



North Dakota Insurance Department

Adam Hamm, Commissioner

MEMORANDUM

TO: Legislative Council's Administrative Rules Committee

FROM: Johannes N. Palsgraaf, Legal Counsel

DATE: December 7, 2015

SUBJECT: Adoption of Administrative Rules (January 2016 Supplement)

- Producer Licensing (45-02-02)
- Insurance Holding Company Systems (45-03-05)
- Credit for Reinsurance (45-03-07.1)
- Accounting Practices and Procedures (45-03-15)
- Life Insurance Advertising (45-04-10)
- Boilers (45-12)
- Bail Bondsmen (45-17-01)

Chairman Devlin and members of the Administrative Rules Committee, I am Johannes Palsgraaf, Legal Counsel for the North Dakota Insurance Department.

As requested, the following addresses the Administrative Rules Committee's questions regarding recent amendments to Title 45 of the North Dakota Administrative Code adopted by the North Dakota Insurance Department.

The committee requested testimony concerning the following:

1. **Whether the rules resulted from statutory changes made by the Legislative Assembly.**

Answer: The rules related to insurance holding company systems were the result of changes made in 2015 House Bill No. 1132. The rules relating to credit for reinsurance were the result of changes made in 2015 Senate Bill No. 2130. The rules related to bail bondsmen were the result of changes made in 2015 Senate Bill No. 2010. The rules related to producer licensing, accounting practices and procedures, life insurance advertising, and boilers did not result from statutory changes made by the Legislative Assembly.

2. **Whether the rules are related to any federal statute or regulation.**

Answer: No.

3. **A description of the rulemaking procedure followed in adopting the rules, e.g., the type of public notice given and the extent of public hearings held on the rules.**

Answer: Notice of the rulemaking and the public hearing was published in all county newspapers as required by law. The Insurance Department also uses a basic mailing list to provide notice of each of its rulemaking projects. Additionally, the Department constructs relevant mailing lists for specific rulemaking. A public hearing was held on July 20, 2015, at the State Capitol, Bismarck, North Dakota. No oral comments were received and one written comment was received within the allotted time frame. Comments received were summarized and are contained in the attached Summary of Comments.

4. **Whether any person has presented a written or oral concern, objection, or complaint for agency consideration with regard to these rules.**

Answer: One written comment was received within the allotted time frame in support of the credit for reinsurance proposed rules, and no oral comments were received as stated in the attached Summary of Comments.

5. **The approximate cost of giving public notice and holding any hearing on the rules, and the approximate cost (not including staff time) of developing and adopting the rules.**

Answer: The Notice of Hearing was published once in all North Dakota official county newspapers which cost approximately \$1,949.58 for the rules which are before the committee today. Approximately 1,400 notices were sent by email to insurance companies and interested parties at no cost. Approximately 525 notices were sent by post office mail and the postage charge for this mailing was approximately \$257.

6. **An explanation of the subject matter of the rules and the reasons for adopting those rules.**

Answer: N.D. Admin. Code ch. 45-02-02 – Producer Licensing. This chapter is being amended to synchronize language regarding cancellation vs. termination to clarify that cancellation deals with

producers' licenses and termination deals with appointments of insurers. It does not make any substantive changes.

N.D. Admin. Code ch. 45-03-05 – Insurance Holding Company Systems. This chapter is being amended to add Form F - Enterprise Risk Report as a holding company requirement and modifies transactions subject to prior notice to specify what must be included in cost sharing and management services agreements.

N.D. Admin. Code ch. 45-03-07.1 – Credit for Reinsurance. This chapter is being amended to add a new section for the certification of reinsurers. The Commissioner will evaluate the reinsurance supervisory system to determine if the jurisdiction qualifies to be recognized as a qualified jurisdiction. The application is submitted on Form CR-1, which is attached to the rules as an exhibit. The rule also eliminates the requirement that letters of credit be issued or confirmed by a qualified U.S. financial institution authorized to issue letters of credit and allows for the reduction of trust balances if the assuming reinsurer has discontinued underwriting new business for at least three full years.

N.D. Admin. Code ch. 45-03-15 – Accounting Practices and Procedures. Two sections in this chapter are being amended to update the required Accounting Procedures and Practices Handbook from the 2013 version to the 2015 version.

N.D. Admin. Code ch. 45-04-10 – Life Insurance Advertising. This chapter is being amended to add language found in the rules governing advertising of accident and health insurance to the life advertising rules.

N.D. Admin. Code Article 45-12 – Boilers. This article is being amended to make inspection intervals consistent and allow insurance inspectors to submit reports electronically. These rules also allow inspection program on low-pressure boilers to go from two-year intervals to three-year intervals. The rules also clarify for hot water heating and hot water supply boilers, the inspection would be required annually. The rules also make hospitals part of the one-year inspection requirement.

N.D. Admin. Code ch. 45-17-01 - Bail Bondsmen. This chapter is being created to clarify that monitoring the status of the bail bond means checking the status of each bail bond issued by a bail bond agent at least once every seven days.

7. **Whether a regulatory analysis was required by N.D.C.C. § 28-32-08 and whether a regulatory analysis was issued.**

Answer: A Regulatory Analysis, Small Entity Economic Impact Statement and Small Entity Regulatory Analysis was prepared and a copy is attached.

8. **Whether a regulatory analysis or economic impact statement for small entities was required by N.D.C.C. § 28-32-08.1 and whether that regulatory analysis or impact statement was issued.**

Answer: A Regulatory Analysis, Small Entity Economic Impact Statement and Small Entity Regulatory Analysis was prepared and a copy is attached.

9. **Whether these rules have a fiscal effect on state revenues and expenditures, including any effect on funds controlled by your agency.**

Answer: A Fiscal Note Regarding Proposed Rules was prepared and a copy is attached.

