

Department 401 - Insurance Commissioner, Including Insurance Tax Payments to Fire Departments
Senate Bill No. 2010

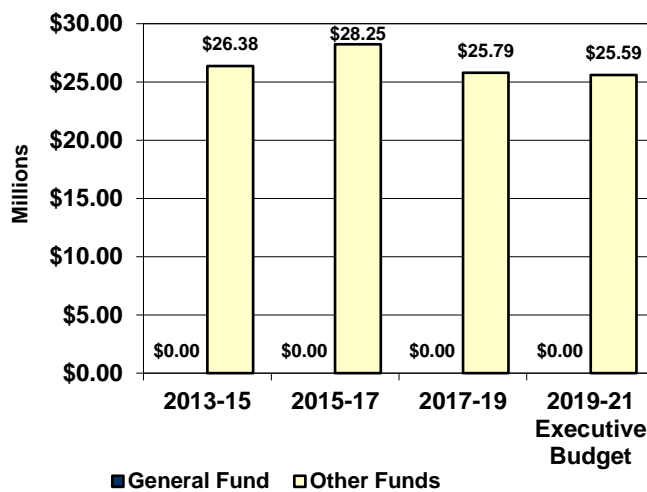
Executive Budget Comparison to Prior Biennium Appropriations

	FTE Positions	General Fund	Other Funds	Total
2019-21 Executive Budget	44.00	\$0	\$25,587,964	\$25,587,964
2017-19 Legislative Appropriations	46.00	0	25,793,430	25,793,430
Increase (Decrease)	(2.00)	\$0	(\$205,466)	(\$205,466)

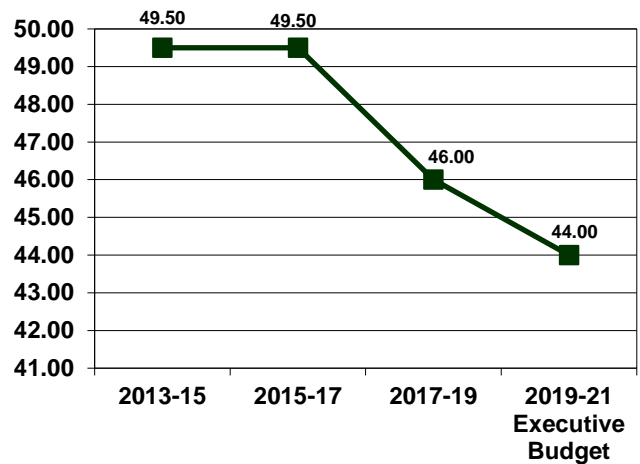
Ongoing and One-Time Other Funds Appropriations

	Ongoing General Fund Appropriation	One-Time General Fund Appropriation	Total General Fund Appropriation
2019-21 Executive Budget	\$25,587,964	\$0	\$25,587,964
2017-19 Legislative Appropriations	25,793,430	0	25,793,430
Increase (Decrease)	(\$205,466)	\$0	(\$205,466)

Agency Funding



FTE Positions



Executive Budget Comparison to Base Level

	General Fund	Other Funds	Total
2019-21 Executive Budget	\$0	\$25,587,964	\$25,587,964
2019-21 Base Level	0	25,793,430	25,793,430
Increase (Decrease)	\$0	(\$205,466)	(\$205,466)

Attached as an appendix is a detailed comparison of the executive budget to the agency's base level appropriations.

Executive Budget Highlights

	General Fund	Other Funds	Total
1. Provides funding for state employee salary and benefit increases, of which \$353,324 is for salary increases, \$166,279 is for health insurance increases, and \$42,801 is for retirement contribution increases	\$0	\$562,404	\$562,404
2. Removes 3 FTE positions and transfers administration of the fire and tornado fund and the bonding fund to the insurance reserve fund	\$0	(\$610,352)	(\$610,352)
3. Adds funding to contract with the insurance reserve fund for fund administration	\$0	\$660,804	\$660,804
4. Adds 1 FTE consumer assistance outreach position	\$0	\$29,824	\$29,824
5. Reduces funding for operating expenses, including travel, information technology, and professional services	\$0	(\$636,621)	(\$636,621)
6. Adds funding for Microsoft Office 365 licensing expenses	\$0	\$24,153	\$24,153

**Other Sections Recommended to be Added in the Executive Budget
(As Detailed in the Attached Appendix)**

Insurance tax distribution fund - Section 2 would designate \$14,113,086 for payments to fire departments and \$951,000 for payments to the North Dakota Firefighter's Association.

