

1999 HOUSE INDUSTRY, BUSINESS AND LABOR

HB 1175

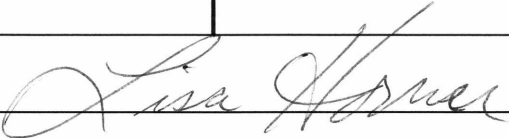
1999 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. HBO 1175

House Industry, Business and Labor Committee

Conference Committee

Hearing Date 1-26-99

Tape Number	Side A	Side B	Meter #
1		x	18.5
Committee Clerk Signature 			

Minutes:

HBO 1175 Relating to domestic insurance companies, incorporated mutual insurance companies, for examination requirements and relating to organization of a domestic mutual life insurance company.

Chairman Berg opened the hearing on the bill.

Mr. Larry Maslowski, Senior Analyst with ND Insurance Dept., testified in support of the bill.

(see attached written testimony)

Berg went on to say that with this bill other insurance aspects fall together. This bill ties in with HBO 2181 but if other bills don't pass, they will not affect this bill.

Page 2

House Industry, Business and Labor Committee

Bill/Resolution Number Hb 1175

Hearing Date 1-26-99

Mr. Tom Smith, Domestic Insurance Companies, testified in favor of the bill. This bill will bring everything into line as to statutory insurance.

Chairman Berg closed the hearing on the bill.

Moved by Representative Kempenich to amend bill, Second by Representative Klein

By voice vote, all yes, 0 no, amendment approved

Moved by Representative Klein for do pass as amended, Second by Representative Ekstrom

By roll vote, 13 yes, 0 no, 3 absent, motion passed.

Representative Martinson will carry the bill.

FISCAL NOTE

(Return original and 10 copies)

Bill/Resolution No.: HB 1175 Amendment to: _____

Requested by Legislative Council Date of Request: 1-4-99

1. Please estimate the fiscal impact (in dollar amounts) of the above measure for state general or special funds, counties, cities, and school districts.

Narrative:

The estimated fiscal impact to implement HB 1175 is \$16,461

Breakdown:	Computer systems development cost	\$ 3,308
	Paper, envelopes, printing	2,984
	Postage	11,169

Labor costs will be absorbed within existing budget.

2. **State** fiscal effect in dollar amounts:

	1997-99 Biennium		1999-2001 Biennium		2001-03 Biennium	
	General Fund	Special Funds	General Fund	Special Funds	General Fund	Special Funds
Revenues:	0	0	0	0	0	0
Expenditures:	0	0	0	\$16,461	0	0

3. What, if any, is the effect of this measure on the appropriation for your agency or department:

- a. For rest of 1997-99 biennium: None
- b. For the 1999-2001 biennium: increase of \$16,461
- c. For the 2001-03 biennium: None

4. **County, City, and School District** fiscal effect in dollar amounts:

1997-99 Biennium			1999-2001 Biennium			2001-03 Biennium		
Counties	Cities	School Districts	Counties	Cities	School Districts	Counties	Cities	School Districts
0	0	0	0	0	0	0	0	0

If additional space is needed, attach a supplemental sheet.

Signed Trent C. Heinemeyer

Typed Name Trent Heinemeyer

Department Insurance Department

Date Prepared: January 8, 1999

Phone Number 328-2440

PROPOSED AMENDMENTS TO HOUSE BILL NO. 1175

Page 5, line 12, remove the overstrike from "~~limited insurance~~"

Page 5, line 13, remove the overstrike from "~~representatives,~~"

Page 6, remove the overstrike from lines 4 through 9

Page 6, remove the overstrike from "~~6.~~"

Page 8, line 18, remove the overstrike from "~~act as a limited insurance representative~~" and
remove "write only a"

Page 8, line 19, remove "specific product type"

Page 8, line 26, after "~~that~~" insert "to market a specific product type"

Page 8, line 27, remove the overstrike from "~~the~~" and remove "an agent's"