10. **Whether a constitutional takings assessment was prepared as required by N.D.C.C. § 28-32-09.**

Answer: A Takings Assessment Concerning Proposed Rules was prepared and a copy is attached.

11. **If these rules were adopted as emergency (interim final) rules under N.D.C.C. § 28-32-03, provide the statutory grounds from that section for declaring the rules to be an emergency and the facts that support that declaration and provide a copy of the Governor's approval of the emergency status of the rules.**

Answer: The rules were not adopted as emergency rules.

I hope that this response adequately addresses the concerns of the committee. I will be happy to answer any questions that you might have.

JNP/njb

Attachments

cc: Adam Hamm, Commissioner

STATE OF NORTH DAKOTA
BEFORE THE INSURANCE COMMISSIONER

In the Matter of the Promulgation)	
of Proposed Rules Regarding:)	
Producer Licensing, Insurance Holding	)	SUMMARY OF COMMENTS
Company Systems, Credit for)	
Reinsurance, Accounting Practices and	)	FILE NO. RU-15-543
Procedures, Life Insurance Advertising,)	
Boilers, and Bail Bondsmen)	
)	

A hearing to receive comments regarding the proposed rules was held on July, 20, 2015, in the Peace Garden Room of the State Capitol in Bismarck, North Dakota. General Counsel Jeff Ubben presided at the hearing. The public hearing was called for the purpose of allowing all interested individuals an opportunity to submit information concerning the proposed creation of or amendments to the following chapters of the North Dakota

Administrative Code:

45-02-02	Producer Licensing
45-03-05	Insurance Holding Company Systems
45-03-07.1	Credit for Reinsurance
45-03-15	Accounting Practices and Procedures
45-04-10	Life Insurance Advertising
45-12	Boilers
45-17-01	Bail Bondsmen

Written comments were scheduled to be accepted through July 30, 2015.

No oral comments were received on the proposed rules. One written comment was received on the proposed rules. The following summarizes the comments received and the Commissioner's action, if any, in response to the comments.

N.D. ADMIN. CODE CHAPTER 45-02-02
PRODUCER LICENSING

1. This chapter is being amended to synchronize language regarding cancellation vs. termination to clarify that cancellation deals with producers' licenses and

termination deals with appointments of insurers. It does not make any substantive changes.

2. No comments were received regarding this chapter.

**N.D. ADMIN. CODE CHAPTER 45-03-05
INSURANCE HOLDING COMPANY SYSTEMS**

3. This chapter is being amended to add Form F - Enterprise Risk Report as a holding company requirement and modifies transactions subject to prior notice to specify what must be included in cost sharing and management services agreements.

4. No comments were received regarding this chapter.

**N.D. ADMIN. CODE CHAPTER 45-03-07.1
CREDIT FOR REINSURANCE**

5. This chapter is being amended to add a new section for the certification of reinsurers. The Commissioner will evaluate the reinsurance supervisory system to determine if the jurisdiction qualifies to be recognized as a qualified jurisdiction. The application is submitted on Form CR-1, which is attached to the rules as an exhibit. The rule also eliminates the requirement that letters of credit be issued or confirmed by a qualified U.S. financial institution authorized to issue letters of credit and allows for the reduction of trust balances if the assuming reinsurer has discontinued underwriting new business for at least three full years.

6. One written comment was received from one commenter. The commenter supported the proposed amendments to this administrative rule.

**N.D. ADMIN. CODE CHAPTER 45-03-15
ACCOUNTING PRACTICES AND PROCEDURES**

7. Two sections in this chapter are being amended to update the required Accounting Procedures and Practices Handbook from the 2013 version to the 2015 version.

8. No comments were received regarding this chapter.

**N.D. ADMIN. CODE CHAPTER 45-04-10
LIFE INSURANCE ADVERTISING**

9. This chapter is being amended to add language found in the rules governing advertising of accident and health insurance to the life advertising rules.

10. No comments were received regarding this chapter.

**N.D. ADMIN. CODE ARTICLE 45-12
BOILERS**

11. This article is being amended to make inspection intervals consistent and allow insurance inspectors to submit reports electronically. These rules also allow inspection program on low-pressure boilers to go from two-year intervals to three-year intervals. The rules also clarify for hot water heating and hot water supply boilers, the inspection would be required annually. The rules also make hospitals part of the one-year inspection requirement.

12. No comments were received regarding this chapter.

**N.D. ADMIN. CODE CHAPTER 45-17-01
BAILS BONDSMEN**

13. This chapter is being created to clarify that monitoring the status of the bail bond means checking the status of each bail bond issued by a bail bond agent at least once every seven days.

14. No comments were received regarding this chapter.

DATED this 31st day of July, 2015.



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STATE OF NORTH DAKOTA
BEFORE THE INSURANCE COMMISSIONER

In the Matter of the Promulgation)	
of Proposed Rules Regarding:)	
Producer Licensing, Insurance Holding	)	REGULATORY ANALYSIS, SMALL
Company Systems, Credit for	)	ENTITY ECONOMIC IMPACT STATEMENT
Reinsurance, Accounting Practices and	)	AND SMALL ENTITY REGULATORY
Procedures, Life Insurance Advertising,	)	ANALYSIS
Boilers, and Bail Bondsmen)	
	)	FILE NO. RU-15-543

I. REGULATORY ANALYSIS

The North Dakota Insurance Department issues this regulatory analysis as required by N.D.C.C. § 28-32-08. An agency must issue a regulatory analysis if a written request for an analysis is filed by the Governor or a member of the Legislative Assembly or a proposed rule being adopted by the agency is expected to have an impact on the regulated community in excess of \$50,000. *Id.*

Each of the proposed rules may have an impact on the regulated community in excess of \$50,000.

