaining  
12    in the insurance incentive fund that exceeds twenty million dollars to the general fund.

13    **Grant applications - Limitations.**

14    1. Upon implementation of the program, the commissioner shall issue a public invitation  
15    to insurers to submit grant applications. The commissioner may not allocate an  
16    individual grant of less than two million dollars, nor in excess of ten million dollars in  
17    the initial applications. The commissioner shall allocate twenty percent of the total  
18    amount of funds available for grants to domestic insurers.

19    2. If all money in the fund is not allocated in response to the first invitation for grant  
20    applications, the commissioner may issue a second invitation for grant applications. In  
21    the second invitation, the commissioner may not allocate an individual grant of less  
22    than two million dollars, nor in excess of ten million dollars. An insurer that has been  
23    allocated a grant in response to the first invitation may apply for an additional grant up  
24    to the ten million dollar limit.

25    3. If all money in the fund is not allocated in response to the second invitation for grant  
26    applications, the commissioner may issue a third invitation for grant applications. In  
27    the third invitation, the commissioner may not allocate an individual grant of less than  
28    two million dollars, nor in excess of ten million dollars. An insurer that has been  
29    allocated a grant in response to the first or second invitation may apply for an  
30    additional grant up to the ten million dollar limit.



1       4. The commissioner shall respond to all grant applications received under this chapter.  
2       Any unexpended and unencumbered money in the fund, and any matching capital  
3       grant funds that are not earned under this chapter, must revert to the state general  
4       fund.

5       5. The total amount of funds available for this program is the amount appropriated or  
6       otherwise made available to the fund by the legislative assembly. If the amount  
7       requested in grant applications exceeds the amount of funds available, the  
8       commissioner may prioritize and allocate funds among insurers eligible to participate  
9       in the program, considering the financial strength of each insurer and the potential for  
10      the insurer's business plan to improve the availability and affordability of property  
11      insurance in this state.

12      **Minimum capital requirements.**

13      1. The commissioner only may award a grant to an insurer that satisfies minimum capital  
14      requirements under this chapter and any rules adopted by the commissioner, which  
15      must include a capital surplus exceeding ten million dollars, a stable financial condition  
16      as shown by a satisfactory risk-based capital level, and an adequate risk-based  
17      reinsurance program.

18      2. Matching fund grants may not exceed twenty percent of an insurer's capital and  
19      surplus.

20      **Satisfactory prior experience.**

21      As determined by the commissioner, grants only may be made to insurers with satisfactory  
22      prior experience in writing property insurance or to new insurers with management that has  
23      satisfactory prior experience in writing property insurance.

24      **Authorized insurers.**

25      A surplus lines insurer may apply for a grant under this chapter.

26      **Matching capital fund grants.**

27      1. An insurer shall make a commitment of capital of at least two million dollars to write  
28      property insurance in this state which complies with the requirements of this chapter.

29      2. Matching capital fund grants authorized under this chapter must match the newly  
30      allocated insurer capital funds at a ratio of one dollar of state capital grant funds to one  
31      dollar of allocated insurer capital funds.



**Written premium requirements.**

1. To comply with this chapter, new property insurance written by an insurer that received a matching capital fund grant must be residential, commercial, monoline, or package property insurance policies in this state, and must include coverage for wind and hail with limits equal to the limits provided for other perils insured under such policies. The net written premium requirements must be satisfied only by property insurance coverages reported on the annual statement filed with the commissioner, under certain lines, as prescribed by the commissioner.
2. Insurers that receive matching capital fund grants shall write property insurance that complies with the requirements of this chapter with net written premiums of at least a ratio of two dollars of premium for each dollar of the total of newly allocated insurer capital and the matching capital fund grant.
3.
  - a. The commissioner shall adopt rules to establish procedures to monitor the net written premium of insurers receiving any grant under this chapter. The rules must include provisions for the return of grant money to the state, on a pro rata basis, for failure to meet the requirements of this chapter. Notwithstanding any other provision in this chapter, the commissioner shall seek return of unearned grant money from any insurer that has not complied with the provisions of this chapter for five consecutive years.
  - b. Notwithstanding any other provision in this chapter, the rules adopted by the commissioner must provide that grants made following a third invitation for grant applications may be made to insurers providing coverage against damage to an existing dwelling, but only to those policies transferred from an existing dwelling to a new dwelling, provided the risk of catastrophe associated with the new dwelling is equal to or greater than the level of risk of catastrophe associated with the existing dwelling.
  - c. Grants also may be made to any insurer that was forced to reduce coverage, or drop coverage entirely, on existing dwellings so the insurer maintains its financial stability or solvency. A grant made under this subdivision is contingent on the insurer reinstating the former coverage or better coverage on the existing dwellings.