Renumber accordingly

Date: _____
Roll Call Vote #: _____

1999 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. 1175

House Industry, Business and Labor Committee

Subcommittee on _____
or
 Conference Committee

Legislative Council Amendment Number _____

Action Taken do pass as amended

Motion Made By Klein Seconded By Ekstrom

Representatives	Yes	No	Representatives	Yes	No
Chair - Berg	/		Rep. Thorpe		
Vice Chair - Kempenich	/				
Rep. Brekke	/				
Rep. Eckstrom	/				
Rep. Froseth	/				
Rep. Glassheim	/				
Rep. Johnson	/				
Rep. Keiser	/				
Rep. Klein	/				
Rep. Koppang	/				
Rep. Lemieux	/				
Rep. Martinson	/				
Rep. Severson	/				
Rep. Stefonowicz	/				

Total (Yes) 13 No —

Absent 2

Floor Assignment Martinson

If the vote is on an amendment, briefly indicate intent:

REPORT OF STANDING COMMITTEE

HB 1175: Industry, Business and Labor Committee (Rep. Berg, Chairman) recommends **AMENDMENTS AS FOLLOWS** and when so amended, recommends **DO PASS** (13 YEAS, 0 NAYS, 2 ABSENT AND NOT VOTING). HB 1175 was placed on the Sixth order on the calendar.

Page 1, line 4, remove "26.1-26-02,"

Page 5, line 12, remove the overstrike over "~~limited insurance~~"

Page 5, line 13, remove the overstrike over "~~representatives,~~"

Page 5, remove lines 17 through 31

Page 6, remove lines 1 through 13

Page 8, line 18, remove the overstrike over "~~act as a limited insurance representative~~" and remove "write only a"

Page 8, line 19, remove "specific product type"

Page 8, line 26, after "~~that~~" insert "to market a specific product type"

Page 8, line 27, remove the overstrike over "~~the~~" and remove "an agent's"

Renumber accordingly

1999 SENATE INDUSTRY, BUSINESS AND LABOR

HB 1175

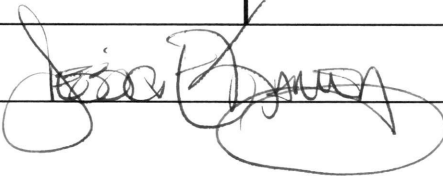
1999 SENATE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. HB1175

Senate Industry, Business and Labor Committee

Conference Committee

Hearing Date February 24, 1999

Tape Number	Side A	Side B	Meter #
1		x	4170-end
2	x		0-1000
Committee Clerk Signature 			

Minutes:

Senator Mutch opened the hearing on HB1175. All Senators were present,

Larry Maslowski testified in support of HB1175. His testimony is included. He proposed an amendment.

Tom Smith, Domestic Insurance Companies, testified in support of HB1175.

David Ryke, for Gary Thune, testified in support of HB1175.

Senator Mutch closed the hearing on HB1175.

Committee discussion took place.

Committee discussion took place on March 10, 1999.

Senator Klein motioned for a do pass with amendments committee recommendation on HB1175.

Senator Krebsbach seconded his motion. The motion carried with a 7-0-0 vote.

Senator Sand will carry the bill.

PROPOSED AMENDMENTS TO ENGROSSED HOUSE BILL NO. 1175

Page 1, line 1, after "sections" insert "26.1-01-07.5"

Page 1, line 2, after "to" insert "electronic filings"

Page 1, after line 10, insert:

"SECTION 1. Section 26.1-01-07.5 of the North Dakota Century Code is created and enacted as follows:

26.1-01-07.5. Electronic filings allowed. Any other provision of this title notwithstanding, the commissioner may promulgate rules that allow either an applicant or a licensee, at their option, to file documents electronically with the commissioner or the commissioner's designee. These rules may contain procedures for the electronic filing of the following:

1. Any document required as part of an application for a license under this title;
2. Any document required to be filed by an applicant or licensee in order to maintain the license in good standing;
3. Any fee required under this title; and
4. Any other document required or permitted to be filed.

Nothing in this section shall be interpreted to supercede any existing provision of statute or rule that requires the electronic filing of a document nor shall this section be interpreted to require an applicant or licensee to make any other filing electronically."