A. Classes of Persons Who Probably Will Be Affected by the Proposed Rules

N.D. Admin. Code ch. 45-02-02 – Producer Licensing. The classes of persons who will probably be affected by the proposed rules are insurance producers. This group will potentially bear the burden as well as the benefit of the proposed rules.

N.D. Admin. Code ch. 45-03-05 – Insurance Holding Company Systems. The classes of persons who will probably be affected by the proposed rules are insurance holding companies. This group will potentially bear the burden as well as the benefit of the proposed rules.

N.D. Admin. Code ch. 45-03-07.1 – Credit for Reinsurance. The classes of persons who will probably be affected by the proposed rules are alien and foreign assuming reinsurance companies. This group will potentially bear the burden as well as the benefit of the proposed rules.

N.D. Admin. Code Chapter 45-03-15 – Accounting Practices and Procedures. The classes of persons who will probably be affected by the proposed rules are insurance companies. This group will potentially bear the burden as well as the benefit of the proposed rules.

N.D. Admin. Code ch. 45-04-10 – Life Insurance Advertising. The classes of persons who will probably be affected by the proposed rules are insurance companies, insurance producers and insurance agencies. These groups will potentially bear the burden as well as the benefit of the proposed rules.

N.D. Admin. Code Article 45-12 – Boilers. The classes of persons who will probably be affected by the proposed rules are individuals who operate boilers and the individuals who inspect boilers.

N.D. Admin. Code ch. 45-17-01 - Bail Bondsmen. The classes of persons who will probably be affected by the proposed rules are insurance producers, specifically those licensed to write bail bonds. This group will potentially bear the burden as well as the benefit of the proposed rules.

B. Description of the Probable Impact Including the Economic Impact of the Proposed Rules

N.D. Admin. Code ch. 45-02-02 – Producer Licensing. The proposed rules merely update and clarify terminology used in the rules, specifically terminate vs. cancel. These rules are expected to have only a minimal financial impact, if any, on insurance producers.

N.D. Admin. Code ch. 45-03-05 – Insurance Holding Company Systems. The proposed rules add a Form F - Enterprise Risk Report as a holding company requirement and modifies transactions subject to prior notice to specify what must be included in cost sharing and management services agreements. These rules are expected to have only a minimal financial impact on insurance holding companies.

N.D. Admin. Code ch. 45-03-07.1 – Credit for Reinsurance. The proposed rules add a new section for the certification of reinsurers. The Commissioner will evaluate the reinsurance supervisory system to determine if the jurisdiction qualifies to be recognized as a qualified jurisdiction. The proposed rules allow reinsurers to post reduced collateral requirements if they meet certain financial conditions and if they are from qualified jurisdictions. These rules are expected to have a minimal financial impact on assuming reinsurance companies.

N.D. Admin. Code Chapter 45-03-15 – Accounting Practices and Procedures. The proposed rule merely updates the version of the National Association of Insurance Commissioners Accounting Practices and Procedures Manual that insurers providing property and casualty and life and health insurance must use from the 2013 version to the 2015 version. This rule is expected to have only a minimal financial impact on insurers.

N.D. Admin. Code ch. 45-04-10 – Life Insurance Advertising. The proposed rules update and clarify sections of the chapter to correspond to the most recent version of the National Association of Insurance Commissioners model regulations and the North Dakota Administrative Code's rules pertaining to advertising of accident and health insurance. These rules are expected to have only a minimal financial impact on insurers, insurance producers and agencies.

N.D. Admin. Code Article 45-12 – Boilers. This proposed rule makes inspection intervals consistent and allows insurance inspectors to submit reports electronically. This is necessary because the Department will be launching a new boiler inspection software program this fall. Currently, the rules require the reports to be submitted in paper form. The rule also allows inspection program on low-pressure boilers to go from two-year intervals to three-year intervals and clarifies an inspection would be required annually for hot water heating and hot water supply boilers. The rule makes hospitals part of the one year requirement. This rule is expected to have only a minimal financial impact on individuals who operate boilers and individuals who inspect boilers.

N.D. Admin. Code ch. 45-17-01 - Bail Bondsmen. This proposed rule requires a bail bond agent to monitor the status of the bonds written by the bail bond agent to make timely return of the collateral security to the principal. The rule clarifies that "monitoring" the status of the bond means checking the status of the bonds issues by a bail bond agent at least once every seven days. This rule is expected to have only a minimal financial impact on insurance producers licensed to write bail bonds.

C. Probable Costs to the Agency of Implementation and Enforcement of the Proposed Rule and Any Anticipated Effect on State Revenues

N.D. Admin. Code ch. 45-02-02 – Producer Licensing. The probable cost to the agency of implementation and enforcement is expected to be of minimal impact on the Department's operations or expenditures. There will be little, if any, effect on state revenues from the proposed rules.

N.D. Admin. Code ch. 45-03-05 – Insurance Holding Company Systems. The probable cost to the agency of implementation and enforcement is expected to be of minimal impact on the Department's operations or expenditures. There will be little, if any, effect on state revenues from the proposed rules.

N.D. Admin. Code ch. 45-03-07.1 – Credit for Reinsurance. The probable cost to the agency of implementation and enforcement is expected to be of minimal impact on the Department's operations or expenditures. There will be little, if any, effect on state revenues from the proposed rules.

N.D. Admin. Code Chapter 45-03-15 – Accounting Practices and Procedures. The probable cost to the agency of implementation and enforcement is expected to be of minimal impact on the Department's operations or expenditures. There will be little, if any, effect on state revenues from the proposed rules.

N.D. Admin. Code ch. 45-04-10 – Life Insurance Advertising. The probable cost to the agency of implementation and enforcement is expected to be of minimal impact on the Department's operations or expenditures. There will be little, if any, effect on state revenues from the proposed rules.