State fire and tornado fund - Section 3 would designate \$660,804 from the state fire and tornado fund to pay state fire and tornado fund administrative expenses and \$893,509 from the state fire and tornado fund to pay boiler inspection program expenses.

Unsatisfied judgment fund - Section 4 would designate \$28,390 from the state unsatisfied judgment fund to pay unsatisfied judgment fund administrative expenses.

Insurance Commissioner's salary - Section 5 would provide the statutory changes necessary to increase the Insurance Commissioner's salary by 4 percent the 1st year and 2 percent the 2nd year as follows:

Annual salary authorized by the Legislative Assembly in 2017:

July 1, 2017	\$105,770
July 1, 2018	\$105,770

Proposed annual salary recommendation in the 2019-21 executive budget:

July 1, 2019	\$110,001
July 1, 2020	\$112,201

Fund administration - Sections 6, 7, and 8 would provide statutory changes necessary to allow the Insurance Commissioner to contract with the insurance reserve fund for administration of the state fire and tornado fund and the state bonding fund.

Fees - Section 9 would amend North Dakota Century Code Section 26.1-01-07 relating to fees chargeable by the Insurance Commissioner to adjust fees charged to county mutual insurance companies and benevolent societies.

Continuing Appropriations

There are no continuing appropriations for this agency.

Significant Audit Findings

There were no significant audit findings for this agency.

Major Related Legislation

House Bill No. 1028 - Provides for a Public Employees Retirement System self-insurance plan for health benefits coverage under the Insurance Commissioner.

Insurance Commissioner, including Insurance Tax Payments to Fire Departments - Budget No. 401
Senate Bill No. 2010
Base Level Funding Changes

	Executive Budget Recommendation			
	FTE Positions	General Fund	Other Funds	Total
2019-21 Biennium Base Level	46.00	\$0	\$25,793,430	\$25,793,430
2019-21 Ongoing Funding Changes				
Base payroll changes			(\$127,688)	(\$127,688)
Salary increase			353,324	353,324
Health insurance increase			166,279	166,279
Retirement contribution increase			42,801	42,801
Underfund salaries and wages			(107,990)	(107,990)
Add 1 FTE consumer assistance outreach coordinator position	1.00		29,824	29,824
Remove 3 FTE positions related to the transfer of administration of the fire and tornado fund and bonding fund to the insurance reserve fund	(3.00)		(610,352)	(610,352)
Add funding to contract with the insurance reserve fund for fund administration			660,804	660,804
Reduce funding for operating expenses, including travel, information technology, and professional services			(636,621)	(636,621)
Add funding for Microsoft Office 365 licensing expenses			24,153	24,153
Total ongoing funding changes	(2.00)	\$0	(\$205,466)	(\$205,466)
One-time funding items				
No one-time funding items				\$0
Total one-time funding changes	0.00	\$0	\$0	\$0
Total Changes to Base Level Funding	(2.00)	\$0	(\$205,466)	(\$205,466)
2019-21 Total Funding	44.00	\$0	\$25,587,964	\$25,587,964

Other Sections for Insurance Commissioner, including Insurance Tax Payments to Fire Departments - Budget No. 401

	Executive Budget Recommendation
Insurance tax distribution fund	Section 2 would designate \$14,113,086 for payments to fire departments and \$951,000 for payments to the North Dakota Firefighter's Association.
State fire and tornado fund	Section 3 would designate \$660,804 from the state fire and tornado fund to pay state fire and tornado fund administrative expenses and \$893,509 from the state fire and tornado fund to pay boiler inspection program expenses.