Renumber accordingly

Date: 3/10
Roll Call Vote #: 1

1999 SENATE STANDING COMMITTEE ROLL CALL VOTES
~~HOUSE~~ BILL/RESOLUTION NO. 1170

Senate INDUSTRY, BUSINESS AND LABOR COMMITTEE Committee

Subcommittee on _____
or
 Conference Committee

Legislative Council Amendment Number _____

Action Taken AMEND

Motion Made By HEITKAMP Seconded By KUEN

Senators	Yes	No	Senators	Yes	No
Senator Mutch	X				
Senator Sand	X				
Senator Krebsbach	X				
Senator Klein	X				
Senator Mathern	X				
Senator Heitkamp	X				
Senator Thompson	X				

Total (Yes) 7 No 0

Absent 0

Floor Assignment _____

SR474867

Date: 3/10

Roll Call Vote #: 1

1999 SENATE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. 1175

Senate INDUSTRY, BUSINESS AND LABOR COMMITTEE Committee

Subcommittee on _____
or
 Conference Committee

Legislative Council Amendment Number _____

Action Taken DO PASS AS AMENDED

Motion Made By KLEIN Seconded By KREBSBACH

Senators	Yes	No	Senators	Yes	No
Senator Mutch	X				
Senator Sand	X				
Senator Krebsbach	X				
Senator Klein	X				
Senator Mathern	X				
Senator Heitkamp	X				
Senator Thompson	X				

Total (Yes) 7 No 0

Absent 0

Floor Assignment SAND

REPORT OF STANDING COMMITTEE

HB 1175, as engrossed: Industry, Business and Labor Committee (Sen. Mutch, Chairman) recommends **AMENDMENTS AS FOLLOWS** and when so amended, recommends **DO PASS** (7 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING). Engrossed HB 1175 was placed on the sixth order on the calendar.

Page 1, line 1, after "enact" insert "a new section to chapter 26.1-01 and"

Page 1, line 2, after "to" insert "electronic filings,"

Page 1, after line 10, insert:

"SECTION 1. A new section to chapter 26.1-01 of the North Dakota Century Code is created and enacted as follows:

Electronic filings allowed.

1. Notwithstanding any other provision of this title, the commissioner may adopt rules that allow either an applicant or a licensee to file documents electronically with the commissioner or the commissioner's designee. The rules may contain procedures for the electronic filing of the following:
 - a. Any document required as part of an application for a license under this title;
 - b. Any document required to be filed by an applicant or licensee to maintain the license in good standing;
 - c. Any fee required under this title; and
 - d. Any other document required or permitted to be filed.
2. This section may not be interpreted to supersede any other provision of law that requires the electronic filing of a document or to require an applicant or licensee to make any other filing electronically."

Renumber accordingly

1999 TESTIMONY

HB 1175

**HOUSE BILL NO. 1175
TESTIMONY BEFORE THE HOUSE
INDUSTRY, BUSINESS AND LABOR COMMITTEE**

**LARRY MASLOWSKI
SENIOR ANALYST
NORTH DAKOTA INSURANCE DEPARTMENT**

The Problem

Insurance companies and agents sell many different types of products that fall into various categories or “lines” of insurance such as property and casualty, life, etc. Insurance companies and agents must be licensed for each “line” of insurance they wish to write. The existing lines of authority statutes have not been updated for many years. The existing lines of authority for companies and agents have major inconsistencies which create confusion for both regulators and the industry, causing additional administrative work for both when dealing with new requests for licensing which were not contemplated in this older statute. Also, as we move forward with the use of technology, it is necessary to work toward a more logical and uniform system. To illustrate, please refer to page 2 of this testimony. The top three columns show the key terms describing the lines of insurance for stock companies, mutual companies, and agents taken from the code. The bottom shows the proposed lines this bill would create.

In addition, if lines of authority are to be revised, it was necessary to clarify how this applies to mutual companies because there are mutual companies that are currently authorized under different chapters of the Century Code. This bill will address the necessary clarifications relating to mutual companies.

The Solution

The Department proposal set out in House Bill No. 1175 is to simplify and streamline the current lines of authority to five major categories for both companies and agents. Further, in order to provide the Department with the flexibility to meet the industry’s ever changing needs, particularly when dealing with the introduction of new products, we have requested authority to promulgate appropriate regulations.