N.D. Admin. Code Article 45-12 – Boilers. For the electronic filing portion of the rules, the cost to the Insurance Department for the boiler inspection software is \$79,125 for the first two years. If the Department secures a renewal after the first year, the total cost is \$94,218.75 for three years. In addition, first-year maintenance, which applies to the second year of the contract, is 25 percent of the purchase price. In subsequent years, maintenance will be no more than five percent of first-year maintenance costs. Transitioning to the software and electronic filing system will have little, if any, effect on state revenues. The remaining rules are expected to be of minimal impact on the Department's operations, expenditures, and revenue.

N.D. Admin. Code ch. 45-17-01 - Bail Bondsmen. The probable cost to the agency of implementation and enforcement is expected to be of minimal impact on the Department's operations or expenditures. There will be little, if any, effect on state revenues from the proposed rules.

D. Description of Any Alternative Methods for Achieving the Purpose of the Proposed Rules That Were Seriously Considered by the Agency and the Reasons Why the Methods Were Rejected in Favor of the Proposed Rules

N.D. Admin. Code ch. 45-02-02 – Producer Licensing. The Department considered whether there are any less intrusive or less costly alternative methods of achieving the purpose of the proposed rules. However, the proposed rules simply update and clarify terminology. The Department did not identify any alternative methods of achieving the purpose of the proposed rules that would have been equally effective.

N.D. Admin. Code ch. 45-03-05 – Insurance Holding Company Systems. The Department considered whether there are any less intrusive or less costly alternative methods of achieving the purpose of the proposed rules. These proposed rules are required for accreditation of the North Dakota Insurance Department by the National Association of Insurance Commissioners. Therefore, the Department did not identify any alternative methods of achieving the purpose of the proposed rules that would have been equally effective.

N.D. Admin. Code ch. 45-03-07.1 – Credit for Reinsurance. The Department considered whether there are any less intrusive or less costly alternative methods of achieving the purpose of the proposed rules. However, the alternative method would have removed the authority of the North Dakota Insurance Commissioner and replaced it with the National Association of Insurance Commissioners which is not allowed under state law. Considering this, the Department did not identify any realistic alternative methods of achieving the purpose of the proposed rules.

N.D. Admin. Code Chapter 45-03-15 – Accounting Practices and Procedures. The Department considered whether there are any less intrusive or less costly alternative methods of achieving the purpose of the proposed rules. However, the proposed rule updates obsolete content. The Department did not identify any alternative methods of achieving the purpose of the proposed rules that would have been equally effective.

N.D. Admin. Code ch. 45-04-10 – Life Insurance Advertising. The Department considered whether there are any less intrusive or less costly alternative methods of achieving the purpose of the proposed rules. However, the proposed rules update and clarify provisions of the chapter. The Department did not identify any alternative methods of achieving the purpose of the proposed rules that would have been equally effective.

N.D. Admin. Code Article 45-12 – Boilers. The Department considered whether there are any less intrusive or less costly alternative methods of achieving the purpose of the proposed rules. However, the proposed rules allow for electronic entry of data and update and clarify provisions of the chapter. The Department did not identify any alternative methods of achieving the purpose of the proposed rules that would have been equally effective.

N.D. Admin. Code ch. 45-17-01 – Bail Bondsmen. The Department considered whether there are any less intrusive or less costly alternative methods of achieving the purpose of the proposed rules. However, the proposed rules are necessary to define a standard for bail bond agents to follow. The Department did not identify any alternative methods of achieving the purpose of the proposed rules that would have been equally effective.

II. SMALL ENTITY ANALYSES

N.D.C.C. § 28-32-08.1 requires that an agency prepare a regulatory analysis and an economic impact statement of the impact of the rule changes on a small entity. "Small entity" is defined by state law to include small businesses, small organizations, and small political subdivisions. *Id.* "Small business" is defined to mean a business entity, including its affiliates, which is independently owned and operated and employs fewer than 25 full-time employees; or has gross annual sales of less than \$2,500,000. *Id.* "Small organization" means any not-for-profit enterprise that is independently owned and operated and is not dominant in its field. *Id.* "Small political subdivision" means a political subdivision with a population of less than 5,000. *Id.*

A. Small Entity Economic Impact Statement

1. Small entities subject to the proposed rule

N.D. Admin. Code ch. 45-02-02 – Producer Licensing. The small entities that may possibly be subject to these proposed rules are individuals and agencies which meet the statutory definition of "small entity."

N.D. Admin. Code ch. 45-03-05 – Insurance Holding Company Systems. The proposed rules will not affect small entities or small businesses as those terms are defined by N.D.C.C. § 28-32-08.1.

N.D. Admin. Code ch. 45-03-07.1 – Credit for Reinsurance. The proposed rules will not affect small entities or small businesses as those terms are defined by N.D.C.C. § 28-32-08.1.

N.D. Admin. Code Chapter 45-03-15 – Accounting Practices and Procedures. The small entities that may possibly be subject to these proposed rules are insurance companies, if any, that meet the statutory definition of "small entity".

N.D. Admin. Code ch. 45-04-10 – Life Insurance Advertising. The small entities that may possibly be subject to these proposed rules are individuals, insurers and agencies which meet the statutory definition of "small entity."

N.D. Admin. Code Article 45-12 – Boilers. The small entities that may possibly be subject to these proposed rules are individuals who operate boilers and the individuals who inspect boilers that meet the statutory definition of "small entity".

N.D. Admin. Code ch. 45-17-01 - Bail Bondsmen. The small entities that may possibly be subject to these proposed rules are individual bail bond agents and bail bond agencies which meet the statutory definition of "small entity."

2. Administrative and other costs required for compliance with the proposed rule

N.D. Admin. Code ch. 45-02-02 – Producer Licensing. The administrative and other costs required for compliance with the proposed rules are expected to be minimal. The rules update and clarify specific terminology in the current rules.