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**Earned capital.**

1. An insurer awarded a matching capital fund grant under this chapter shall receive the grant funds in the amount of twenty percent of the total awarded amount per year, for each year the insurer maintains the net written premiums in accordance with this chapter, for period not to exceed five years.
2. If an insurer fails to comply with the requirements of this chapter at the end of any year of the grant, the commissioner may grant an extension if the insurer shows promise of future compliance.
3. If the commissioner finds an insurer has failed to comply with the statutory or regulatory requirements for the grant, the commissioner may declare the insurer in default. An insurer in default shall repay any matching capital fund grant funds that have not been earned under this section, plus legal interest from the date of the commissioner's default declaration.
4. In the event of insolvency of an insurer, the North Dakota insurance guaranty association does not have an obligation to repay matching capital fund grants.

**SECTION 4. EXEMPTION - INSURANCE PREMIUM TAX DEPOSITS.** Notwithstanding the provisions of subsection 1 of section 26.1-03-17 relating to the requirement to deposit excess insurance premium tax collections in the general fund, \$20,000,000 of the insurance premium tax collections must be deposited by the insurance commissioner in the insurance incentive fund before any deposits in the general fund, during the biennium beginning July 1, 2025, and ending June 30, 2027.

**REPORT OF STANDING COMMITTEE  
SB 2272**

**Industry and Business Committee (Sen. Barta, Chairman)** recommends **AMENDMENTS** ([25.1217.01001](#)) and when so amended, recommends the measure **BE PLACED ON THE CALENDAR WITHOUT RECOMMENDATION** (3 YEAS, 2 NAYS, 0 ABSENT OR EXCUSED AND NOT VOTING). SB 2272 was placed on the Sixth order on the calendar. This bill does not affect workforce development.

**2025 SENATE APPROPRIATIONS**

**SB 2272**

# 2025 SENATE STANDING COMMITTEE MINUTES

## Appropriations - Government Operations Division Red River Room, State Capitol

SB 2272  
2/18/2025

BILL for an Act to create and enact a new chapter to title 26.1 of the North Dakota Century Code, relating to the North Dakota insurance incentive program; and to amend and reenact subsection 1 of section 21-10-06 and subsection 3 of section 26.1-01-07.1 of the North Dakota Century Code, relating to the insurance incentive fund; to provide a continuing appropriation; and to provide an exemption.

8:04 a.m. Chairman Wanzek opened the meeting.

Members present: Chairman Wanzek, Vice-Chair Dwyer, Senator Burckhard, Senator Erbele, and Senator Sickler.

### **Discussion Topics:**

- Pressures on property and casualty insurance premiums
- Natural disaster challenges
- Funding sources
- Impacts of claims in other states
- Definition of success for the program
- One-time budget impact

8:04 a.m. John Arnold, Deputy Insurance Commissioner, ND Insurance Department, testified in favor and submitted testimony #37951.

8:58 a.m. Chairman Wanzek closed the hearing.

*Carol Thompson, Committee Clerk*





## TESTIMONY IN SUPPORT OF SB 2272

*John Arnold, Deputy Commissioner*

Senate Appropriations – Government Operations Division

February 18, 2025

Good morning, Chairman Wanzek and members of the committee, thank you for the opportunity to speak in support of Senate Bill 2272. I'd like to begin by providing some context about how this legislation came to fruition, then provide a brief overview of the policy being considered and finally explain why it's important for North Dakota's property insurance market.

In recent years, we've seen increased upward pressure on insurance premiums and greater difficulty in maintaining adequate coverage. These challenges have impacted residents and businesses in every community across our state. I know many of you have experienced this firsthand, either through your own insurance needs or through conversations with your constituents.