Stock companies

Fire
Lightning
Cyclone
Tornado
Hail
Theft
Inland navigation &
transportation
Lives of persons
Accidental injuries
Annuities
Fidelity
Corporate suretyship
Automobile
fire
theft
property damage
liability
collision
Legal Expense
Any other hazard

Mutual companies

Fire
Lightning
Tornado
Property damage due to
fire
lightning
hail
tempest
flood
earthquake
frost or snow
explosion
inland transportation/
navigation
Automobile
collision
liability
burglary
theft
Liability
bodily injury
death
accident
disability
sickness
disease
Accidental death/
disability
Steam boiler
Interruption of trade
Legal expense
Miscellaneous

Agent

Life and annuity
Sickness & accident
Credit life
Credit accident & health
Fire/Allied lines
Vehicle liability
Vehicle physical damage
Comprehensive personal /
general liability
Marine/Transportation
Credit and mortgage guarant
Burglary
Theft
Crop
Bail Bonds
Fidelity/Surety
Homeowners
Farmowners multiperil
Commercial multiperil
Property/casualty sold with
credit transactions
Industrial fire
Legal expense
Variable annuity
Title

Proposed

Life and annuity
Accident and health
Property
Casualty
Variable life and annuity

Bill Summary

Section 1 – N.D. Cent. Code § 26.1-05-02 sets out the specific lines of authority that apply to a domestic stock company. The chapter is amended to reflect the change to five major lines of insurance and the general definition of each. They are as follows:

1. Life and annuity means insurance coverage on human lives including benefits of endowment, annuities, and credit life.
2. Accident and health means insurance coverage for sickness, disease, injury, accident death, and disability.
3. Property means insurance coverage for direct and consequential loss of or damage to property of every kind.
4. Casualty means insurance coverage against legal liability including that for death, injury, or disability or damage to real or personal property.
5. Variable life and annuity means insurance coverage provided under variable life insurance contracts, variable annuities, or any other life insurance or annuity that reflects the investment experience of a separate account.

Section 2 – This is a new section which would give the Department the authority to define specific insurance products which would fit within each of the five major categories of insurance. For example, the major line of “life and annuity” would contain the following products: credit life, deferred annuity endowment, immediate annuity, term life, universal life, and whole life to name a few. The Department does have a rough draft of the contemplated regulation pursuant to this provision. If the committee wishes, a copy of this draft can be provided.

Sections 3 and 13 - These proposed amendments to N.D. Cent. Code §§ 26.1-12-01 and 26.1-05-03 modify the lines of insurance domestic mutual insurance companies may write in North Dakota. In 1983, when the insurance codes were revamped, sections were moved around and the incorporated domestic mutual Chapter 26.1-12 was formed. This section allows incorporated mutual insurance companies to write business “as provided in this chapter”. Under this chapter, incorporated mutual insurance companies are allowed to write all lines of insurance except life insurance.

In contrast, only domestic mutual companies organized under N.D. Cent. Code Chapter 26.1-05 can write life insurance, but they are not entitled to write other lines of insurance.

In order to clear up this difference, we are proposing in Section 13 to delete N.D. Cent. Code § 26.1-05-03 that allows mutual companies to write life insurance only and move the authority to write life insurance to N.D. Cent. Code § 26.1-12-01. This change will allow all mutual insurance companies to write any line of insurance listed under N.D. Cent. Code Chapter 26.1-12, including life insurance.

Section 4 - The proposed amendment to N.D. Cent. Code § 26.1-12-06 deletes the language “or

chapter 26.1-05". This change is needed because of the changes mentioned in Sections 3 and 13 above. Since all mutual companies will be governed by N.D. Cent. Code Chapter 26.1-12, any requirements relating to mutual companies would be found in this chapter. There would be no need to refer back to N.D. Cent. Code Chapter 26.1-05.

Section 5 – N.D. Cent. Code § 26.1-12-11 sets out the specific lines of authority that apply to a mutual insurance company. The chapter is amended to reflect the five major lines of insurance with the general definition of each. The five lines are the same as described above in the Section 1 changes for stock companies.

Section 6 – This is a new section which states that the product types of the five major categories for mutual companies will be the same as those promulgated pursuant to the new authority under Section 2 of this bill for stock companies.

Section 7 - N.D. Cent. Code § 26.1-26-01 provides the state with the authority to license agents, brokers, consultants, and surplus lines brokers. This section is amended to clarify that the authority to license in this chapter pertains to all lines of insurance including prepaid legal service organizations and health maintenance organizations.