N.D. Admin. Code ch. 45-03-05 – Insurance Holding Company Systems. Since the proposed rules will not affect small entities or small businesses as those terms are defined by N.D.C.C. §

28-32-08.1, there will be no administrative or other costs required for compliance with the proposed rule.

N.D. Admin. Code ch. 45-03-07.1 – Credit for Reinsurance. Since the proposed rules will not affect small entities or small businesses as those terms are defined by N.D.C.C. § 28-32-08.1, there will be no administrative or other costs required for compliance with the proposed rule.

N.D. Admin. Code Chapter 45-03-15 – Accounting Practices and Procedures. The administrative and other costs required for compliance with the proposed rules are expected to be minimal. The rules update the version of the Accounting Practices and Procedures Manual—which is already used by the regulated industry—to the most current version.

N.D. Admin. Code ch. 45-04-10 – Life Insurance Advertising. The administrative and other costs required for compliance with the proposed rules are expected to be minimal. The rules update and clarify provisions of the chapter.

N.D. Admin. Code Article 45-12 – Boilers. The administrative and other costs required for compliance with the proposed rules are expected to be minimal. Insurance Department staff anticipates a cost savings to the Department since insurance company inspectors will enter their data electronically as opposed to having Department staff enter the data based on a filed paper document.

N.D. Admin. Code ch. 45-17-01 - Bail Bondsmen. The administrative and other costs required for compliance with the proposed rules are expected to be minimal. The rule simply requires bail bond agents to monitor the status of their issued bail bonds by checking the status of the issued bail bonds at least once every seven days.

3. Probable cost and benefit to private persons and consumers who are affected by the proposed rules

N.D. Admin. Code ch. 45-02-02 – Producer Licensing. It is possible but unlikely that there would be some cost to private persons and consumers since the proposed rules are directed to insurance companies and insurance producers. Any cost to private persons and consumers would be indirect and not measureable. The probable benefits to private persons and consumers include would be clarified terminology in the rules.

N.D. Admin. Code ch. 45-03-05 – Insurance Holding Company Systems. It is possible but unlikely that there would be some cost to private persons and consumers since the proposed rules are directed to insurance holding companies. Any cost to private persons and consumers would be indirect and not measureable. The probable benefits to private persons and consumers include furthering consumer protection by improved financial oversight of insurance holding companies.

N.D. Admin. Code ch. 45-03-07.1 – Credit for Reinsurance. Any cost to private persons and consumers would be indirect and not measureable. The probable benefits to private persons and consumers include the possible reduction of insurance costs because of increased competition.

N.D. Admin. Code Chapter 45-03-15 – Accounting Practices and Procedures. It is possible but unlikely that there would be some cost to private persons and consumers since the proposed rules are directed to insurance companies.

N.D. Admin. Code ch. 45-04-10 – Life Insurance Advertising. It is possible but unlikely that there would be some cost to private persons and consumers since the proposed rules are directed to insurance companies, insurance producers and insurance agencies. Any cost to private persons and consumers would be indirect and not measureable. The probable benefits to private persons and consumers include furthering consumer protection by improved oversight of advertising practices.

N.D. Admin. Code Article 45-12 – Boilers. It is possible but unlikely that there would be any cost to private persons and consumers from the proposed rules. Any cost to private persons and consumers would be indirect and not measureable. The benefit to private persons is insurance company inspectors will be allowed to enter data electronically into the Department's boiler inspection software system immediately as they are doing their inspections as opposed to filing out a paper report and sending it into the Department for the Department to enter into a data system. The benefit to consumers would be that the Department will have access to boiler inspection information immediately instead of having to wait for a paper form to be mailed in and entered into a data system by Department employees.

N.D. Admin. Code ch. 45-17-01 - Bail Bondsmen. It is possible but unlikely that there would be some cost to private persons and consumers since the proposed rules are directed to bail bond agents. Any cost to private persons and consumers would be indirect and not measureable. The probable benefits to private persons and consumers include furthering consumer protection by improved oversight and active monitoring of the status of bail bonds issued.

4. Probable effect of the proposed rule on state revenues

N.D. Admin. Code ch. 45-02-02 – Producer Licensing. The probable effect on state revenues is expected to be nonexistent or minimal.

N.D. Admin. Code ch. 45-03-05 – Insurance Holding Company Systems. The probable effect on state revenues is expected to be nonexistent.

N.D. Admin. Code ch. 45-03-07.1 – Credit for Reinsurance. The probable effect on state revenues is expected to be nonexistent.

N.D. Admin. Code Chapter 45-03-15 – Accounting Practices and Procedures. The probable effect on state revenues is expected to be nonexistent.

N.D. Admin. Code ch. 45-04-10 – Life Insurance Advertising. The probable effect on state revenues is expected to be nonexistent or minimal.

N.D. Admin. Code Article 45-12 – Boilers. The probable effect on state revenues is expected to be nonexistent or minimal.

N.D. Admin. Code ch. 45-17-01 - Bail Bondsmen. The probable effect on state revenues is expected to be nonexistent or minimal.

5. Any less intrusive or less costly alternative methods of achieving the purpose of the proposed rule

N.D. Admin. Code ch. 45-02-02 – Producer Licensing. The Commissioner considered whether there are any less intrusive or less costly alternative methods of achieving the purpose of the proposed rules. The proposed rules merely update and clarify terminology in the current rules. In view of these circumstances, no less intrusive or less costly alternative methods were identified.

N.D. Admin. Code ch. 45-03-05 – Insurance Holding Company Systems. Since the proposed rules will not affect small entities or small businesses as those terms are defined by N.D.C.C. § 28-32-08.1, no less intrusive or less costly alternative methods of achieving the purpose of the proposed rule was considered.