These difficulties are not unique to North Dakota. Across the nation, insurance markets are struggling due to factors like increased severe weather events, rising claims costs, and reduced participation by insurers. However, North Dakota is in a better position than many other states, and this is exactly why we must take proactive steps to ensure that we remain ahead of these challenges.

In 2024, recognizing the urgency of this issue, we submitted a request to the Emergency Commission for funding to study potential solutions for improving North Dakota's property and casualty insurance market. We felt it was critical to act immediately rather than wait for this legislative session to seek the study, which would have delayed any action until the 70th Legislative Assembly in 2027. We are grateful that the Emergency Commission and Budget Section agreed with this approach.

Senate Bill 2272 is the first of two legislative proposals resulting from that study, and the only proposal that contains a fiscal note. This bill establishes the North Dakota Insurance Incentive Program, a public-private initiative designed to attract new insurers to our market and encourage existing insurers to expand their offerings.

This program is modeled after Louisiana's successful Insure Louisiana Incentive Program, which was implemented in response to a severe property insurance crisis following hurricane-related losses. That program offered matching funds to insurers willing to invest in Louisiana's market, and it has delivered tangible results. In its first year, Louisiana's program facilitated the issuance of over 50,000 new policies, including 24,000 policies for individuals previously relying on the state-run insurer of last resort. Seeing this success, Louisiana allocated additional funding to the program in late 2023.

While North Dakota is not facing a crisis of the same magnitude as Louisiana, we can learn from their experience. Our challenges—severe weather events, limited insurer participation, and rising premiums—make it clear that we should act now to bolster our property insurance market.

#### **How the Program Works:**

Senate Bill 2272 establishes a fund to provide matching grants to insurance companies willing to allocate capital to write property insurance in North Dakota. Here's how it would work:

- Insurers can apply for grants ranging from \$2 million to \$10 million.
- The state provides matching funds for the insurer's capital investment on a 1:1 basis, distributed over five years (20% annually).
- To qualify, insurers must meet rigorous eligibility criteria, including:
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  - A stable financial condition, demonstrated by satisfactory risk-based capital levels.
  - An adequate risk-based reinsurance program.

These safeguards ensure that the program supports financially stable insurers with the capacity to deliver real benefits to North Dakota consumers.

Once approved, participating insurers must use the funds to write property insurance in North Dakota, generating at least \$2 in new premiums for every \$1 of combined grant and capital investment. This ensures a strong return on public investment while increasing competition and availability in the market.

#### **Why This Program Matters**

This program addresses one of the root causes of rising premiums and limited coverage—insufficient competition. By lowering barriers to entry and incentivizing insurers to invest in North Dakota, we can:

- Increase market competition, which helps to stabilize and potentially reduce premiums.
- Expand access to coverage, particularly in underserved areas such as rural communities.
- Ensure residents and businesses have reliable options to protect their homes, farms, and other assets.

Importantly, this program is designed with fiscal responsibility in mind. The state's investment is matched dollar-for-dollar by private insurers, leveraging public funds to generate significant market impact.

#### **Funding For the Program**

We recommended to the Industry and Business Committee that the initial funding of \$20 million be drawn from premium taxes paid by consumers. Additionally, we suggest that on an ongoing basis—or at least as long as this program is in effect—any excess dollars from the

Insurance Regulatory Trust Fund above the legislatively mandated cap be swept into the Insurance Incentive Fund, up to a \$20 million cap. Any funds exceeding this cap would then flow into the General Fund at the close of the biennium.

These funding sources—derived from taxes paid by consumers and fees and fines paid by the insurance industry—ensure that insurance dollars are reinvested back into the market to benefit North Dakota consumers. This approach would help reduce premiums and increase competition, achieving the goals of this program.

The North Dakota Insurance Incentive Program is a forward-thinking solution that seeks to prevent the further deterioration of our state's property insurance market. By proactively addressing issues of affordability and availability, this program helps us avoid the potential for a hard market in North Dakota—a situation where premiums skyrocket and coverage options diminish.