Section 8 – N.D. Cent. Code § 26.1-26-02 is amended by deleting the definition for an obsolete entity called a “limited insurance representative”. The term as defined is no longer used and no such licenses are in place.

Section 9 - N.D. Cent. Code § 26.1-26-11 of the agent licensing chapter currently has 19 lines of authority. This section is amended by replacing the older version of insurance lines with the new five major categories and stating that the product types for these lines will be promulgated pursuant to the authority set forth in Section 2 in this bill.

Section 10 – N.D. Cent. Code § 26.1-26-11.1 is a new section which permits the Department the authority to promulgate rules defining the licensing procedures and requirements specific to each line of insurance and to each product type within each line of insurance for use with agent licensing.

Section 11 – N.D. Cent. Code § 26.1-26-25 provides authority to require examinations for purposes of agent licensing. This amends this section of the agent licensing statute. The changes in this section permit specific exceptions to examination requirements.

Page 8, lines 13, 16, and 17, are editorial changes needed when changing the number of major categories from 17 to 5.

Page 8, line 18, subsection 6, is amended to remove specific product types from the statute and to clarify that the Department has the authority to exempt applicants from examination requirements for certain product types. The products of baggage and limited travel accident are being removed from the statute, but will appear in regulation. By moving this to the regulation, the Department can be more responsive to the industry when new product types of this kind are introduced which do not require the standard high level of competency or expertise in order to be licensed.

Page 8, line 29, is a new subsection 7 created to permit the Department the authority to reduce examination requirements for certain specific product types. For example, there are agents who want to market only a specific product such as crop hail or credit life and have no intention of marketing any other products. This new provision would provide the Department the flexibility, if necessary, to reduce the examination requirement. Thus, the crop hail only agent would not have to take the full battery of tests a full line property and casualty agent would have to take. Current tests are very broad covering a wide variety of products and not just crop hail.

Section 12 – N.D. Cent. Code § 26.1-26-31.1 sets forth the general requirements for continuing education. This is amended to include the language “specific product type” in keeping with the overall changes being proposed in this bill.

Section 13 – Section 26.1-05-03 is being repealed (refer to Section 3 for explanation).

Section 14 – The effective date of this bill is proposed for July 1, 2000. The insurance industry has requested that new legislation that has a potential to impact company systems be delayed until after January 1, 2000, in light of the concerns and resource issues involving the Y2K problem. Also, the Department needs adequate lead time for internal system changes and proper notification to companies and agents to accommodate the new approach.

Amendments to Proposed Bill

The Department has determined that some proposed changes in Sections 7, 8, and 11 are inconsistent with provisions in Senate Bill No. 2181. This amendment corrects House Bill No. 1175.

Should Senate Bill No. 2181 not pass and if House Bill No. 1175 would pass, the amended language would be correct as follows:

“An applicant for a license to act as a limited insurance representative may be licensed without examination to market a specific product type if the commissioner finds by rule the specific product type does not require the same professional competency demanded for other product types.”

**HOUSE BILL NO. 1175
TESTIMONY BEFORE THE SENATE
INDUSTRY, BUSINESS AND LABOR COMMITTEE**

**LARRY MASLOWSKI
SENIOR ANALYST
NORTH DAKOTA INSURANCE DEPARTMENT**

The Problem

Insurance companies and agents sell many different types of products that fall into various categories or "lines" of insurance such as property and casualty, life, etc. Insurance companies and agents must be licensed for each "line" of insurance they wish to write. The existing lines of authority statutes have not been updated for many years. The existing lines of authority for companies and agents have major inconsistencies which create confusion for both regulators and the industry, causing additional administrative work for both when dealing with new requests for licensing which were not contemplated in this older statute. Also, as we move forward with the use of technology, it is necessary to work toward a more logical and uniform system. To illustrate, please refer to page 2 of this testimony. The top three columns show the key terms describing the lines of insurance for stock companies, mutual companies, and agents taken from the code. The bottom shows the proposed lines this bill would create.

In addition, if lines of authority are to be revised, it was necessary to clarify how this applies to mutual companies because there are mutual companies that are currently authorized under different chapters of the Century Code. This bill will address the necessary clarifications relating to mutual companies.