N.D. Admin. Code ch. 45-03-07.1 – Credit for Reinsurance. Since the proposed rules will not affect small entities or small businesses as those terms are defined by N.D.C.C. § 28-32-08.1, no less intrusive or less costly alternative methods of achieving the purpose of the proposed rule was considered.

N.D. Admin. Code Chapter 45-03-15 – Accounting Practices and Procedures. The Commissioner considered whether there are any less intrusive or less costly alternative methods of achieving the purpose of the proposed rules. Requirements in the proposed rules are mandated by statute and are a codification of current practice familiar to the regulated community. In view of these circumstances, no less intrusive or less costly alternative methods were identified.

N.D. Admin. Code ch. 45-04-10 – Life Insurance Advertising. The Commissioner considered whether there are any less intrusive or less costly alternative methods of achieving the purpose of the proposed rules. The proposed rules merely update and clarify provisions of the chapter to correspond to the National Association of Insurance Commissioners model regulation and the North Dakota Administrative Code's accident and health insurance advertising rules. In view of these circumstances, no less intrusive or less costly alternative methods were identified.

N.D. Admin. Code Article 45-12 – Boilers. The Commissioner considered whether there are any less intrusive or less costly alternative methods of achieving the purpose of the proposed rules. The proposed rules merely update provisions of the chapter and allow for electronic submission of boiler inspection data. In view of these circumstances, no less intrusive or less costly alternative methods were identified.

N.D. Admin. Code ch. 45-17-01 – Bail Bondsmen. The Commissioner considered whether there are any less intrusive or less costly alternative methods of achieving the purpose of the proposed rules. The proposed rules simply require bail bond agents to monitor the status of their issued bail bonds by checking the status of the issued bail bonds at least once every seven days. In view of these circumstances, no less intrusive or less costly alternative methods were identified.

B. Small Entity Regulatory Analysis

1. Establishment of less stringent compliance or reporting requirements for small entities

N.D. Admin. Code ch. 45-02-02 – Producer Licensing. Less stringent reporting and compliance requirements for small entities were considered and found not appropriate. The proposed rules have no effect on any current reporting or compliance requirements.

N.D. Admin. Code ch. 45-03-05 – Insurance Holding Company Systems. Since the proposed rules will not affect small entities or small businesses as those terms are defined by N.D.C.C. § 28-32-08.1, no less stringent compliance or reporting requirements for small entities were considered.

N.D. Admin. Code ch. 45-03-07.1 – Credit for Reinsurance. Since the proposed rules will not affect small entities or small businesses as those terms are defined by N.D.C.C. § 28-32-08.1, no less stringent compliance or reporting requirements for small entities were considered.

N.D. Admin. Code ch. 45-03-15 – Accounting Practices and Procedures. Less stringent reporting requirements for small entities were considered and found not appropriate. Reporting requirements in the proposed rules are a codification of current practice familiar to the regulated community. Less stringent compliance requirements were also considered but they were not appropriate under these circumstances.

N.D. Admin. Code ch. 45-04-10 – Life Insurance Advertising. Less stringent compliance requirements for small entities were considered and found not appropriate. Compliance requirements in the proposed rules are a clarification of current requirements. The proposed rules do not contain reporting requirements.

N.D. Admin. Code Article 45-12 – Boilers. Less stringent reporting requirements for small entities were considered and found not appropriate. Reporting requirements in the proposed rules are carried over from the current version of the rule. Less stringent compliance requirements were also considered but they were not appropriate under these circumstances.

N.D. Admin. Code ch. 45-17-01 - Bail Bondsmen. Less stringent compliance requirements for small entities were considered and found not appropriate. Compliance requirements in the proposed rules are a clarification of current requirements. The proposed rules do not contain reporting requirements.

2. Establishment of less stringent schedules or deadlines for compliance or reporting requirements for small entities

N.D. Admin. Code ch. 45-02-02 – Producer Licensing. The Commissioner considered less stringent schedules or deadlines where possible. The proposed rules do not alter any long-standing schedules or deadlines for compliance or reporting requirements. The proposed rules merely update and clarify terminology.

N.D. Admin. Code ch. 45-03-05 – Insurance Holding Company Systems. Since the proposed rules will not affect small entities or small businesses as those terms are defined by N.D.C.C. § 28-32-08.1, no less stringent schedules or deadlines for compliance or reporting requirements for small entities were considered.

N.D. Admin. Code ch. 45-03-07.1 – Credit for Reinsurance. Since the proposed rules will not affect small entities or small businesses as those terms are defined by N.D.C.C. § 28-32-08.1, no less stringent schedules or deadlines for compliance or reporting requirements for small entities were considered.

N.D. Admin. Code Chapter 45-03-15 – Accounting Practices and Procedures. The Commissioner considered less stringent schedules or deadlines where possible. No schedules or deadlines for compliance or reporting requirements appear in the proposed rules.

N.D. Admin. Code ch. 45-04-10 – Life Insurance Advertising. The Commissioner considered less stringent schedules or deadlines where possible. The proposed rules do not alter any long-standing schedules or deadlines for compliance or reporting requirements. The proposed rules merely update and clarify provisions of the chapter.

N.D. Admin. Code Article 45-12 – Boilers. The Commissioner considered less stringent schedules or deadlines where possible. Schedules or deadlines in the proposed rules are carried over from the current version of the rule. Less stringent compliance requirements were also considered but they were not appropriate under these circumstances.

N.D. Admin. Code ch. 45-17-01 - Bail Bondsmen. The Commissioner considered less stringent schedules or deadlines where possible. The proposed rules do not alter any long-standing schedules or deadlines for compliance or reporting requirements. Therefore, less stringent schedules or deadlines for compliance or reporting requirements were not considered appropriate under these circumstances.

3. Consolidation or simplification of compliance or reporting requirements for small entities

N.D. Admin. Code ch. 45-02-02 – Producer Licensing. To the extent possible, compliance or reporting requirements for small entities were simplified or made less onerous or made as streamlined as possible.