If left unaddressed, a worsening insurance market could lead us to a critical availability crisis, where certain areas of the state may struggle to find any insurance at all. The North Dakota Insurance Incentive Program offers a proactive alternative. Instead of waiting for a crisis to unfold, this program takes steps to attract private insurers, foster competition, and stabilize the market before it reaches a breaking point. By offering targeted incentives to leverage private investment, we create an environment where insurers are motivated to invest in North Dakota, develop innovative products, and provide affordable coverage options for consumers and businesses alike while ensuring accountability through performance-based grants.

We believe that by passing this legislation, we can safeguard our property insurance market, ensure its availability and affordability, and protect North Dakota consumers from the costly consequences of market failure.

Thank you for your time and consideration. I'm happy to answer any questions you may have.



# 2025 SENATE STANDING COMMITTEE MINUTES

## Appropriations - Government Operations Division Red River Room, State Capitol

SB 2272  
2/18/2025

BILL for an Act to create and enact a new chapter to title 26.1 of the North Dakota Century Code, relating to the North Dakota insurance incentive program; and to amend and reenact subsection 1 of section 21-10-06 and subsection 3 of section 26.1-01-07.1 of the North Dakota Century Code, relating to the insurance incentive fund; to provide a continuing appropriation; and to provide an exemption.

4:54 p.m. Chairman Wanzek opened the hearing.

Members present: Chairman Wanzek, Vice-Chair Dwyer, Senator Burckhard, Senator Erbele, and Senator Sickler.

### Discussion Topics:

- Innovative ideas for incentives

4:55 p.m. Senator Erbele moved a Do Not Pass

4:55 p.m. Senator Burckhard seconded the motion.

Senators	Vote
Senator Terry M. Wanzek	N
Senator Randy A. Burckhard	Y
Senator Michael Dwyer	Y
Senator Robert Erbele	Y
Senator Jonathan Sickler	Y

Motion passed 4-1-0.

Senator Burckhard will carry the bill.

4:56 p.m. Chairman Wanzek closed the hearing.

*Carol Thompson, Committee Clerk*

# 2025 SENATE STANDING COMMITTEE MINUTES

## Appropriations Committee Harvest Room, State Capitol

SB 2272  
2/19/2025

A BILL for an Act to create and enact a new chapter to title 26.1 of the North Dakota Century Code, relating to the North Dakota insurance incentive program; to amend and reenact subsection 1 of section 21-10-06 and subsection 3 of section 26.1-01-07.1 of the North Dakota Century Code, relating to the insurance incentive fund; to provide a continuing appropriation; and to provide an exemption.

11:03 a.m. Chairman Bekkedahl opened the hearing.

Members Present: Chairman Bekkedahl, Vice-Chairman Erbele, and Senators Burckhard, Cleary, Conley, Davison, Dever, Dwyer, Magrum, Mathern, Meyer, Sickler, Sorvaag, Thomas, Wanzek.

Members Absent: Senator Schaible.

### Discussion Topics:

- Committee Action

11:03 a.m. Senator Dwyer introduced the bill.

11:06 a.m. Senator Dwyer moved a Do Not Pass.

11:06 a.m. Senator Burckhard seconded the motion.

Senators	Vote
Senator Brad Bekkedahl	Y
Senator Robert Erbele	Y
Senator Randy A. Burckhard	Y
Senator Sean Cleary	Y
Senator Cole Conley	Y
Senator Kyle Davison	Y
Senator Dick Dever	Y
Senator Michael Dwyer	Y
Senator Jeffery J. Magrum	Y
Senator Tim Mathern	N
Senator Scott Meyer	Y
Senator Donald Schaible	A
Senator Jonathan Sickler	Y
Senator Ronald Sorvaag	Y
Senator Paul J. Thomas	Y
Senator Terry M. Wanzek	Y

Motion Passed 14-1-1.

Senator Dwyer will carry the bill.

11:07 a.m. Chairman Bekkedahl closed the hearing.

*Elizabeth Reiten, Committee Clerk*

**REPORT OF STANDING COMMITTEE  
ENGROSSED SB 2272 ([25.1217.02000](#))**

**Appropriations Committee (Sen. Bekkedahl, Chairman)** recommends **DO NOT PASS** (14 YEAS, 1 NAY, 1 ABSENT OR EXCUSED AND NOT VOTING). SB 2272 was placed on the Eleventh order on the calendar. This bill does not affect workforce development.