

Introduced by

Industry, Business and Labor Committee

(At the request of the Insurance Commissioner)

1 A BILL for an Act to amend and reenact sections 26.1-22-02.1, 26.1-22-06.1, 26.1-22-10,
2 26.1-22-14, 26.1-22-15, and 26.1-22-19 of the North Dakota Century Code, relating to property
3 insured by the state fire and tornado fund; to provide an effective date; and to declare an
4 emergency.

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

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

8 **26.1-22-02.1. Insurance against indirect losses.**

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

13 **SECTION 2. AMENDMENT.** Section 26.1-22-06.1 of the North Dakota Century Code is
14 amended and reenacted as follows:

15 **26.1-22-06.1. Replacement cost appraisal required on state-owned property.**

16 Once every six years each state agency and institution shall obtain from the fund a
17 replacement cost appraisal on all buildings and fixtures and permanent contents under its
18 control which are insured at replacement cost. The fund shall determine the manner of
19 conducting the appraisal. Annually, except for any year an appraisal is conducted, the agency or
20 institution shall adjust the appraisal amount in the manner authorized by the fund.

21 **SECTION 3. AMENDMENT.** Section 26.1-22-10 of the North Dakota Century Code is
22 amended and reenacted as follows:

1 **26.1-22-10. Commissioner to provide insurance on buildings and personal property.**

2 1. Upon application the commissioner shall provide for insurance against loss by fire,
3 lightning, inherent explosion, windstorm, cyclone, tornado and hail, explosions, riot
4 attending a strike, aircraft, smoke, vehicles, or may insure any other risks of direct
5 physical loss, ~~all in the manner and subject to the restrictions of the standard fire~~
6 ~~insurance policy and standard endorsement, and no other hazards, in the fund, and~~
7 exclusions deemed necessary by the commissioner, on all buildings owned by the
8 state, state industries, political subdivisions, international peace gardens, and winter
9 shows, and the fixtures and permanent contents in such buildings, to the extent of not
10 to exceed the insurable value of such property, as the value is agreed to between the
11 commissioner and the officer or board having control of such property, or, in case of
12 disagreement, by approval through arbitration. The commissioner may allow ~~personal~~
13 property to be insured on a blanket basis.

14 2. All buildings and the contents of the buildings owned by the state mill and elevator
15 association, in lieu of coverage under this chapter, may, at the option of the industrial
16 commission, be insured by private insurance companies licensed to do business in
17 this state, against at least all the types of hazards insured against by the fund. If the
18 industrial commission exercises the option provided in this section, the commission
19 shall seek competitive sealed bids, shall invite the fund to submit a bid, and may reject
20 any or all bids received.

21 3. All public buildings owned by a political subdivision, in lieu of coverage provided for in
22 this section, may at the option of the governing body of the political subdivision be
23 insured on the basis of competitive sealed bids, through the fund which must be
24 invited to submit a sealed bid or private insurance companies licensed to do business
25 in this state, against damage resulting from hazards, which include those types of
26 hazards that may be insured against by the fund. The governing body may reject any
27 or all such bids.

28 4. All public libraries owned by the state or political subdivisions may, in addition to the
29 coverage provided for in this section, be covered against damage through vandalism.
30 If this coverage cannot be extended to the public libraries situated within this state, the
31 libraries may contract for this coverage with private insurance companies; provided,

1 that this coverage meets the recommendations of the insurance code of the American
2 library association.

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

5 **26.1-22-14. Assessments and reporting of premiums and losses.**

6 1. If the reserve balance is less than twelve million dollars, the commissioner shall
7 determine the amount of money necessary to bring the reserve balance up to twelve
8 million dollars. The commissioner then shall ~~then~~ levy an assessment against every
9 policy in force with the fund.

10 2. The assessment must be computed as follows:

11 a. The eighty percent or ninety percent coinsurance rate established ~~by the~~
12 ~~insurance services office~~ for each insured property for which that rate may be
13 applicable, and the full rate established for policies providing coverage against
14 indirect losses and for properties to which the eighty percent or ninety percent
15 coinsurance rate is not applicable ~~under the rules of the insurance services office~~,
16 must be applied to the amount of insurance provided in each policy and the result
17 of the application of the rate to the amount of insurance sets the tentative
18 assessment to be made against the policy.

19 b. The total of all tentative assessments must then be ascertained.

20 c. The percentage of the assessment necessary to restore the reserve balance to
21 the sum of twelve million dollars must then be computed and collected on each
22 policy; provided, that until the reserve balance reaches twelve million dollars, the
23 assessment must be in an amount determined by the commissioner but may not
24 exceed sixty percent of the rates set by the insurance services office for insured
25 property unless the reserve balance is depleted below three million dollars.

26 d. In case of a fractional percentage the next higher whole percent must be used in
27 such computation.

28 ~~The commissioner shall submit, not later than December thirty-first of every five-year period, all~~
29 ~~data concerning premiums written and losses incurred during the previous five-year period~~
30 ~~ending June thirtieth to the insurance services office so that the experience of the fund may be~~
31 ~~included in the computation of rates to apply to the classes of business written by the fund.~~

1 **SECTION 5. AMENDMENT.** Section 26.1-22-15 of the North Dakota Century Code is
2 amended and reenacted as follows:

3 **26.1-22-15. Collection of premiums and assessments.**

4 The commissioner, as soon as possible after providing for insurance coverage against any
5 indirect loss or loss of property belonging to the state, a political subdivision, an international
6 peace garden, or a winter show, shall certify to the insured the amount of premium or
7 assessment due. The certificate must give the name of the insured, the amount of insurance
8 written thereon, and the amount of the premium or assessment, and if applicable, the location
9 and description of the insured property. The proper officer shall remit to the commissioner the
10 amount of the premium or assessment within sixty days after the date of the certification. The
11 commissioner shall deposit the premiums and assessments with the state treasurer to the credit
12 of the fund. If the premiums or assessments are not paid within sixty days after the date on
13 which they are certified, ~~they shall bear interest at the rate of six percent per annum and~~
14 collection thereof may be enforced by appropriate action. The attorney general and the state's
15 attorney of the relevant county shall bring appropriate actions to enforce the collections of the
16 premium and assessment upon request of the commissioner. An enforcement judgment
17 obtained under this section must include a rate of six percent interest per annum. Payment of
18 the premiums or assessments certified pursuant to this section may be made by any state
19 department, officer, board, institution, or agency and by any political subdivision, out of any
20 available funds, notwithstanding that no specific appropriation or tax levy has been made
21 therefor.

22 **SECTION 6. AMENDMENT.** Section 26.1-22-19 of the North Dakota Century Code is
23 amended and reenacted as follows:

24 **26.1-22-19. Repair or replacement of destroyed buildings.**

25 If the commissioner and the insured agree that the fund shall repair or replace the building
26 destroyed or damaged, no repairs, rebuilding, or replacement may be undertaken by the
27 commissioner or any employees of the commissioner, ~~but if they are deemed necessary or~~
28 ~~proper in any case, they must be performed by independent contractors.~~ The cost of any
29 repairs, rebuilding, or replacements may not exceed the amount of the insurance carried upon
30 the particular risk.

31 **SECTION 7. EFFECTIVE DATE.** This Act becomes effective on July 1, 2021.

1 **SECTION 8. EMERGENCY.** This Act is declared to be an emergency measure.