N.D. Admin. Code ch. 45-03-05 – Insurance Holding Company Systems. Since the proposed rules will not affect small entities or small businesses as those terms are defined by N.D.C.C. § 28-32-08.1, no consolidation or simplification of compliance or reporting requirements for small entities were considered.

N.D. Admin. Code ch. 45-03-07.1 – Credit for Reinsurance. Since the proposed rules will not affect small entities or small businesses as those terms are defined by N.D.C.C. § 28-32-08.1, no consolidation or simplification of compliance or reporting requirements for small entities were considered.

N.D. Admin. Code Chapter 45-03-15 – Accounting Practices and Procedures. To the extent possible, compliance requirements for small entities were simplified or made less onerous or made as streamlined as possible. There are no reporting requirements for these proposed rules.

N.D. Admin. Code ch. 45-04-10 – Life Insurance Advertising. To the extent possible, compliance or reporting requirements for small entities were simplified or made less onerous or made as streamlined as possible.

N.D. Admin. Code Article 45-12 – Boilers. To the extent possible, compliance or reporting requirements for small entities were simplified or made less onerous or made as streamlined as possible.

N.D. Admin. Code ch. 45-17-01 - Bail Bondsmen. To the extent possible, compliance or reporting requirements for small entities were simplified or made less onerous or made as streamlined as possible.

4. Establishment of performance standards for small entities to replace design or operational standards required in the proposed rule

N.D. Admin. Code ch. 45-02-02 – Producer Licensing. Small entities were not given different operational standards to comply with than large entities. No design standards are presented in the proposed rules.

N.D. Admin. Code ch. 45-03-05 – Insurance Holding Company Systems. Since the proposed rules will not affect small entities or small businesses as those terms are defined by N.D.C.C. § 28-32-08.1, no establishment of performance standards for small entities to replace design or operational standards required for small entities were considered.

N.D. Admin. Code ch. 45-03-07.1 – Credit for Reinsurance. Since the proposed rules will not affect small entities or small businesses as those terms are defined by N.D.C.C. § 28-32-08.1, no establishment of performance standards for small entities to replace design or operational standards required for small entities were considered.

N.D. Admin. Code Chapter 45-03-15 – Accounting Practices and Procedures. Small entities were not given different operational standards to comply with than large entities. No design standards are presented in the proposed rules.

N.D. Admin. Code ch. 45-04-10 – Life Insurance Advertising. Small entities were not given different operational standards to comply with than large entities. No design standards are presented in the proposed rules.

N.D. Admin. Code Article 45-12 – Boilers. Small entities were not given different operational standards to comply with than large entities. No design standards are presented in the proposed rules.

N.D. Admin. Code ch. 45-17-01 – Bail Bondsmen. Small entities were not given different operational standards to comply with than large entities. No design standards are presented in the proposed rules.

5. Exemption of small entities from all or any part of the requirements contained in the proposed rule

N.D. Admin. Code ch. 45-02-02 – Producer Licensing. Small entities were not given different standards to comply with than large entities.

N.D. Admin. Code ch. 45-03-05 – Insurance Holding Company Systems. Since the proposed rules will not affect small entities or small businesses as those terms are defined by N.D.C.C. § 28-32-08.1, no exemption of small entities from all or any part of the requirements was considered.

N.D. Admin. Code ch. 45-03-07.1 – Credit for Reinsurance. Since the proposed rules will not affect small entities or small businesses as those terms are defined by N.D.C.C. § 28-32-08.1, no exemption of small entities from all or any part of the requirements was considered.

N.D. Admin. Code ch. 45-03-15 – Accounting Practices and Procedures. Small entities were not given different standards to comply with than large entities.

N.D. Admin. Code ch. 45-04-10 – Life Insurance Advertising. Small entities were not given different standards to comply with than large entities.

N.D. Admin. Code Article 45-12 – Boilers. Small entities were not given different standards to comply with than large entities.

N.D. Admin. Code ch. 45-17-01 - Bail Bondsmen. Small entities were not given different standards to comply with than large entities.

DATED this 12th day of June, 2015.



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STATE OF NORTH DAKOTA

BEFORE THE INSURANCE COMMISSIONER

In the Matter of the Promulgation)
of Proposed Rules Regarding:)
Producer Licensing, Insurance Holding) FISCAL NOTE REGARDING
Company Systems, Credit for) PROPOSED RULES
Reinsurance, Accounting Practices)
and Procedures, Life Insurance) FILE NO. RU-15-543
Advertising, Boilers, and Bail)
Bondsman)

The purpose of this fiscal note is to fulfill the requirements of N.D.C.C. § 28-32-08.2 which provide that when an agency presents rules for Administrative Rules Committee consideration, the agency shall provide a fiscal note or a statement in its testimony that the rules have no fiscal effect. A fiscal note must reflect the effect of the rule changes on state revenues and expenditures, including any effect on funds controlled by the agency. This fiscal note pertains to proposed amendments to N.D. Admin. Code Title 45.

1. Statement of Estimated Effect on State Revenues and Expenditures

The undersigned has determined that the proposed rules concerning N.D. Admin. Code ch. 45-02-02 – Producer Licensing are not expected to have a fiscal effect on state revenues and expenditures during the 2015-2017 biennium.

As indicated below, the following proposed rules may have a minimal effect on state revenues and expenditures during the time period of the 2015-2017 biennium. The estimated effect on state revenues and expenditures is explained below:

- N.D. Admin. Code ch. 45-03-05 – Insurance Holding Company Systems – The probable effect on state revenues and expenditures is expected to be nonexistent or minimal.
- N.D. Admin. Code ch. 45-03-07.1 – Credit for Reinsurance - The probable effect on state revenues and expenditures is expected to be nonexistent or minimal.
- N.D. Admin. Code ch. 45-03-15 - Accounting Practices and Procedures – The probable effect on state revenues and expenditures is expected to be nonexistent or minimal.