The Solution

The Department proposal set out in House Bill No. 1175 is to simplify and streamline the current lines of authority to five major categories for both companies and agents. Further, in order to provide the Department with the flexibility to meet the industry's ever changing needs, particularly when dealing with the introduction of new products, we have requested authority to promulgate appropriate regulations.

Bill Summary

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2. Accident and health means insurance coverage for sickness, disease, injury, accident death, and disability.
3. Property means insurance coverage for direct and consequential loss of or damage to property of every kind.
4. Casualty means insurance coverage against legal liability including that for death, injury, or disability or damage to real or personal property.
5. Variable life and annuity means insurance coverage provided under variable life insurance contracts, variable annuities, or any other life insurance or annuity that reflects the investment experience of a separate account.

Section 2 – This is a new section which would give the Department the authority to define specific insurance products which would fit within each of the five major categories of insurance. For example, the major line of “life and annuity” would contain the following products: credit life, deferred annuity endowment, immediate annuity, term life, universal life, and whole life to name a few. The Department does have a rough draft of the contemplated regulation pursuant to this provision. If the committee wishes, a copy of this draft can be provided.

Sections 3 and 12 - These proposed amendments to N.D. Cent. Code §§ 26.1-12-01 and 26.1-05-03 modify the lines of insurance domestic mutual insurance companies may write in North Dakota. In 1983, when the insurance codes were revamped, sections were moved around and the incorporated domestic mutual Chapter 26.1-12 was formed. This section allows incorporated mutual insurance companies to write business “as provided in this chapter”. Under this chapter, incorporated mutual insurance companies are allowed to write all lines of insurance except life insurance.

In contrast, only domestic mutual companies organized under N.D. Cent. Code Chapter 26.1-05 can write life insurance, but they are not entitled to write other lines of insurance.

In order to clear up this difference, we are proposing in Section 12 to delete N.D. Cent. Code § 26.1-05-03 that allows mutual companies to write life insurance only and move the authority to write life insurance to N.D. Cent. Code § 26.1-12-01. This change will allow all mutual insurance companies to write any line of insurance listed under N.D. Cent. Code Chapter 26.1-12, including life insurance.

Section 4 - The proposed amendment to N.D. Cent. Code § 26.1-12-06 deletes the language “or

marketing any other products. This new provision would provide the Department the flexibility, if necessary, to reduce the examination requirement. Thus, the crop hail only agent would not have to take the full battery of tests a full line property and casualty agent would have to take. Current tests are very broad covering a wide variety of products and not just crop hail.

Section 11 – N.D. Cent. Code § 26.1-26-31.1 sets forth the general requirements for continuing education. This is amended to include the language “specific product type” in keeping with the overall changes being proposed in this bill.

Section 12 – Section 26.1-05-03 is being repealed (refer to Section 3 for explanation).

Section 13 – The effective date of this bill is proposed for July 1, 2000. The insurance industry has requested that new legislation that has a potential to impact company systems be delayed until after January 1, 2000, in light of the concerns and resource issues involving the Y2K problem. Also, the Department needs adequate lead time for internal system changes and proper notification to companies and agents to accommodate the new approach.

Proposed Amendment to House Bill No. 1175

This morning we wish to propose an amendment to House Bill No. 1175. The purpose of this amendment is to provide the Insurance Department with the statutory authority to develop an electronic filing capability for those companies wishing to interact with the Department electronically when performing various activities such as licensing and appointing of agents, or any filing required to keep a license in good standing such as the filing of annual statements.

Technology is rapidly changing the world we live in. The insurance industry is actively encouraging state insurance departments to make better use of technology in order to create new efficiencies for the benefit of the industry, the states, and the insurance buying public.

The North Dakota Insurance Department is working closely with the insurance industry to bring about these new efficiencies with this amendment. The Insurance Department will be able to implement an electronic filing capability *for these companies that wish to* license or appoint agents in North Dakota electronically. This amendment makes it clear that this will not be required of any company, but will be available as a service to those companies that wish to use it.

Finally, it is important to point out that this provision does *not* affect certain provisions already in place, which require companies to file either electronically or via diskette. N.D. Admin. Code §§ 45-03-15-03 and 45-03-15-04 require annual statements to be filed either electronically or via diskette and this requirement would be unaffected by the passage of this amendment.