

**Insurance Commissioner, including Insurance Tax Payments to Fire Departments
Budget No. 401
Senate Bill No. 2010**

	FTE Positions	General Fund	Other Funds	Total
2019-21 legislative appropriation	41.00	\$0	\$28,734,703	\$28,734,703
2017-19 legislative appropriation	<u>46.00</u>	<u>0</u>	<u>25,793,430</u>	<u>25,793,430</u>
2019-21 appropriation increase (decrease) to 2017-19 appropriation	(5.00)	\$0	\$2,941,273	\$2,941,273

Item Description

FTE changes - The 2019-21 biennium appropriation includes 41 FTE positions, a decrease of 5 FTE positions from the 2017-19 biennium authorized level of 46 FTE positions. The Legislative Assembly removed 3 FTE positions related to the transfer of administration of the state fire and tornado fund and the state bonding fund to the North Dakota Insurance Reserve Fund (NDRF) and 4 FTE positions related to the transfer of the boiler inspection program to DEQ, and added 1 FTE consumer assistance outreach coordinator and 1 FTE high-risk pool and health care reform coordinator.

Insurance tax payments to fire departments - In Section 3 of Senate Bill No. 2010, the Legislative Assembly appropriated \$18,818,030 from the insurance tax distribution fund for payments to North Dakota fire departments in the amount of \$17,989,505 and payments to the North Dakota Firefighter's Association in the amount of \$828,525.

Boiler inspection program - The Legislative Assembly transferred the boiler inspection program, including 4 FTE positions, from the Insurance Department to DEQ. In Section 4 of House Bill No. 1024 (2019), the Legislative Assembly identified \$882,249 of estimated income from the state fire and tornado fund for the boiler inspection program, including \$793,249 for salaries and wages and \$89,000 for operating expenses.

Fund administration - In Sections 9 through 13 of Senate Bill No. 2010, the Legislative Assembly authorized the Insurance Commissioner to contract with NDRF for administration of the state fire and tornado fund and the state bonding fund. The sections also provide continuing appropriation authority from the state fire and tornado fund and the state bonding fund to pay administration expenses.

Status/Result

The Insurance Department has removed the 7 FTE positions removed by the Legislative Assembly. The Insurance Department has not filled either of the 2 new FTE positions; however, the agency has begun the process of creating and filling the new FTE consumer assistance outreach coordinator position.

The Insurance Department made the first payment of \$414,262 to the North Dakota Firefighter's Association in August 2019. The department made the first payments totaling \$8,994,752 to North Dakota fire departments in November 2019.

The boiler inspection program was transferred to DEQ on July 1, 2019.

The Insurance Department entered a contract with NDRF in June 2019 to administer the state bonding fund and the state fire and tornado fund. The contract between the Insurance Department and NDRF provides for an annual payment of \$50,000 to NDRF, plus 7 percent of all written premiums, plus an additional:

- 1 percent of all written premiums if the loss ratio for the preceding year is between 40 and 59 percent;
- 2 percent of all written premiums if the loss ratio for the preceding year is between 20 and 39 percent; or
- 3 percent of all written premiums if the loss ratio for the preceding year is less than 20 percent.

The loss ratio is calculated by dividing the claims and allocated loss expenses, less reinsurance collection, paid by the state fire and tornado fund by the written

premiums earned in any applicable policy year. During the 2019 legislative session, the Insurance Department estimated fire and tornado fund premium collections of \$10.6 million for the 2019-21 biennium, or \$5.3 million per year. The state bonding fund, due to the adequate balance in the fund, currently does not charge premiums.

The Insurance Department reported the contract with NDIRF is currently being renegotiated to increase the efficiency of the state fire and tornado fund.

The Reinsurance Association of North Dakota was created to lower individual health insurance premiums. For insurance claims from an individual which total between \$100,000 and \$1 million, a member insurer of RAND is reimbursed 75 percent of the member insurer's responsibility by the association. The Insurance Department estimates the creation of RAND reduced individual health insurance premiums by an average of 20 percent. The agency reported through April 2020, approximately \$11 million has been assessed and paid to RAND.

The Insurance Department anticipates spending the entire appropriation during the 2019-21 biennium. The agency plans to report its findings to the interim Health Care Committee during the summer of 2020.

Reinsurance Association of North Dakota - In House Bill No. 1106 (2019), the Legislative Assembly provided for an insurance premium tax credit to create the Reinsurance Association of North Dakota (RAND). The Insurance Department estimated the tax credit, \$1 credit for each \$1 of assessments paid to RAND, would reduce general fund revenue by approximately \$31.7 million for the 2019-21 biennium. The Insurance Department stated in its fiscal note for the bill that the program would require no expenditures or appropriations.

Health care analysis - In Section 15 of Senate Bill No. 2010, the Legislative Assembly directed the Insurance Commissioner to conduct a detailed analysis of health care in the state to assist the Legislative Management with its interim study of health insurance premium trends. The Legislative Assembly also appropriated \$200,000 of one-time funding from other funds to the Insurance Department for the analysis.