Other Sections for Insurance Commissioner, including Insurance Tax Payments to Fire Departments - Budget No. 401

Executive Budget Recommendation

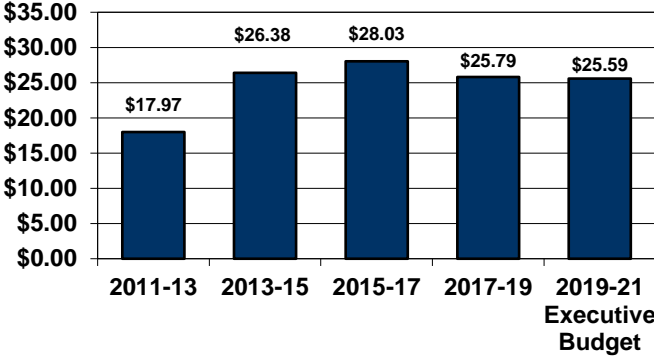
Unsatisfied judgment fund	Section 4 would designate \$28,390 from the state unsatisfied judgment fund to pay unsatisfied judgment fund administrative expenses.
Insurance Commissioner's salary	Section 5 would provide the statutory changes necessary to increase the Insurance Commissioner's salary to \$110,001 beginning July 1, 2019, and \$112,201 beginning July 1, 2020.
Fund administration	Sections 6, 7, and 8 would provide statutory changes necessary to allow the Insurance Commissioner to contract with the insurance reserve fund for administration of the state fire and tornado fund and the state bonding fund.
Fees	Section 9 would amend North Dakota Century Code Section 26.1-01-07 relating to fees chargeable by the Insurance Commissioner to adjust fees charged to county mutual insurance companies and benevolent societies.

Department 401 - Insurance Commissioner, Including Insurance Tax Payments to Fire Departments

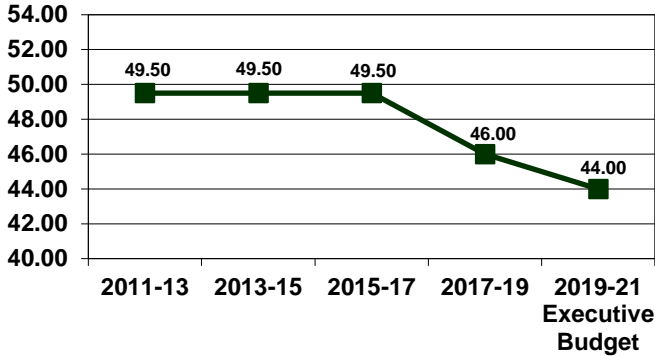
Historical Appropriations Information

Ongoing Other Funds Appropriations Since 2011-13

Ongoing Other Funds Appropriations (in Millions)



FTE Positions



Ongoing Other Fund Appropriations					
	2011-13	2013-15	2015-17	2017-19	2019-21 Executive Budget
Ongoing general fund appropriations	\$17,974,080	\$26,377,090	\$28,026,346	\$25,793,430	\$25,587,964
Increase (decrease) from previous biennium	N/A	8,403,010	1,649,256	(\$2,232,916)	(\$205,466)
Percentage increase (decrease) from previous biennium	N/A	46.8%	6.3%	(8.0%)	(0.8%)
Cumulative percentage increase (decrease) from 2011-13 biennium	N/A	46.8%	55.9%	43.5%	42.4%

Major Increases (Decreases) in Ongoing General Fund Appropriations

2013-15 Biennium

- 1. Increased funding from the insurance tax distribution fund for grants to fire districts to provide a total of \$14,536,386 for grants to fire departments and \$800,000 to the North Dakota Firefighter's Association \$8,296,386
- 2. Reduced funding for operating expenses (\$690,892)

2015-17 Biennium

- 1. Increased funding from the insurance tax distribution fund for grants to fire districts to provide a total of \$15,681,207 for grants to fire departments and \$890,000 to the North Dakota Firefighter's Association \$1,234,821
- 2. Adjusted funding for operating expenses relating primarily to actuarial services, travel, and office rental (\$345,966)

2017-19 Biennium

- 1. Removed 3.5 FTE positions (\$724,488)
- 2. Reduced funding for operating expenses (\$357,265)
- 3. Reduced grants to fire departments to provide total ongoing funding of \$14,235,561 from the insurance tax distribution fund (\$1,445,646)