- N.D. Admin. Code ch. 45-04-10 – Life Insurance Advertising - The probable effect on state revenues and expenditures is expected to be nonexistent or minimal.
- N.D. Admin. Code ch. 45-06-15 - Bail Bondsman - The probable effect on state revenues and expenditures is expected to be nonexistent or minimal.

The undersigned has determined the following for the proposed rule concerning N.D. Admin. Code Article 45-12 – Boilers:

For the electronic filing portion of the rules, the cost to the Insurance Department for the boiler inspection software is \$79,125 for the first two years. If the Department secures a renewal after the first year, the total cost is \$94,218.75 for three years. In addition, first-year maintenance, which applies to the second year of the contract, is 25 percent of the purchase price. In subsequent years, maintenance will be no more than five percent of first-year maintenance costs. Transitioning to the software and electronic filing system will have little, if any, effect on state revenues. The remaining rules are expected to be of minimal financial impact on the Department's operations, expenditures, and revenue.

2. Whether It Is a One-Time or Ongoing Effect

The estimated duration of the effect of the proposed rules is:

- N.D. Admin. Code ch. 45-02-02 – Producer Licensing – N/A (the rules are not expected to have a fiscal effect on state revenues and expenditures).
- N.D. Admin. Code ch. 45-03-05 – Insurance Holding Company Systems – N/A (the rules are expected to have a nonexistent or minimal fiscal effect).
- N.D. Admin. Code ch. 45-03-07.1 – Credit for Reinsurance – N/A (the rules are expected to have a nonexistent or minimal fiscal effect).
- N.D. Admin. Code ch. 45-03-15 - Accounting Practices and Procedures – N/A (the rules are expected to have a nonexistent or minimal fiscal effect).
- N.D. Admin. Code ch. 45-04-10 – Life Insurance Advertising - N/A (the rules are expected to have a nonexistent or minimal fiscal effect).
- N.D. Admin. Code Article 45-12 – Boilers – As noted above, first-year maintenance costs for the boiler inspection software, which apply to the second year of the contract, is 25 percent of the \$79,125 purchase price. In subsequent years, maintenance costs will be no more than five percent of first-year maintenance costs.

- N.D. Admin. Code ch. 45-06-15 - Bail Bondsman - N/A (the rules are expected to have a nonexistent or minimal fiscal effect).

3. Identification of Impact to the Department's Budget

The likely impact of the proposed rules to the Department's budget is expected to be:

- N.D. Admin. Code ch. 45-02-02 – Producer Licensing – The rules are not expected to have a fiscal impact of the Department's budget.
- N.D. Admin. Code ch. 45-03-05 – Insurance Holding Company Systems – The rules are not expected to have a fiscal impact of the Department's budget.
- N.D. Admin. Code ch. 45-03-07.1 – Credit for Reinsurance – The rules are not expected to have a fiscal impact of the Department's budget.
- N.D. Admin. Code ch. 45-03-15 - Accounting Practices and Procedures – The rules are not expected to have a fiscal impact of the Department's budget.
- N.D. Admin. Code ch. 45-04-10 – Life Insurance Advertising - The rules are not expected to have a fiscal impact of the Department's budget.
- N.D. Admin. Code Article 45-12 – Boilers – As noted above, first-year maintenance costs for the boiler inspection software, which apply to the second year of the contract, is 25 percent of the \$79,125 purchase price. In subsequent years, maintenance costs will be no more than five percent of first-year maintenance costs.
- N.D. Admin. Code ch. 45-06-15 - Bail Bondsman - The rules are not expected to have a fiscal impact of the Department's budget.

DATED this 12th day of June, 2015.



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STATE OF NORTH DAKOTA
BEFORE THE INSURANCE COMMISSIONER

In the Matter of the Promulgation)	
of Proposed Rules Regarding:	)	TAKINGS ASSESSMENT
Producer Licensing, Insurance Holding	)	CONCERNING
Company Systems, Credit for Reinsurance,	)	PROPOSED RULES
Accounting Practices and Procedures, Life)	
Insurance Advertising, Boilers, and Bail	)	FILE NO. RU-15-543
Bondsmen)	

This document constitutes the written assessment of the constitutional takings implications of this proposed rulemaking as required by N.D.C.C. § 28-32-09.

1. This proposed rulemaking does not appear to cause a taking of private real property by government action which requires compensation to the owner of that property by the Fifth or Fourteenth Amendment to the Constitution of the United States or N.D. Const. art. I, § 16. This proposed rulemaking does not appear to reduce the value of any real property by more than 50 percent and is thus not a "regulatory taking" as that term is used in N.D.C.C. § 28-32-09. The likelihood that the proposed rules may result in a taking or regulatory taking is nil.

2. The purpose of these proposed rules is clearly and specifically identified in the public notice of proposed rulemaking which is incorporated by reference into this assessment.

3. The reasons these proposed rules are necessary to substantially advance that purpose are described in the regulatory analysis which is incorporated by reference into this assessment.

4. The potential cost to the government if a court determines that any portion of this proposed rulemaking constitutes a taking or regulatory taking cannot be reliably estimated to be greater than \$0. The agency is unable to identify any application of any portion of the proposed rulemaking that could conceivably constitute a taking or a regulatory taking. Until an adversely impacted landowner identifies the land allegedly impacted, no basis exists for an estimate of potential compensation costs greater than \$0.

5. There is no fund identified in the agency's current appropriation as a source of payment for any compensation that may be ordered.

6. I certify that the benefits of the proposed rulemaking exceed the estimated compensation costs.

DATED this 12th day of June, 2015.



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