2019-21 Biennium (Executive Budget Recommendation)

- 1. Removes 3 FTE positions relating to the transfer of fund administration duties (\$610,352)
- 2. Adds funding to contract with the insurance reserve fund for fund administration \$660,804
- 3. Adds 1 FTE consumer outreach coordinator position \$29,824
- 4. Reduces funding for operating expenses, including travel, information technology, and professional services (\$636,621)

**GOVERNOR'S RECOMMENDATION FOR THE
INSURANCE COMMISSIONER AS SUBMITTED
BY THE OFFICE OF MANAGEMENT AND BUDGET**

SECTION 1. APPROPRIATION. The funds provided in this section, or so much of the funds as may be necessary, are appropriated from special funds derived from federal funds and other income, to the insurance commissioner for the purpose of defraying the expenses of that agency, for the biennium beginning July 1, 2019, and ending June 30, 2021, as follows:

	<u>Base Level</u>	<u>Adjustments or Enhancements</u>	<u>Appropriation</u>
Salaries and wages	\$8,549,567	(\$253,802)	\$8,295,765
Operating expenses	<u>2,179,777</u>	<u>48,336</u>	<u>2,228,113</u>
Total special funds	\$10,729,344	(\$205,466)	\$10,523,878
Full-time equivalent positions	46.00	(2.00)	44.00

SECTION 2. APPROPRIATION. There is appropriated out of any moneys in the insurance tax distribution fund in the state treasury, not otherwise appropriated, the sum of \$15,064,086 or so much of the sum as may be necessary, to the insurance commissioner for the purpose of providing payments, in accordance with provisions of section 18-04-05, to North Dakota fire departments in the amount of \$14,113,086 and payments to the North Dakota firefighter's association in the amount of \$951,000 for the biennium beginning July 1, 2019, and ending June 30, 2021.

SECTION 3. FIRE AND TORNADO FUND. Section 1 of this Act includes \$660,804 from the state fire and tornado fund to pay fire and tornado fund administrative expenses, and \$893,509 to pay boiler inspection program expenses for the biennium beginning July 1, 2019, and ending June 30, 2021.

SECTION 4. UNSATISFIED JUDGMENT FUND. Section 1 of this Act includes \$28,390 from the state unsatisfied judgment fund to pay unsatisfied judgment fund administrative expenses for the biennium beginning July 1, 2019, and ending June 30, 2021.

SECTION 5. AMENDMENT. Section 26.1-01-09 of the North Dakota Century Code is amended and reenacted as follows:

26.1-01-09. Salary of commissioner.

The annual salary of the commissioner is ~~one hundred five thousand seven hundred eighty dollars through June 30, 2019 and one hundred ten thousand and one dollar through June 30, 2020 and one hundred twelve thousand two hundred and one dollar thereafter.~~ through June 30, 2020 and one hundred twelve thousand two hundred and one dollar thereafter.

SECTION 7. AMENDMENT. Section 26.1-21-03 of the North Dakota Century Code is amended and reenacted as follows:

26.1-21-03. Commissioner may employ assistants.

The commissioner may employ assistants or contract for the services of assistants using money from the reserve fund of the state bonding fund as may be necessary to operate the fund.

SECTION 8. AMENDMENT. Section 26.1-22-03 of the North Dakota Century Code is amended and reenacted as follows:

26.1-22-03. Employment of assistants - Expenditures from fund.

To carry out this chapter, the commissioner may utilize any information on file in the state fire marshal's department and any of the employees of the commissioner and the commissioner may employ necessary assistants or contract for the services of assistants from the North Dakota insurance reserve fund using money from the reserves of the fund and incur necessary expenses that may be paid from the reserves of the fund.

SECTION 9. AMENDMENT. Subsection 2 of section 26.1-01-07 of the North Dakota Century Code is amended and reenacted as follows:

26.1-01-07. Fees chargeable by commissioner.

1. The commissioner shall charge and collect the following fees:
 - a. For filing articles of incorporation, or copies, or amendments thereof, twenty-five dollars.
 - b. For each original certificate of authority issued upon admittance and for each annual renewal thereof, one hundred dollars and for amendment to certificate of authority, or certified copy thereof, fifty dollars.
 - c. For issuing an annual reciprocal exchange license, the same fees as those applicable to the issuance of a certificate of authority in subsection 2.
 - d. For filing an annual report of a fraternal benefit society, and issuing a license or permit to the society, and for each renewal thereof, one hundred dollars.
 - e. For filing of articles of merger, or copies thereof, thirty dollars.
 - f. For filing an annual statement, twenty-five dollars.
 - g. For filing the abstract of the annual statement of an insurance company for publication, thirty dollars.
 - h. For an official examination, the expenses of the examination at the rate adopted by the department. The rates must be reasonably related to the direct and indirect costs of the examination, including actual travel expenses, including hotel and other living expenses, compensation of the examiner and other persons making the examination, and necessary attendant administrative costs of the department directly related to the examination and must be paid by the examined insurer together with compensation upon presentation by the department to the insurer of a detailed account of the charges and expenses after a detailed statement has been filed by the examiner and approved by the department.
 - i. For issuing a certificate to a domestic insurance company showing a compliance with the compulsory reserve provisions of this title and the maintenance of proper security deposits and for any renewal of the certificate, twenty-five dollars.
 - j. For a written licensee's examination not administered by the office of the commissioner under a contract with a testing service, the actual cost of the examination, subject to approval of the commissioner, which must be paid to the testing service.
 - k. For issuing a surplus lines insurance producer's or insurance consultant's license, one hundred dollars. For each annual renewal of a surplus lines insurance producer's or insurance consultant's license, twenty-five dollars.
 - l. For issuing an insurance producer's license, one hundred dollars.
 - m. For issuing a duplicate of any license or registration issued under this title, ten dollars.
 - n. For each insurance company appointment and renewal of an appointment of an insurance producer, ten dollars.
 - o. For each company application for admission, five hundred dollars, except applications for admission for county mutual, fraternal benefit, and surplus lines companies must be one hundred dollars.
 - p. For issuing a license and each annual renewal of a license to an insurance premium finance company, one hundred dollars.

- q. For examining or investigating an insurance premium finance company, the actual expense and per diem incurred; but the per diem charge may not exceed fifty dollars.
 - r. For issuing and each annual renewal of a license to an advisory organization, fifty dollars.
 - s. For filing an individual insurance producer licensing continuation, twenty-five dollars.
2. Nonprofit health service corporations and health maintenance organizations are subject to the same fees as any other insurance company. County mutual insurance companies and benevolent societies are liable only for the fees mentioned in subdivisions b, f, g, and ~~k~~ h of subsection 1.

SECTION 6. AMENDMENT. Section 26.1-23.1-01 of the North Dakota Century Code is amended and reenacted as follows:

26.1-23.1-01. Government self-insurance pools - Regulation - Reinsurance.

1. Any two or more entities that have united to self-insure against their legal liability under chapter 32-12.1 or any state agency that unites with another state agency or political subdivision, or both, to self-insure against their legal liabilities are subject to the provisions of this chapter with the exception of a city and its park district established pursuant to chapter 40-49. Government self-insurance pools may only provide coverage of the following types for pool members, their officers, employees, and agents:
- a. Casualty insurance, including general, public officials, and professional liability coverages.
 - b. Automobile insurance, including motor vehicle liability insurance coverage, security for motor vehicles owned or operated as required by chapter 26.1-41, and protection against other liability and laws associated with the ownership of motor vehicles and automobile physical damage coverages.
 - c. Property insurance, including inland marine coverage, money and securities coverage, and extra expense coverage. However, this subdivision does not authorize government self-insurance pools to write those types of insurance coverages offered by the state fire and tornado fund under the provisions of chapter 26.1-22 as they existed on December 31, 1988, unless a government self-insurance pool enters into a contract with the commissioner to provide services for the state fire and tornado fund under the provisions of 26.1-22-03.
 - d. Other coverages authorized by the commissioner and necessary to a pool's membership.
2. A government self-insurance pool may not expose itself to loss on any single risk or hazard in an amount exceeding ten percent of the amount of its admitted assets unless the pool obtains excess insurance or reinsurance with insurance companies approved for such business by the insurance commissioner.